

**Written Testimony of former Congressman Theodore Scott Yoho**  
**House Foreign Affairs Subcommittee on International Development**  
**December 13, 2022**

I want to begin by thanking Chairman Castro and Ranking Member Malliotakis for the opportunity to testify before the Subcommittee today. During my eight years in Congress, some of my most meaningful work was on this committee, where I was given the honor by then Chairman Ed Royce to serve as the Chairman of the Asia-Pacific Subcommittee. I also had the opportunity to serve as the Co-Chair of the Congressional Caucus on Effective Foreign Assistance, alongside my good friend Adam Smith from Washington- so I know about the importance of driving critical aid reforms. I believe that strong and bipartisan foreign policy is fundamental to achieving a prosperous and secure America- and I so appreciate your leadership of this subcommittee.

Effective foreign assistance programs advance American interests through increased global stability and security and the forging of new economic ties with our international partners. Traditional public sector aid alone, however, is unlikely to transform developing economies and to achieve broad-based, sustainable development when access to capital remains a critical limiting factor for economic growth. It was for these reasons that I was drawn to the mission of the Overseas Private Investment Corporation (OPIC). When I first encountered OPIC, it was clear to me that it was a very effective agency, but that it was severely constrained by outdated authorities and limited staff.

Therefore, during the 115th Congress, I worked with Members of this committee and current House Armed Services Committee Chairman Adam Smith to draft and advance the Better Utilization of Investment Leading to Development (BUILD) Act, which created the U.S. International Development Finance Corporation or DFC. Recognized as one of the most significant reforms to U.S. foreign assistance in decades, the establishment of the DFC was intended to advance the dual purposes of expanding development impact and supporting U.S. foreign policy.

The DFC's predecessor organization, OPIC, lacked many of the financial tools of its peer Development Finance Institutions (DFIs), including equity investment authority, lending in local currency and the authority to provide limited grants and technical assistance to unlock larger investments. In addition to providing these critical financial tools and authorities and to doubling the agency's global lending cap, the BUILD Act also included a number of provisions to increase the development focus and mandate of the DFC. Among other provisions designed to enhance the development impact of the DFC, the BUILD Act included the following new directives and authorities:

1. Increased investment focus in low-income and lower middle-income countries, where the need for access to finance and improved development is greatest
2. Establishment of a new Chief Development Officer position to oversee the development focus of the IDFC
3. Appointment of USAID Administrator as the Vice Chair of the DFC board
4. Establishment of a new Development Advisory Council to advise the DFC board on the agency's development mission and objectives
5. Transition from the 25 percent U.S. nexus requirement to a new U.S. preference policy

Since its launch in the beginning of 2020, the DFC has emerged as a vital component of U.S. development and foreign policy. The DFC has more than doubled OPIC's annual investment level, totaling more than \$7 billion during the last fiscal year. At the same time, DFC has significantly expanded its investments in the health, agriculture and energy sectors, as well as its support for women's economic empowerment through the 2X initiative.

More work for Congress remains, however, to help the DFC achieve its full potential. Congress must ensure that the DFC is provided with the full equity investment authority and capacity that was included in the BUILD Act. The BUILD Act authorized equity investments up to 35 percent of the DFC's total investment portfolio. However, due to the challenges associated with cash-basis scoring of equity investments, only 7 percent of the DFC's \$7.4 billion of investments in FY22 were equity investments. The reason that the BUILD Act put such a high priority on equity investments is that they are absolutely critical both to enhancing the DFC's development impact and to advancing U.S. foreign policy through increased co-investments with DFI partners. Likewise, the DFC must scale up its use of technical assistance in order to develop new investment pipelines and to support transactions that provide the greatest development impact potential. Finally, the DFC's needs to adopt a posture of greater risk tolerance and to redouble efforts to collaborate with other DFIs and MDBs to share risk and to achieve scale that the DFC cannot accomplish alone.

I also want to commend Chairman Castro and Congressman Brian Fitzpatrick for their introduction of The Enhancing Development Finance Corporation Oversight Act, which will provide the DFC's Office of Inspector General with the needed law enforcement authorities to identify and eliminate waste, fraud, and abuse. I found during my time in Congress that well-functioning department and agency inspector generals play a vital role ensuring the proper use of taxpayer resources.

While serving in Congress, I also was a strong champion of the Millennium Challenge Corporation (MCC), which has the mission of eradicating poverty through economic growth. The MCC rewards partner countries that demonstrate strong commitment to democracy, civil liberties and free market economies, and the MCC is consistently recognized as one of the most

transparent and effective foreign aid agencies in the world. Both the DFC and the MCC prioritize moving our international partners from an aid to a trade relationship. I applaud Chairman Castro and your colleagues in Congress for taking legislative action to enable the MCC to operate in more countries, so that it's unique model can be fully utilized.

I also supported a number of international organizations during my time in Congress, including Gavi (the Vaccine Alliance), the Coalition for Epidemic Preparedness Innovations and the Global Innovation Fund (GIF). Each of these organizations provides strong value for money to the U.S. taxpayer through their alignment with U.S. Government foreign assistance priorities, their proven records of results, and effective burden sharing with other donors. I introduced the Multilateral Aid Review Act during my tenure in Congress to ensure that we make multilateral investment decisions on these very criteria.

I also believe that when it comes to U.S. participation in the United Nations and the World Bank Group, we must do a much better job of matching our sizeable contributions with commensurate leadership and influence within these organizations. China and other competitors to the United States have been very adept at wielding their influence within these institutions, and the best way to combat that malign influence is through stronger leadership from United States across the UN and World Bank systems.

Two other areas of focus for me during my tenure in Congress were global health security and global food security. With the COVID-19 pandemic and the worsening global food security and malnutrition crisis, U.S. leadership is more important than ever. On the global health front, I believe that USAID and our other development agencies must place a greater emphasis on research and development in order to advance the tools we need to address serious threats such as zoonotic disease and anti-microbial resistance. In my view, USAID should have dedicated funding for global health research and development to ensure that innovation and R&D are properly prioritized and not merely provided scraps of funding that are left over from other global health program accounts. Investing in new innovations and technologies also is a key component in breaking the cycle of never-ending foreign aid.

With regard to global food security, I have been heartened by USAID Administrator Samantha Power's bold actions to mobilize global donors around a campaign to dramatically scale up access to Ready to Use Therapeutic Foods (RUTF) for the tens of millions of children around the globe who suffer from the deadliest form of severe acute malnutrition, known as wasting. The majority of these life-saving treatments are made right here in the U.S. with the peanuts, dairy powder, sugar and vegetable oil produced by American farmers. Innovation and R&D also plays a critical role in our global food security programs, and I had the opportunity to witness first-hand the great work that USAID is leading through its Feed the Future Innovation Labs at U.S. land grant universities, including the Livestock Innovation Lab at the University of Florida.

Finally, I encourage Congress to pass the Global Food Security Act reauthorization and to pass substantial global health security legislation that ensures our government is better equipped to prevent and respond to future infectious disease outbreaks.

Thank you again Chairman Castro and Ranking Member Malliotakis for inviting me to testify today, and I welcome the opportunity to address questions from you and the other members of this Subcommittee.