Statement of the Honorable Scott A. Nathan

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before the

U.S. House of Representatives

Committee on Foreign Affairs

"Reviewing DFC's Efforts to Out Compete China's BRI"

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Thank you Chair McCaul and Ranking Member Meeks, as well as all the members of the Committee, for giving me this opportunity to discuss what DFC is doing to out-compete the PRC and other strategic competitors.

I want to thank Congress and especially this committee for its continued support of DFC. Since Congress established DFC, we have used the tools you provided us to deliver on the BUILD Act's mandate to increase the development and strategic impact of our investments around the world.

DFC financing for the private sector enables reliable access to energy and supports high-quality infrastructure, including safe and secure digital connectivity. We are investing to strengthen health and food systems while also supporting the small businesses that are vital to generating jobs and opportunity.

We need to show up and offer our partners a choice based on our values and on private enterprise, so they don't feel trapped into accepting the offerings of our strategic competitors or authoritarian governments – too much debt and projects that aren't needed or are of poor quality. In the nearly five years since Congress created it, DFC has made great progress in this regard.

Last year, DFC committed a record $9.3B across 132 transactions, nearly double our FY20 total. By mobilizing additional private capital, our investments are making an impact, driving economic development where it's needed most, and advancing U.S. strategic objectives.

We are investing to build roads, ports, airports, and other large-scale infrastructure projects in the developing world. For example, we have committed $553M to support the construction of a new container terminal in Sri Lanka – a critical transshipment point for the Indian subcontinent – to promote the free flow of goods across key trade routes across the Indo-Pacific.

DFC is also promoting energy security by helping to diversify Eastern European energy supplies with large-scale projects in Poland, Moldova, Bulgaria, Georgia, and Greece. All these projects have helped the region shift away from its dependence on Russian gas.

We are focused on securing the critical inputs and supply chains for the industries of the future, investing $150M in graphite production in Mozambique, $50M for rare earth oxides in South Africa, and almost $1B for multiple solar panel manufacturing facilities in India, to ensure no one country has a chokehold on price and availability.

Wherever we go, DFC works to ensure our projects meet the needs of local communities. From our $20M commitment for cold-storage solutions in Africa to our $33M loan to build grain silos in India, we met our $1B food security objective in FY23, years ahead of schedule, and have since doubled our goal.

We are investing to improve public health through improvements to local health infrastructure, including our $10M loan to expand distribution of liquid oxygen across Kenya. At the same time, we are taking steps to boost pandemic preparedness. In December, we announced we are expanding our $1B loan facility with Gavi to include vaccines for routine childhood illnesses as well as potential future outbreaks.

And we remain committed to helping small businesses get access to the capital they need to thrive, with a focus on ensuring that under-represented groups benefit from our investments. For instance, in FY23, $2.5B of our commitments supported economic empowerment for women and other underserved communities.

DFC has active projects in 112 countries, but our primary focus is the world's poorest countries. In FY23, nearly three quarters of our projects were in low- and lower middle-income countries.

At DFC, we see the growing importance of the Indo-Pacific and have tripled our portfolio in the region in the last 3 years. This includes over $4B in commitments in India, but also substantial increases in Nepal, Sri Lanka, and Indonesia, amongst others.

Africa, however, remains DFC's largest market, with over $11B in commitments. DFC has successfully differentiated itself from the predatory practices of the PRC and other competitors, and we are continually on the lookout for further opportunities to work with the private sector in the dozens of countries where we work on the continent.

In the Western Hemisphere, DFC sees great potential for partnership. DFC investment in this region can help create stable economies and local jobs. Our loan portfolio guarantees extend access to capital to small businesses, creating opportunity and local jobs, helping to address some of the underlying causes of migration.

And in Europe, we have continued to respond to Russia’s war against Ukraine. Our over $1B in commitments in Ukraine are helping to keep the private sector going at this critical moment while laying the groundwork for long-term economic recovery.

To maximize impact, DFC partners with our peer development finance institutions to advance shared priorities. Just recently, we have reaffirmed our commitments with our counterparts in the Republic of Korea and Japan; we have announced a new collaborative framework – the Americas Partnership Platform – with the Inter-American Development Bank Group’s private investment arm; and entered into a new compact with Taiwan’s development finance institution.

And we work closely with our interagency partners to coordinate efforts in support of broader foreign policy goals.

I am proud of this track record, but I know that DFC can do much more. The global demand for high-quality, high-standard development finance far outstrips the supply. We want to do more projects and have deeper collaboration, broader reach, more meaningful impact, and better metrics.

For FY25, the Administration requests a budget of $1.008 billion for DFC, to empower this agency to better meet its mission. The FY25 request includes $763.4M in program funds, that would allow us to grow our overall portfolio and continue supporting strategic and developmental projects around the world.

The request would extend our fee authority, giving us the ability to use fees collected from clients to pay for project-specific transaction costs. Not only will this be beneficial to taxpayers by allowing us to shift upfront costs to clients, it will also create an incentive for their projects to reach completion on schedule.

The budget request also includes administrative expenses of $245M. This funding underpins all the work DFC does around the world, and it is our hope that the small increase in our operating budget will help us become a more capable, efficient organization. DFC has already taken many steps to improve its structure along a sector-based approach, and we are seeking additional resources from Congress to build upon this progress.

The FY25 budget requests additional resources to attract and retain the talented and highly in-demand workforce that DFC needs. Growing our deal origination, processing, and monitoring teams will enable greater impact.

We have just begun to build out our overseas presence and we are still massively underrepresented in the markets where we work compared to our peers and competitors. DFC's six existing full-time-equivalent staff overseas have proven essential to the targeted sourcing of projects that advance sector priorities. By FY25, DFC will have fully taken on the cost of staffing its existing overseas offices in Africa and Asia, at an annual cost of $4.8M. With the support of Congress, DFC hopes to prudently expand its overseas footprint.

The complexity of DFC transactions requires significant resources to be devoted to monitoring them long after they are first originated. This budget request will provide us with the business and legal resources needed to keep pace with growth and perform effective oversight.

All these improvements will put strain on DFC's IT infrastructure. The FY25 budget includes funding to support modernization of our IT systems and enhanced cybersecurity amid growing threats.

Finally, a high priority for DFC is working with Congress to pass a reauthorization bill for the agency. We see this as an opportunity to reaffirm the goals of the BUILD Act and make improvements. We have been talking with Members and their staff and look forward to continuing the conversation on key issues.

These include fixing the budgetary treatment of equity, to make full use of this important tool Congress gave us; changing country eligibility, to bring us in line with our peer development finance institutions; and raising the maximum contingent liability, so we can increase our deal flow and better keep pace with our competitors.

We want to use reauthorization to fix these issues and best position DFC to meet the challenges of this current moment. We are eager to work with Congress to chart the best path forward for DFC.

Thank you and I look forward to your questions.