

**Statement of Adam S. Boehler, CEO,
U.S. International Development Finance Corporation
House Appropriations Subcommittee on State and Foreign Operations, and Related
Programs
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Introduction

Chairwoman Lowey, Ranking Member Rogers, Members of the Subcommittee, thank you for this opportunity to discuss the United States International Development Finance Corporation's (DFC) Fiscal Year (FY) 2021 Budget Request.

The United States International Development Finance Corporation became operational on December 20, 2019, propelled by bipartisan support in Congress and the support of the President. As a newly modernized agency, our mission is to invest with private sector partners to advance the interests of the American people through development in emerging markets. Whether it's increasing access to water, closing the financing gap for women entrepreneurs, or building quality infrastructure to move developing economies forward – DFC works hand-in-hand with U.S. government partners and the private sector to finance innovative solutions to the most critical development challenges.

I have traveled to 15 countries across Latin America, Asia, Africa, and the Middle East in my first five months as the head of DFC. Many of the nations I've visited face economic uncertainty, poverty, and predatory investment by autocratic governments and, yet, these countries and their people hold enormous potential. I've personally seen how unleashing the power of the private sector advances U.S. interests and transforms the lives of people throughout the world.

I've also witnessed the great demand for American leadership abroad, which Congress passed, and the President signed the Better Utilization of Investments Leading to Development (BUILD) Act. As an organization, we're excited to take on this tremendous responsibility and deliver on your development mandate to invest in some of the most challenging but promising countries in the world.

A strong, well-resourced DFC can complement and amplify foreign assistance efforts undertaken daily by our partner agencies such as USAID, the Department of State, and the Millennium Challenge Corporation (MCC). Together, we can foster sustainable economic growth, project American values globally, and advance our foreign-policy objectives.

The FY2021 request for DFC is \$836 million. The request consists of nearly \$134 million in administrative support, \$2 million for a new DFC Inspector General, and \$700 million for the DFC programming. FY 2021 will mark our first full year of operations, and we are focused on meeting the requirements and intent of the BUILD Act so as to ensure that the United States is well equipped to both meet development challenges, promote more transparent and resilient institutions, and compete effectively with the investment initiatives of malign actors.

This budget request will ensure that we strengthen our core capabilities to ultimately improve development outcomes worldwide. With the time allotted today, I'd like to talk about the status of our transition to DFC as well as the opportunities that lie ahead for us as the world's leader in development finance.

DFC's New Capabilities

Signed into law on October 5, 2018, the BUILD Act consolidated the Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA), while modernizing U.S. financial tools for the 21st Century. DFC will continue and expand upon the work of its predecessor agencies to issue insurance, make loans and guarantees, and provide financing to investment funds.

In addition to these core programs, the BUILD Act provides DFC with a number of new tools. Among the most important changes is equity authority, which will expand our ability to mobilize the private sector toward development and foreign policy goals as well as to compete with geopolitical rivals. Equity investment is a valuable tool to drive highly developmental and highly strategic outcomes for our nation.

The BUILD Act has also established a number of other new and important products, including feasibility studies and technical assistance. These are critical to increasing our development impact by improving the speed with which some projects can go from early stage idea to a bankable project, helping address development and foreign policy priorities more quickly.

In all that we do, we will be guided by the three key aims set out for DFC by Congress: promoting and enabling private sector investment for development, advancing U.S. foreign policy interests, and managing taxpayer risk.

A Renewed Focus on Development

When Congress established DFC, it intentionally included the word "development" in the name to reinforce our core mission. Congress also created a new Chief Development Officer (CDO) position. The CDO is responsible for focusing the entire agency on driving measurable impact and ensuring that DFC's portfolio supports our interagency colleagues' development goals and meets its own development mandate at the strategic level. I am thrilled that Andrew Herscowitz was approved by DFC's Board of Directors to serve as the agency's first CDO. Andy brings extensive experience in international development from a variety of roles working with USAID and across the government, most recently serving as Coordinator of the Power Africa initiative leading the U.S. Government's efforts to double access to electricity in Sub-Saharan Africa.

The DFC team is already making progress on our development mandate by creating new tools and enhancing both promising and proven programs. With extensive development community input, including from USAID and MCC, we created a new, state-of-the-art framework for evaluating development impacts. We will use the new Impact Quotient (IQ) framework to calculate a score based on each project's projected and actual contribution to

economic growth, inclusion, and innovation. The score will be adjusted for environmental, social, or development risks and impacts. Utilizing IQ, DFC will collect baseline, projected, and actual data to measure each project's progress toward its development objectives.

DFC recently launched an initiative called the Portfolio for Impact & Innovation (PI2), an amplified initiative to finance early-stage, high-impact social enterprises with innovative solutions to challenges facing the developing world. Early-stage social enterprises typically face challenges accessing credit due to their relative size, short track record, and novel approaches. These types of projects can also deliver highly impactful and innovative solutions, and will now be eligible for up to \$10 million in financing through PI2. PI2 aims to address the financing shortfall by leveraging DFC's enhanced tools, resources, and flexibility to finance these ventures and deliver life-changing goods and services to those most in need. I am very excited about this expanded initiative that places development impact at the very heart of projects. With dual goals of financing highly developmental projects and serving as an engine for innovation, PI2 demonstrates DFC's commitment to developing efficient products private for investors and showcasing that smaller deals can produce outsized impact.

DFC has made it a priority to promote women's economic participation. Development experience shows that when a woman earns an income, she reinvests that money in her family and community. These investments accelerate gains across the full development spectrum, from preventing conflict to improving food security to expanding economic opportunity. Sadly, some societies choose to ignore half their workforce and overlook the powerful impact of bringing women into the economy. In the inaugural year of the DFC's 2X Women's Initiative, we catalyzed over \$1 billion in investments aimed at empowering women-owned, women-led, and women-supporting enterprises in emerging markets. We have expanded this program alongside our interagency and international partners, collectively mobilizing over \$2.5 billion through the G7 2X Challenge. We are also working closely with interagency partners through the Women's Global Development and Prosperity (W-GDP) Initiative to identify new opportunities to use our tools to advance global women's economic empowerment.

DFC: Investing in Development and Advancing Foreign Policy

In crafting the BUILD Act, Congress recognized that DFC could play a key role in advancing U.S. foreign policy creating economic opportunities for citizens in developing countries, including in fragile and conflict-affected areas, and promoting an alternative to predatory finance.

Predatory investors can weaken confidence in democratic and free-market systems, saddle countries with unsustainable debt, erode sovereignty, and ignore the needs of local communities. This approach stands in stark contrast to what DFC offers. We support infrastructure projects that are developmentally and financially sound, without displacing the private sector, and we support small and medium-sized enterprises (SMEs), enabling entrepreneurship often ignored by state-led competitors.

DFC proves the United States' comparative advantage over non-transparent financing models supported by some countries by highlighting transparency in procurement processes, free-market economic principles, financial sustainability, high environmental, social, and worker rights

standards, and a willingness to invest in SMEs. Our engagement with the private sector spurs sustainable development, achieves better outcomes, and leverages the vast resources of commercial enterprise throughout the world. Alongside our government and international partners, the U.S. approach to development finance seeks to uplift societies, building stable and prosperous futures for their citizens. DFC investments support transparent, competitive markets and the rule of law.

Enhanced Opportunities for Cooperation and Partnership

The BUILD Act provides a chance to innovate, lean forward, and leverage the work that other U.S. agencies and development partners are carrying out to build robust private sectors abroad. We work best when we work together, and these strategic collaborations will amplify our collective impact.

DFC is now firmly a part of the broader foreign policy architecture of the U.S. Government, and we appreciate the support of other agencies to bring Congress's vision to fruition. The BUILD Act reinforces greater connectivity with our colleagues at USAID and State, allowing us to expand our local presence with their global platforms to leverage their relationships, expertise, and long-term engagement in a country. That connectivity also helps ensure projects we support are fully aligned with development and foreign policy objectives. With State Department support, we are positioning nine total DFC regional personnel throughout Asia and Africa. We recognize the value of having representatives on the ground in geostrategic locations. In-country staff enables greater synergy with other U.S. agencies and allies, and it forges stronger relationships with local political and business leaders.

DFC, as part of U.S. development efforts, complements a diverse set of U.S. foreign policy tools and traditional assistance efforts. USAID and others are instrumental partners in creating stability in countries with inadequate government capacity and weak economic fundamentals, especially in the face of humanitarian, disaster, and health emergencies. The work of State, USAID, MCC, and others create an important enabling environment that permits DFC to maximize our impact. At the same time, our work helps mobilize private sector funds and innovation to help achieve their goals.

The BUILD Act also sets the stage for us to deepen our cooperation with other partners and allies. We have formal relationships with our closest regional partners: Japan and Australia, the African Development Bank, the Inter-American Development Bank, and many others. Strategic collaboration on financing, technical assistance, and development impact will be instrumental in making our investments more impactful. We share on-the-ground expertise and implement deals with a growing cadre of well-respected allies – something opaque competitors cannot offer.

Our partnerships are vital, above all else, in promoting shared values and international norms. DFC and the State Department are spearheading the U.S. Government's Blue Dot Network initiative that will bring together governments, the private sector, and civil society to promote shared standards for global infrastructure development. By proposing a common standard of project excellence, the Blue Dot Network will attract private capital to infrastructure projects in developing and emerging economies that are accountable, socially, and environmentally sustainable, market-led, transparent and viable, and inclusive.

FY2021: A Year of Growth and Expansion

We very much appreciated the first DFC appropriations enacted in December for Fiscal Year 2020, which allowed us to open our doors and complete our transition last month. Thank you.

As we scale our operations in FY 2021 to deliver on the BUILD Act's promises, the Administration is requesting the resources necessary to make DFC's model of public-private partnerships a more impactful tool of U.S. foreign policy. Congress has doubled our portfolio cap to \$60 billion and entrusted DFC with additional responsibilities. DFC, like OPIC and USAID's Development Credit Authority before it, has an incredible team of dedicated development finance professionals. The request of \$133.7 million for FY 2021 administrative expenses and project-specific transaction costs will allow us to meet the mandate given to us by Congress and deliver on DFC's expanded role. DFC, State, and USAID are also taking steps to enhance cooperation and training opportunities and leverage the U.S. government's global footprint. To build on this collaboration, the request anticipates that overseas posts, missions, and regional bureaus will transfer \$50 million to the DFC to support interagency goals using DFC tools.

Additionally, the request includes \$700 million in program funds to scale up our business lines and support the full suite of our financial tools. These funds will support an expansion in our traditional lending products to more developmental markets as well as a suite of equity products and the technical assistance enabled by BUILD.

Importantly, DFC positions the United States to project American values and provide an alternative to the financing model offered by competitor governments. As this Committee recognizes, the amount these governments have planned is staggering – putting perhaps as much as \$1 trillion into shaping the developing world. The good news I've brought back from my travels is that developing countries are searching for an alternative to the type of capital that can often leave them worse off. This request answers that call.

Conclusion

Madam Chairwoman, the complexity of the issues we now face will require concerted action from the diplomatic, private sector, and development communities. I appreciate the insight of Congress in passing the BUILD Act. The strong support of Congress and this Administration indicates that investment in development is not a partisan issue but an American priority. The U.S. International Development Finance Corporation, when combined with the efforts of our USG partners, is an unparalleled tool for lifting lives out of poverty, strengthening free communities, and laying the groundwork for modern economies around the world. Our efforts cannot happen without the continued leadership and support of this Committee.

Thank you, and I look forward to answering your questions.

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