

Testimony of Scott Nathan, CEO,
U.S. International Development Finance Corporation
“BUILD Act Reauthorization and Development Finance Corporation Oversight”
U.S. Senate Foreign Relations Committee
October 4, 2023

Chairman Cardin, Ranking Member Risch, and Members of the Committee, thank you for having me here today to discuss the United States International Development Finance Corporation.

I want to thank Congress and especially this committee for its continued support of DFC. You have provided DFC with the tools that have allowed us to increase the developmental and strategic impact of our investments in communities around the world.

We are continuing to build our capacity to support the private sector. DFC financing 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 private enterprise, so that they don't feel trapped into accepting too much debt and end up with projects that aren't needed or are of poor quality. In the four years since Congress created it, DFC has made great progress in this regard.

In Fiscal Year 2022, our transaction volume was more than \$7.4 billion across 138 deals, and in the Fiscal Year that just concluded last week, we significantly

surpassed that total with more than \$9 billion in new deals, a record for DFC. There will be more details on our year-end results soon, but I am proud that DFC's impact continues to grow.

I am encouraged by our results. But I know DFC can do even more as we continue to develop and execute on our strategy, and work more effectively with our partners in the U.S. government, our Development Finance Institution peers, and the private sector.

DFC is making a difference through transactions in economic sectors and regions of deep strategic significance to the United States. These include a series of investments we are making in the energy sector. Across a range of technologies, DFC is providing reliable access to power in countries from Malawi to Nigeria to Kenya. We have lent nearly a billion dollars over the last 18 months to two projects in India that advance the diversification of solar manufacturing supply chains. At the same time, with investments in Central and Eastern Europe and the Caucasus, DFC is promoting energy security, helping communities become less reliant on Russia to meet their energy needs.

DFC also prioritizes transactions in high quality infrastructure, providing support for seaports, airports, and railways that connect communities to the opportunities of the global marketplace. For example, over the past year, DFC financing supported the modernization of a seaport in Ecuador and an airport in Sierra Leone.

DFC is also investing in 21st century infrastructure, including secure, safe, and open information technology networks. DFC supported Telstra, an Australian

company, in its acquisition of certain assets of Digicel, helping to ensure high quality, secure mobile and network services in Papua New Guinea and several Pacific Islands. We are financing the build out of data centers and other digital infrastructure with trusted equipment in Kenya, South Africa, and Ghana, helping to make these markets more attractive destinations for global businesses.

With the growth of new industries in the 21st century, critical infrastructure also includes supply chains for minerals that are vital to U.S. national security and economic competitiveness. Last month, DFC's board approved a loan to Twigg Exploration and Mining Limited for their operations in Mozambique, helping to diversify the global supply chain for graphite, and to develop an additional source for a critical mineral whose supply is currently dominated by the PRC. DFC's efforts complement those underway at the Department of Energy to support a processing facility for graphite in Louisiana.

Earlier this year, we also approved financing for the first major helium production facility in sub-Saharan Africa, introducing modern technology that will help address, in a more efficient and less carbon-intensive way, a global shortage of an element that is critical for medical equipment, defense production, and telecommunications.

In energy, infrastructure, and in every area where we partner with the private sector, DFC's transactions carry U.S. values of openness, respect for local laws and conditions, and high environmental, labor, and quality standards. Supporting high-quality, sustainable projects has been a focus for DFC from our beginning, and we have continued to enhance our capacity to monitor and measure our impact.

DFC is also providing support for the small businesses that are the engines of every free and dynamic marketplace. In Ecuador, Turkey, Ghana, Sri Lanka, and in dozens of other countries, DFC is bolstering the ability of banks to lend to the small businesses that generate jobs and opportunity. Last month, I visited Vietnam, where DFC recently made \$400 million in loans to two private banks to support lending to small and medium sized businesses. We want to support entrepreneurship and the development of open and vibrant economies wherever we work. Our strategic competitors do not make these kinds of investments. DFC does.

Food security is another priority area for DFC, an effort that has become even more urgent as Russia's brutal and illegal war against Ukraine endangers agricultural supply chains for communities well beyond the region. Two and a half years ago, DFC set a five-year, \$1 billion target for transactions in food security. This year, we have already hit and exceeded that target, years ahead of schedule. This work continues, and we are committed for the long term to working with the private sector on improving agricultural yields, increasing incomes for smallholder farmers, and fostering innovation in food distribution networks.

DFC's support for more resilient health systems also promotes the well-being of people and the stability of communities, providing a necessary foundation for the development of a vibrant private sector. Here, DFC has moved from COVID-19 response to pandemic preparedness, broadening the scope of our financial support to include improving the delivery of care. We are also bolstering the capacity of our private sector partners to treat childhood disease and produce vaccines for potential outbreaks.

While we work across the globe, we are focusing our efforts on countries of particular, strategic significance. For example, last year alone, in Ecuador, DFC did more than \$1.2 Billion in transactions. Our support for Ecuador's private sector includes financing for the country's first on-grid solar power facility, the modernization of port infrastructure, and the expansion of a hospital that provides pediatric and maternal care in the country's capital.

Also in Ecuador, DFC's political risk insurance helped to enable the Galapagos Marine Bond and the largest debt for nature swap in history. This innovative transaction will protect a diverse ecosystem from illegal overfishing and materially reduce the country's outstanding debts, making Ecuador less vulnerable to economic coercion.

Over our short history, DFC has significantly increased its capability to do strategic and highly developmental transactions. We inherited a structure from previous agencies that provided great results, but now, with greater expectations, a broader tool set, and a dual mission explicitly focused on both developmental and foreign policy goals, we need to be more strategic in our planning and more focused and proactive in our business development.

In order to achieve this and improve our effectiveness, and efficiency, DFC is engaged in a process of realigning our transaction teams around a set of enduring priority sectors – infrastructure, energy, health, agriculture, and support for small business -- sectors that historically have been the primary areas of activity for DFC and OPIC. Organizing around sectors will allow DFC to promote greater accountability by optimizing investment planning and resource allocation across

our priority sectors, scale our structure and capacity in line with our growth, provide our full toolkit of products and sector expertise to solve client problems, and expand career development opportunities for DFC staff.

This process has benefited from extensive input from all parts of our organization, and we have engaged staff through numerous workshops, interviews, town halls, and more than 100 consultations and meetings. As DFC grows to better fulfill the promise of the BUILD Act, we need to make sure we are organized to put to best use the resources Congress has given us.

We have also begun planning for and have held initial consultations about renewing our authorization which is scheduled to expire in October of 2025. We are eager to share our successes and challenges with Congress in the coming months. As previously discussed with this committee, current budgetary rules for the scoring of DFC's equity investments limit our ability to make full use of this important tool Congress gave us in the BUILD Act. With an equity authority that allows DFC to invest at scale earlier in platforms that focus on energy, infrastructure, critical minerals, and other priority sectors, we can generate greater deal flow, make greater impact, and come closer to meeting the full promise of the BUILD Act.

We know there has been a lot of discussion already from this Committee and from others on a range of issues to be considered in a reauthorization discussion, including equity, DFC's maximum contingent liability, fee spending authority, hiring and incentives, and country eligibility.

We look forward to continued discussion with you to maximize our ability to drive the developmental and strategic benefits that Congress envisioned when you created DFC.

In DFC's short history, we have made great progress. Thank you for the support that makes this work possible and for your continued commitment to helping DFC achieve even more. I welcome your questions.

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