

Testimony of Scott A. Nathan
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U.S. Senate Subcommittee on State, Foreign Operations, and Related Programs
“Enhancing American Competitiveness Through the U.S. International Development
Finance Corporation”
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Chairman Coons, Ranking Member Graham, and Members of the Committee, thank you for having me here today to discuss the Administration’s Fiscal Year 2024 Budget Request for the U.S. International Development Finance Corporation.

I want to thank Congress and especially this committee for its continued support of DFC. The resources and tools you provided DFC have helped to strengthen our ability to fulfill our mission, drive positive development impact, and advance the foreign policy interests of the United States.

I am proud of the progress DFC has made in increasing its investments and impact, both developmental and strategic. In Fiscal Year 2022 alone, DFC committed over \$7.4 billion through 183 transactions, in 111 countries. This was a great result, but I know we can do more. DFC can drive even greater impact as we build our capacity, execute on our strategy, and work more effectively with our U.S. government partners and partners around the world.

For FY 2024, the Administration requests a budget of \$1.023 billion for DFC, a 2.3 percent increase over its FY 2023 request. Included in that total is \$780 million in program funds, unchanged from our FY 2023 request, and \$243 million in administrative expenses, an increase of \$23 million over the FY 2023 request.

In response to what we’ve heard from our team, from clients, and from you, DFC is in the process of building our overall capacity to do more and do it faster. The requested increase in administrative resources will allow DFC to meet critical staffing needs, bolster business development efforts, and increase our overseas engagement.

DFC is also working to be more proactive across our operations, refocusing efforts on our highest priority sectors where there are enduring needs: infrastructure, energy, health, food and agriculture, and small business support.

DFC focuses on working with the private sector because closing the \$40 trillion global infrastructure financing gap is beyond the capacity of any development finance institution or state actor to address alone. The People's Republic of China (PRC) focuses on lending at the sovereign level and often uses the demand for infrastructure investment for its purposes, frequently burdening communities with projects that are over-priced, poor quality, and unsuitable to local conditions. This often saddles developing countries with too much debt and disappointing results.

DFC offers a choice. Our investments carry U.S. values of openness, respect for local laws and conditions, and high environmental, labor, and quality standards. DFC's work enhances the long-term sustainability of our projects, amplifies development impact, and guards against the danger that projects will harm local populations. Supporting high quality, sustainable projects has been a focus for DFC from the beginning, and we have continued to enhance our capacity to monitor and measure our impact.

DFC is committed to making investments in seaports, airports, railways and road networks that connect communities to the opportunities of a global marketplace. For example, earlier this year DFC invested in the expansion of the Yilport Terminal in Puerto Bolivar, Ecuador, which after its modernization, will become one of the most advanced facilities of its kind on South America's Pacific Coast. And earlier this month, DFC's Board approved a loan that supports the expansion and modernization of an airport in Sierra Leone, providing one of the world's poorest countries stronger connections within West Africa, a region where populations and markets are rapidly growing.

At the same time, DFC is also investing to strengthen 21st century infrastructure, working with the private sector to bolster digital connections and networks that are secure, safe, and open. In Ghana, South Africa, and Kenya, DFC is investing with Africa Data Centres in information technology infrastructure to help make these countries more attractive destinations for data-

driven companies looking for a foothold in growing markets. And in the Indo-Pacific region, DFC worked with our Australian and Japanese counterparts to support Telstra in making an acquisition that allowed the company to provide secure, high quality mobile services to Papua New Guinea and several Pacific Islands.

DFC is also investing to secure supply chains for critical minerals. As you know, the PRC has long made it a priority to attempt to control these supply chains, from mining to processing and manufacturing. With a \$30 million equity investment into TechMet Limited, a U.S.-aligned critical minerals platform that DFC had previously supported, DFC is helping to secure access to nickel and cobalt through an innovative project in Brazil. I'm optimistic that our relationship with TechMet will lead to many additional opportunities. We are committed to pursuing additional projects that help diversify the supply and sourcing of these and other strategic resources important to the economic growth and national security of the United States.

DFC is also focused on providing affordable, reliable and sustainable access to energy, a critical factor in development and economic security. In India, DFC is pursuing several transactions that can diversify the solar manufacturing supply chain away from PRC dominance. Last year DFC provided \$500 million in debt financing to First Solar for construction of a new plant, which goes online in Tamil Nadu later this year. Additionally, the DFC Board approved financing last week for the development of Ecuador's first private sector owned, on-grid solar power plant. Supported by a \$144 million DFC loan, this power plant will be the lowest cost electricity provider in all of Ecuador.

Across a range of technologies, DFC is working to provide reliable access to power for communities that have never had it in countries ranging from Sierra Leone to Malawi to Nigeria. While we are working with developers to find more power projects in every region of the world, we are also pursuing new opportunities in nuclear energy and e-mobility businesses and the supply chains that support them.

In response to Russia's brutal war against Ukraine, and in keeping with the authorities provided to DFC under the European Energy Security and Diversification Act (EESDA), DFC is also helping to drive greater diversity and resilience in energy supply in Central and Eastern Europe

and the Caucasus. In Bulgaria, Georgia, Moldova, and Poland, DFC has projects that will help diversify power supplies away from Russian gas and stabilize electricity grids.

Russia's war against Ukraine has also put other critical supply chains at risk, and endangered food security for communities beyond the region. To respond to this potential crisis, DFC surged efforts in the food and agriculture sector, doubling the number of transactions to support food security in FY 2022, and we continue to actively look for more viable projects to support. We are committed for the long term to working with the private sector to improve agricultural yields, increase incomes for smallholder farmers, and foster innovation in food distribution networks. From Guatemala to Ghana, DFC is investing to help bring more produce to market and bolster food security for remote populations. And we want to do more of this critical work.

Investments in resilient health systems, not unlike investments in food security, represent a commitment to the well-being of people and the stability of communities, providing a necessary foundation for the development of a vibrant private sector. The COVID-19 pandemic helped to underscore the need for these investments, particularly improvements to healthcare supply chains, which DFC is working with the private sector to address.

In places like Vietnam, DFC is investing to help expand access to clinics and pharmaceutical products in rural areas. In Brazil, a DFC loan is helping to modernize a women's health diagnostic center and supporting its expansion into areas with minimal access to medical care. In India, we finance a chain of eye care clinics and are supporting a local company that provides much needed sanitary products for women, both with huge development impact. And across Sub-Saharan Africa, DFC's investments are improving access to quality care, including through the provision of digital healthcare solutions.

DFC is also committed to providing support for the small businesses that are the engines of so many dynamic economies. Our investments in the third quarter of this year alone demonstrate what an important priority this line of effort is to the organization. From a \$476 million guaranty that will provide working capital for thousands of Brazilian SMEs in an underbanked part of the economy, to support for women entrepreneurs in Honduras and small businesses in El Salvador addressing climate impacts, DFC is working to provide individuals the financial support they

need to create jobs and opportunities in their communities. Since FY 2021, DFC has provided over \$430 million in loans and loan portfolio guarantees to support small businesses and underserved populations in sub-Saharan Africa, a chronically under financed region. We have recently done investments in Egypt, Jordan, Mexico, Sri Lanka, Turkiye, and Vietnam and we will continue to scour the world in search of opportunities to invest in the small businesses that are the backbone of free enterprise.

Small business support is one critical area where DFC's close partnership with USAID is helping to deliver opportunity in communities across the world. Because of transactions sourced jointly by DFC and DFC Liaisons at USAID, small business owners and smallholder farmers in the DRC have financing they need; entrepreneurs in Burkina Faso, Mali, and Guinea, and Sierra Leone are creating hundreds of jobs, and in Ukraine, Bank Lviv is able to provide loans that are a lifeline to small businesses that can continue operating during a difficult time of war. DFC's Mission Transaction Unit (MTU) has worked closely with USAID to identify communities where DFC can address a lack of financing through support for local institutions, with DFC/MTU helping to close more than \$900 million in USAID sponsored commitments.

DFC is also committed to driving impacts that cut across the priority sectors we have identified and using our tools to advance innovative transactions. For instance, DFC recently provided \$656 million in political risk insurance to support the largest debt for nature swap in history. This ground-breaking transaction helps to preserve the diverse ecosystem of the Galapagos, and protect it from illegal fishing, while at the same time significantly reducing Ecuador's sovereign debt.

None of these deals are easy, but all of these countries and investments are strategically significant to the United States. DFC has a unique complement of products and tools that can help us drive private sector investment and development impact. However, current budgetary rules for equity scoring prevent DFC from taking full advantage of this important tool Congress gave us in the BUILD Act.

One avenue for boosting DFC's equity investments is through a \$2 billion revolving fund that is included as part of the President's Out Compete China Proposal. I look forward to continued

discussions with you on how DFC can make more robust use of our equity tool and the potential for changes to provide DFC working capital authority, allowing us the ability to use the fees we collect from private parties to share costs for due diligence with potential partners seeking investment.

I want DFC to be strategic and focused in where we make investments and to be held accountable for our performance. The Administration's Funding request for DFC in FY 2024 allows us to build our workforce, grow our capacity, and align our organizational structure to drive greater impact across a number of strategically important sectors.

In DFC's short history, we have made great progress. Funding for this request will support DFC's efforts to further unlock the power of private capital to create opportunity, alleviate poverty, and improve lives in communities across the world.

Thank you for the support which makes this work possible and for your continued commitment to helping DFC achieve even more. I look forward to continuing to work with this Committee and welcome your questions.

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