REAUTHORIZING THE U.S. DEVELOPMENT FINANCE CORPORATION

HEARING

OF THE

SUBCOMMITTEE ON EAST ASIA AND PACIFIC

BEFORE THE

COMMITTEE ON FOREIGN AAFAIRS
U.S. HOUSE OF REPRESENTATIVES

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C O N T E N T S

REPRESENTATIVES

WITNESSES

APPENDIX

Material for the Record

REAUTHORIZING THE U.S. DEVELOPMENT FINANCE CORPORATION

Tuesday, March 11, 2025

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EAST ASIA AND PACIFIC,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:15 p.m., in room 2172, Rayburn House Office Building, Hon. Young Kim (chair of the subcommittee) presiding.

Mrs. KIM. The Subcommittee on East Asia and the Pacific will come to order.

The purpose of this hearing is to discuss the needed reforms of the DFC to be considered for the reauthorization. I now recognize myself for an opening statement.

OPENING STATEMENT OF SUBCOMMITTEE CHAIRWOMAN YOUNG KIM

Again, welcome to the East Asia and the Pacific Subcommittee hearing on reauthorizing the U.S. Development Finance Corporation. I want to welcome and thank our witnesses for joining us today as we discuss the future of the U.S. International Development Finance Corporation, or DFC, which is a vital tool of American economic and foreign policy.

Thanks to your valuable input, the DFC was created through the 2018 BUILD Act and it built upon its predecessor, the Overseas Private Investment Corporation, or OPIC, by integrating other development finance tools to better mobilize private capital. Despite being a younger agency, DFC has demonstrated a significant step forward in enhancing our Nation's ability to promote private sector led development in emerging markets, advancing the U.S. national security interest and status on the global stage, and strengthening communities and livelihoods around the world.

When U.S. foreign assistance is used efficiently, it can have a great impact in advancing the U.S. national security and economic interests. In fact, it can even make a profit for U.S. taxpayers. For instance, in fiscal year 2023, the DFC's revenue exceeded costs by 341 million dollars.

The DFC is approaching the end of its 7-year authorization in October of this year. While DFC's current lending cap stands at 60 billion, double that of OPIC, it has already lent more than 49 billion dollars. If the current deal in the pipeline continues at this rate, the DFC will reach its lending cap before October, making this reauthorization process more urgent.

Our subcommittee has the unique opportunity to shape and reauthorize the DFC with much needed reforms to ensure that it remains agile, effective, and aligned with America's national security priorities. The Biden administration had an ambiguous definition of national security and thus pushed through projects that advanced the administration's diversity and green agenda. Furthermore, we know that the DFC was unable to fully utilize its equity investment tool and was prohibited from operating in countries that would be particularly useful for advancing U.S. national security. These are just some of the evident issues that must be addressed in the reauthorization this year.

Today's hearing will therefore explore several important questions. One, how can the DFC better address emerging threats and opportunities such as energy security and supply chain resilience? Two, what reforms or additional authorities are needed to enhance the DFC's ability to compete with the Chinese Communist Party's Belt and Road Initiative? And third, how can we ensure that the DFC's operations remain transparent, accountable, and targeted to deliver measurable outcomes for our partners abroad and American taxpayers?

We must ensure that the DFC is equipped to face the 21st century challenges with cutting edge approaches. The modernization and reauthorization process offers an opportune moment to amend the DFC's mandate to expand its flexibility and financial toolkit.

With that, we have a distinguished panel of witnesses before us today whose insights will inform the reauthorization process. Their testimony will help us assess DFC's progress, identify gaps and areas for improvement, and chart a path forward to ensure this institution remains a cornerstone of U.S. global leadership.

The chair now recognizes the ranking member, the gentleman from California, Mr. Bera, for any statements that you may have.

OPENING STATEMENT OF RANKING MEMBER AMI BERA

Mr. BERA. Thank you, Madam Chairwoman, for hosting today's important hearing. I also want to thank the witnesses for bringing their expertise before the subcommittee today.

As the chairwoman mentioned, it's been less than 7 years since Congress passed and President Trump signed into law the BUILD Act, establishing the U.S. International Development Finance Corporation, or DFC. The DFC was created to modernize how the United States approaches development and better allows to compete with our strategic competitors. The DFC was built to catalyze our Nation's strength, namely our strong, vibrant private sector which is the envy of the world.

I'll also note since our former colleague and my good friend Ted Yoho is here, he was instrumental in putting that bipartisan piece of legislation together that passed with a big vote. And again, I think President Trump should be proud of his legacy in helping create the Development Finance Corporation.

When the BUILD Act passed, a mentor to both of us, HFAC Chairman Ed Royce noted that one of his goals was to creating lasting institutional linkages with other development agencies.

Today, one of those development agencies that DFC works closely with, USAID has effectively been dismantled through the illegal cancellation of programs. And that really does damage U.S. security.

USAID played an outsized role in helping DFC generate projects through their field staff station that U.S. missions throughout the world. In addition, the foreign assistance freeze has also prevented the DFC from the timely delivery of payments, damaging the U.S. credibility as it seeks to provide an alternative to China's Belt and Road Initiative that reflects our values and strengths.

I appreciate the efforts to make sure taxpayer dollars are being used responsibility and in the most efficient and effective way. But it's critical that we allow these flows to start again and that we avoid unfortunate errors that present a gift to our strategic rivals.

In a bipartisan way, last year under Chairman McCaul and Ranking Member Meeks, the bipartisan DFC Modernization and Reauthorization Act passed out of the House Foreign Affairs Committee. The bill contained several critical DFC reforms, including modifying equity scoring to be calculated on a net present basis, allowing the DFC to support high-income countries under certain conditions, allowing the DFC to pay a percentage of its employees outside of the GS scale to attract highly qualified talent from the private sector, and increasing the maximum contingent liability, MCL cap, from 60 billion to 120 billion so the DFC can take on new projects.

It's my belief as we go into the reauthorization that the DFC Modernization and Reauthorization Act would serve as an excellent foundation and for the work as we look at reauthorization this year.

With that, I look forward to hearing from the witnesses, look forward to getting their perspective and their expertise. And I'll yield back.

Mrs. KIM. Thank you. The chair now recognizes the—oh, we did that. Other members of the committee are reminded that opening statements may be submitted for the record. We are pleased to have a distinguished panel of witnesses before us today on this very important topic: Hon. Ted Yoho, former U.S. Representative of Florida representing 3d District, and Mr. Rob Mosbacher, former CEO of the DFC's predecessor agency of OPIC; and Ms. Erin Collinson, Director of Policy Outreach at the Center for Global Development.

The committee recognizes the importance of the issues before us and is grateful to have you here to speak with us today. Your full statements will be made part of the record, and I'll ask each of you to keep your spoken remarks to 5 minutes in order to allow our members to ask questions.

I now first recognize Dr. Yoho for your opening statement.

STATEMENT OF TED YOHO

Dr. YOHO. Thank you, Madam Chair. It's my honor to address this committee on the importance of the first 7-year reauthorization of the U.S. Development Finance Corporation. It's imperative that the DFC has a strong bipartisan prompt reauthorization for this important development tool so that it can fulfill the Administration's goal of making America safer, stronger, and more prosperous. Excuse me.

The DFC has the ability to develop the basic infrastructure projects needed in developing countries to increase the recipient country's economic situation by creating jobs, thus helping countries transition from aid to trade. This benefits the U.S. and its taxpayers by providing needed resources like critical minerals and opens up new markets for U.S. exports to recipient nations.

The DFC is also the preeminent development tool to counter the Chinese influence in the developing world via the Belt Road Initiative. To date, China invested an estimated one trillion dollars in 147 countries since 2013 compared to the U.S.' 76 billion dollars in 114 countries since 2019. The Chinese influence is gaining in countries around the world while the U.S., ours is waning. China strategically invests in ports, mines, rails, roads, bridges, energy, telecommunications, and the procurement of all the minerals from rare earths used in our military jets to everything electronic along with copper, gold, aluminum, and steel.

These investments serve to grow China's economy by opening up new trading markets, strengthen military from the increased revenues, corner the commodities on the world market, and they set the price. They leverage their influence against other countries to pressure them to their demands, including the U.S. This allows China to expand their communist ideologies and influences in the developing world.

To date, the DFC has had some notable project success but pales in comparison to the strategic investments the CCP has done. The Chinese require recipient countries to use Chinese State sponsored businesses, workers, and engineers. They build Chinese hotels, restaurants, and they have very little impact on the local labor market.

To be more competitive in a divided world based on ideologies, the U.S. should focus on developing infrastructure projects in strategic regions of the world to build economies and jobs while increasing trade and increasing strong alliances. I recommend some topics to be considered in the DFC reauthorization to make it stronger.

First, I'd give the DFC more flexibility by raising a country of eligibility from low-middle-income to middle-upper-income levels. This gives the DFC the option to do more projects strategically in regions that will strengthen our national security and increase trade. And illustration is the country of Panama where the DFC can't operate due to these restrictions yet China is heavily invested on both sides of the Panama Canal.

Second, the maximum contingent liability, MCL, should be raised from 60 to 150 billion dollars—some are recommending up to 250 billion dollars, that's going to be up to you guys—to enable the DFC to take on larger, more impactful projects. By the end of 2024, the DFC has lent out over 90 percent of its MCL as the chairman, Madam Chair, has recognized, meaning they could not approve any new deals until Congress reauthorizes and appropriates more funds. And I'd like to mention that the DFC doesn't give out 100 percent of its funds in grants. Over 90 percent are loans which are repaid. And for 2024, the DFC lent out over 57 billion dollars in loan yet operates with less than a 1-percent failure rate.

Third, the scoring method the OMB, Office of Management and Budget, uses needs to be reinterpreted as intended by Congress. Presently, OMB scores any money lent by the DFC as a grant which is a dollar for dollar and will never be repaid. It's more accurate to view these moneys lent on a net present value that shows a positive return on investment. By scoring moneys lent on a net present value versus grants follows Congress' original intent.

If OMB does not change their method of scoring, excuse me, it restricts the DFC's effectiveness and it cannot live up to its full potential. For the DFC to expand its reach and its impact and grow its capacity, it needs to have more boots on the ground overseas who can proactively identify new investments. And this will increase its efficient, speed, and making investments.

One last thing here, the DFC needs to be better integrated with other foreign development tools of the U.S. Government. Grant-based programs such as those led by the previous USAID and MCC play a critical role in identifying and de-risking investments for the DFC. And this allows for the first investment to attract private equity. Not having these tools available would be a mistake.

Lastly, DFC can play a unique and leadership role in driving near-and friend-shoring of highly strategic sectors and supply chains such as rare earth metals and pharmaceuticals.

Thank you, Madam Chair, and I yield back.

[The prepared statement of Dr. Yoho follows:]

Ted S. Yoho, DVM

Former Member of Congress 2013-2021

Written Testimony

House Foreign Affairs Committee subcommittee on East Asia and the Pacific

Date: March 11, 2025

Location: Rayburn House Office Building, Room 2072

Time: 2:00pm

Reauthorization of the US Development Finance Corporation

Chairman Kim, Ranking Member Bera, and the esteemed members of this committee:

It's my honor to address this committee on the importance for the first 7-year reauthorization of the US International Development Finance Corporation (DFC). It is imperative that the DFC has a strong bipartisan and timely reauthorization for this important development tool so that it can fulfill the Administration's goals of making America safer, stronger, and more prosperous. The DFC has the ability to develop basic infrastructure projects in developing countries to increase the recipient country's economic productivity by creating jobs, thus helping countries transition from "aid to trade". This benefits the US and its taxpayers by providing needed resources like critical minerals, and increases exports of US technologies, financial services, and biomedical research, just to name a few sectors.

The DFC is also America's pre-eminent development tool to counter Chinese influence in the developing world via their Belt and Road Initiative (BRI). To date, China has invested an estimated $1 trillion in 147 countries since 2013 compared to the United States' $76 billion in 114 countries since 2019. The Chinese influence is gaining in countries around the globe, while ours is waning. China strategically invests in ports, mines, rails, roads and bridges, energy, telecommunications, and procures for themselves the much sought after rare earths minerals and copper, gold, aluminum, and steel used in our military jets, EV vehicles, and electronics.

These investments serve to grow China's economy by opening up new trading markets, strengthening their military from the increased revenues, and cornering commodities on the world market. They then leverage their clout against other countries to pressure them to their demands, including the US. This allows China to expand their communist ideology and influence in the developing world.

To date the DFC has had some notable project successes, but they pale in comparison to the strategic investments the CCP has done in infrastructure development. The Chinese require the recipient country to use Chinese state sponsored businesses, workers, and engineers. They build Chinese hotels and restaurants and have very little direct economic impact on the local labor force. They build a Chinese economy within those BRI indebted countries. It would be easy to go on about China and how they exploit the recipient nations whether in terms of the loans, lack of environmental standards, or human rights abuses but I would rather take this time to focus on how we strengthen our hand.

In order to be more competitive in a world of increasing ideological division, the US should focus on developing infrastructure projects in strategic regions of the world that will lead to increased trade with us, building economies and jobs while creating strong alliances.

I recommend four items to be considered in the DFC reauthorization.

First, it would give the DFC more flexibility to invest in projects in upper income countries. This gives the DFC the option to do projects more strategically in regions that will strengthen our national security and increase trade. As an illustration, the country of Panama, where the DFC can't operate due to these restrictions, yet China is heavily invested on both sides of the Panama Canal. The Panama Canal is a vital transit trade route. With the Chinese controlling both sides of the canal, it becomes a security risk for the US. If the DFC could work in middle to high income countries the US could offer alternatives in financing to those governments and open up new markets for trade.

Second, the maximum contingent liability (MCL) should be raised from $60 billion to $150 billion to enable the DFC to take on larger projects that are more impactful. By the end of 2024, the DFC had lent out over 80% of its MCL, meaning once they hit their cap, which could be in this Fiscal Year, they can't approve any new deals until Congress reauthorizes DFC with a higher MCL. I would also like to mention that the DFC does not operate by dispensing 100% of its funds in grants. They give a small amount of allocated funds in technical assistance and over 90% in loans which are repaid. Since its launch in December 2019, the DFC has committed to more than $40+ billion across more than 700 projects, yet operates with less than a 1% failure rate.

Third, the scoring method OMB (Office of Management and Budget) uses for equity investments needs to be reinterpreted as intended by Congress. Presently, OMB scores any money invested using equity by the DFC as a grant that will never be repaid. They use a dollar-for-dollar method that views every dollar invested as equity as a dollar lost. They do not look at the return on investment it generates. It is more accurate to view monies invested on a net present value that shows a positive return on investment. Scoring equity on a net present value follows Congress' original intent. If not, OMB's interpretation of dollar-for-dollar scoring restricts the DFC's effectiveness and hampers its potential. It keeps the DFC from making critical early-stage investments in countries that need it the most. Early-stage investments are what attracts private capital. Without the DFC's early action, private finance is limited or not available.

Fourth, instead of operating on a 7-year reauthorization and annual appropriation schedule, which can create an air of uncertainty on receiving future funding in a timely manner, it would make the DFC more efficient to have monies collected from loan repayments and equity returns go through the US Treasury into a DFC revolving account with a cap. Basically, it feeds itself instead of waiting on Congress to replenish its account. This creates continuity and can be accomplished with amended language to the original bill.

A few other considerations for Congress as you undertake the DFC's reauthorization are as follows. In order for the DFC to expand its impact and reach, it needs to have more boots on the ground overseas who can proactively identify new investment opportunities. DFC has made real progress in building out its overseas presence, but there is a need to grow this capacity further in order for the DFC to keep growing and to move with greater speed in making investments. Second, the DFC needs to be better integrated with other foreign assistance tools of the U.S.

Government. Grant based economic development programs, such as those led by USAID and MCC, play a critical role in identifying and de-risking investments for the DFC, and these grant-based economic tools must be maintained in order for the DFC to achieve its potential. Lastly, the DFC can play a unique leadership role in driving the nearshoring and friendshoring of highly strategic sectors and supply chains such as rare earth metals and pharmaceuticals/APIs.

Thank you Madam Chairman. I yield back and look forward to your questions.

Mrs. KIM. Thank you, Dr. Yoho.

I now recognize Mr. Mosbacher for your opening statement. Sorry for butchering your name.

STATEMENT OF ROB MOSBACHER

Mr. MOSBACHER. It's not the first time. Thank you. Chairwoman Kim and Ranking Member Bera, distinguished members of the committee, it's a great honor for me to have the opportunity to testify with respect to the reauthorization of U.S. International Development Finance Corporation and to be joined by my good friend Ted Yoho with whom I worked closely in 2018.

Having served three and a half years as head of OPIC and having had the privilege since the passage of the BUILD Act to serve on the Development Advisory Council which was created under the statute, I've had a chance to see firsthand the pluses and minuses, the strengths and weaknesses of the DFC.

I'd say after monitoring the transition from OPIC to the DFC and then observing the last several years of performance, I believe I can say without qualification that the DFC is not only been a huge improvement over OPIC but has also been a huge success. The agency went from 3 to 4 billion dollars of commitments per year to over 12 billion and from a total portfolio of 29 billion to over 50 billion today. And over 70 percent of those projects are in low and lower-middle-income countries.

Yet, as impressive as that is, it's still a fraction of the Belt and Road financing done by China over the past 5 years. The question is how to take the DFC to the next level. I believe that the committee did an excellent job last year of addressing many of the areas that need to improve in H.R. 8926 and I hope you will continue to build on that base. But before reviewing those areas, I want to suggest what underlying objectives I believe should drive this reauthorization process.

In my judgment, the DFC needs to be more proactive than reactive, more physically present in strategically important markets, and more willing to take on risk that clearly will lead to greater private sector investment. In order to achieve those objectives, there are several steps that can be taken in the reauthorization.

First, the DFC needs much more flexibility in terms of the income levels of countries which the agency is eligible to do business. While I believe the principal focus of the agency should continue to be on doing deals in low-and lower-middle-income countries where capital and credit is so scarce, I agree that changing the classification from World Bank income credit—income levels rather to World Bank lending levels is a step in the right direction. I also believe that giving the DFC CEO the authority to certify projects in upper-middle-income countries is a good change.

A second essential change and one that is a leftover piece of business from the BUILD Act is to fix the way equity investments are scored to a net present value approach rather than treating those investments as grants. For decades, OPIC participated in private equity funds and always as senior secured debt. So for the decades that they had investments in private equity funds as debt, they nevertheless earned on a portfolio basis a 6 percent return. So I don't understand why budget officials seem to feel that there's no way of effectively evaluating risk when we have decades of experience of doing just that.

A third area of need in improvement that can help expand the capacity of the DFC to compete for projects around the world is to increase the risk tolerance of the agency so that projects attract much more private capital. The more DFC can de-risk projects by assuming more risk on their balance sheets or the balance sheets of others, the more private sector investors will feel comfortable being part of the deals. There are a variety of ways to do that, including concessional finance, blended finance, small grants and technical assistance, first loss grants, and sharing risk with other bilateral or multilateral financial institutions.

The committee recognized the importance of these tools through its support for allowing the DFC to accept a creditor status that is subordinate to that of other creditors in H.R. 8926. I hope the committee will strongly encourage the agency to be more risk tolerant and be more creative in the use of the many tools to de-risk projects that can attract more private capital. And I would reward DFC employees that exhibit such creativity in structuring deals.

A fourth area to focus on relates to how to extend the coverage of the DFC to be more present in strategically important markets around the world. While the DFC could benefit enormously from opening some more offices in Latin America, Africa, Asia, and the Far East, the quickest way to expand their presence and improve their market intelligence is to team up with other like minded multilateral or bilateral financial institutions. A perfect example is to team up with the private sector arm of the Inter-American Development Bank called IDB Invest.

IDB Invest has offices in virtually every country in Latin America and the Caribbean and has much greater access to the kind of deals that the DFC could help finance, particularly in the critical minerals as well as hard and soft infrastructure areas. I might add that IDB Invest has 300 people in Latin America and the Caribbean areas. We have 2 from the DFC, and that may be one more that are actually still working.

So we believe that it would be much better if we can expand presence by teaming up with like-minded institutions. It's also important to recognize the role that USAID missions have played in helping drive economic growth, trade, and investment initiatives through programs like Power Africa, Prosper Africa, and the African Growth and Opportunity Act, AGOA.

Finally, despite all of the aforementioned improvements that can be made to the DFC, these will all come to naught if businesses that would like to deal with the DFC decline to do so because it takes too long to process deals. Unfortunately, this is happening way too much. Consequentially, I would urge the committee to sit down with the DFC to see how to streamline and improve and accelerate the processing of deals. And I believe that should include a review of the current 10 million dollar threshold for congressional notifications. I'd love to see it increase to 50 or 100 if possible.

So Chairwoman Kim, Ranking Member Bera, distinguished members of the committee, thank you very much for your time, and I look forward to answering your questions.

[The prepared statement of Mr. Mosbacher follows:]

Robert Mosbacher, Jr.

Former President and CEO of the Overseas Private Investment Corporation

House Foreign Affairs Committee Subcommittee on Asia and the Pacific

March 11, 2025 – Rayburn House Office Building, Room 2072 – 2:00 PM

Reauthorization of the US International Development Finance Corporation

Chairwoman Kim, Ranking Member Bera, and distinguished members of the committee, it is an honor to have the opportunity to testify on the reauthorization of the U.S. International Development Finance Corporation (DFC) and to be joined by my good friend former Congressman Ted Yoho with whom I worked closely on the BUILD Act in 2018.

Having served for three and a half years as President and CEO of the Overseas Private Investment Corporation (OPIC), the predecessor agency to the DFC, during the George W. Bush Administration, and having observed firsthand the strengths and weaknesses of OPIC, it was particularly gratifying to be involved in updating and modernizing our development finance capability. It was also rewarding to have garnered the breadth and depth of bipartisan support that the BUILD Act enjoyed in both the House and Senate.

Since its passage, I have had the privilege of serving on the Development Advisory Council to the DFC which was established under the statute, and where I served as chair for the first four years of its existence. That council is charged with advising senior management and the board of the DFC on how well the agency is performing its statutory responsibilities. The council met regularly with the senior management and provided valuable feedback and guidance on how to strengthen the performance of the DFC and compete more effectively around the globe, and particularly against China.

After monitoring the transition from OPIC to the DFC and then observing the last several years of performance, I can say without qualification that the DFC has not only been a huge improvement over OPIC, but it also has been a huge success. The agency went from $3-$4 billion in commitments per year to over $12 billion and from a total portfolio of $29 billion to over $50 billion today with over 70 percent of the projects in low and lower-middle-income countries.

And yet, as impressive as that is, it is still a fraction of the Belt and Road financings done by China over the past five years. The question is how to take the DFC to the next level of performance. I think this committee did an excellent job last year of addressing many of the areas that need improvement in H.R. 8926 and I hope you will continue to build on that base. But before reviewing those areas, I want to suggest what underlying objectives I believe should drive this reauthorization process.

In my judgement, the DFC needs to be more proactive than reactive, more physically present in strategically important markets, and more willing to take on risk that will clearly lead to greater private sector investment. In order to achieve those objectives, there are several steps that can be taken in a reauthorization bill.

First, the DFC needs much more flexibility in terms of the income levels of countries in which the agency is eligible to do business. While I believe that the principal focus of the agency should continue to be on doing deals in low-income and lower-middle-income countries where credit and capital are so scarce, I agree that changing the classification from World Bank income levels to World Bank lending levels is a step in the right direction. I also believe that giving the DFC CEO the authority to certify projects in Upper-Middle-Income Countries is a good change. Another alternative is to give the DFC Board the authority to certify those projects.

A second essential change, and one that is a leftover piece of business from the BUILD Act, is to fix the way equity investments are scored to a net present value approach rather than treating those investments as grants. For decades, OPIC participated in private equity funds as senior secured debt which meant that upon exiting a fund, OPIC got its money back plus interest before any of the other investors earned a return. Even participating as debt in these funds, OPIC earned a 6% return on a portfolio basis.

The agency has an abundance of experience in evaluating the risk of private equity funds so it is difficult to understand why budget officials don't accept that experience as sufficient. I urge the authorizers, appropriators, and budget officials to sit down together and agree upon an approach that will enable the DFC to make the equity investments on a net present value basis rather than as a grant. Being able to deploy equity in a host of transactions is critically important to the DFC's ability to assume more risk and to mobilize much more private capital. Without some reasonable resolution of this issue, the DFC will never reach its full potential and comply with Congressional intent.

A third area of improvement that can help expand the capacity of the DFC to compete for projects around the world is to increase the risk tolerance of the agency so that projects attract much more private capital. The more the DFC can de-risk projects by assuming more risk on their balance sheets or finding others to share the risk, the more private sector investors and lenders will be comfortable participating. There are a variety of ways to do that including concessional finance, blended finance, small grants and technical assistance, first loss grants, and sharing risk with other bilateral or multilateral financial institutions. The committee recognized the importance of these tools through its support for allowing the DFC to accept a creditor status that is subordinate to that of other creditors in H.R. 8926. I hope the committee will strongly encourage the agency to be more risk tolerant and creative in the use of the many tools to de-risk projects and attract more private capital and reward DFC employees that exhibit such creativity in structuring deals.

A fourth area to focus on relates to how to extend the coverage and reach of the DFC to be more of a presence in strategically important markets around the world. While the DFC could benefit enormously from opening more offices in Latin America, Africa, Asia and the Far East, the quickest way to expand their presence, improve their market intelligence, and increase their pipeline of projects is to create collaboratives or partnerships with like-minded bilateral and multilateral financial institutions. A perfect example is to team up with the private sector arm of the Inter-American Development Bank called IDB Invest. IDB Invest has offices in virtually every country in Latin America and the Caribbean and has much greater access to the kind of deals that the DFC could help finance, particularly in the critical minerals as well as hard and soft infrastructure areas. It is also important to recognize the role that USAID missions have played in helping drive economic growth, trade, and investment initiatives through programs like Power Africa. Prosper Africa, and the African Growth and Opportunity Act (AGOA).

Finally, despite all of the aforementioned improvements that can be made to the DFC, they will all go for naught if businesses that would like to work with the DFC decline to do so because it takes too long to process deals. Unfortunately, this is happening way too often. Consequently, I would urge the committee to work with the DFC on how to accelerate the review and approval process, and it should include changes to the current Congressional notification process.

Chairwoman Kim, Ranking Member Bera, and distinguished members of the committee, thank you for this opportunity. I have submitted a longer statement for the record and look forward to your questions.

Additional Recommendations for the Committee

The maximum contingent liability (MCL) for the agency is nearing $60 billion. It needs to be raised so that the agency can continue to operate. In fiscal year 2024, there were over $12 billion of new commitments. If the agency averages $10 billion per year of new commitments for another seven years, the outstanding commitments will be $70 billion plus the current total of $60 billion for a total of $130 billion. Therefore, I recommend that the MCL be raised to $150 billion.

In terms of internal organization, the BUILD Act called for the appointment of a Chief Development Officer (CDO) that would report to the Board. There is also an Office of Development Policy (ODP) that measures and tracks the development impact of every project. The responsibilities of the CDO and ODP overlap and have created confusion. Therefore, I recommend that the CDO be folded into the ODP and that the ODP be headed by a Vice President who is on the same level as the Vice President for Foreign Policy and National Security that was recommended in H.R. 8926.

Political risk insurance (PRI) has become a very important tool in mobilizing private capital. However, some budget officials want to score political risk insurance for debt instruments as loans subject to the Federal Credit Reform Act (FCRA). This is at odds with the DFC's proprietary pricing model for PRI and will inhibit the use of PRI to mobilize much more private capital. Therefore, the committee should state that PRI on debt instruments should not be characterized as loans and subject to FCRA.

For years, OPIC charged borrowers from the agency for "project specific transaction costs" outside of the agency's administrative expenses. However, under the BUILD Act, the DFC's use of these fees for transaction costs are subject to appropriations. I recommend that the BUILD Act be amended to allow the DFC to use such fees without counting them against the agency's administrative expenses restoring a practice that OPIC followed for years.

In section 204 of HR 8926 last year, the committee supported a change that would allow the DFC to compensate a percentage of employees outside the GS classification and pay system in recognition of the fact that the financial expertise required to support DFC investments in some areas would be much more highly compensated in the private sector than was possible under GS compensation. Therefore, the DFC was allowed to compensate as much as 20 percent of the workforce at higher salaries than would otherwise be the case in order to attract some of the most qualified talent to the agency.

In 2019, the Congress passed the European Energy Security Diversification Act which allowed the DFC to support projects in High Income Countries despite a development mandate that sought to focus the majority of DFC's resources on low and lower-middle-income countries. I recommend the repeal of the European Energy Security and Diversification Act and the adoption of a High-Income Country waiver with restrictions. Those restrictions should require a finding that the host country has significant pockets of poverty, that it represents a high foreign policy priority of the United States Government, that the project is structured in such a way as to maximize the private capital mobilized and that such high income country projects do not constitute more than 10 percent of the DFC's commitments in a single fiscal year without consultation with the jurisdictional committees of the House and Senate.

And finally with respect to the Chief Risk Officer (CRO), I recommend that rather than the CRO reporting to the Board, they report to the CEO.

Mrs. KIM. Thank you, Mr. Mosbacher.

Now I recognize Ms. Collinson for your opening remarks.

STATEMENT OF ERIN COLLINSON

Ms. COLLINSON. Thank you, Chairwoman Kim, Ranking Member Bera, and distinguished members of the subcommittee. Thank you for the opportunity to testify today.

I'm Erin Collinson, Director of Policy Outreach for the Center for Global Development, a nonpartisan think tank based here in D.C. The views I share today are my own.

I want to start by noting as my colleagues here did that the BUILD Act establishing the U.S. International Development Finance Corporation was an impressive bipartisan achievement. Credit to those, including the two witnesses to my left, who noted that despite the size and strength of the U.S. private sector, the U.S. Government was falling short in deploying strategic, efficient development finance and proposed a solution.

In just 5 years, DFC's portfolio has doubled to nearly 50 billion, reflecting strong demand for its expanded authorities. And today, I want to share four recommendations for DFC's reauthorization.

First, reauthorize DFC promptly. I commend this committee for starting that process in earnest last year with the bipartisan bill and for holding this hearing. Any reauthorization should include a multi-year timeframe to provide certainty for business planning, a sufficient increase to DFC's 60 billion dollar contingent liability cap, and a fix to the budget treatment of DFC's direct equity authority.

But I want to emphasize that timely reauthorization before October is critical. As a development finance institution structuring multi-year financing deals, DFC requires market confidence and operational certainty. Delays could disrupt DFC's deal pipeline and harm America's competitive position.

Second, maintain a strong development focus. While I understand there's interest in affording DFC greater flexibility when it comes to country income restrictions, DFC's investments have the highest likelihood of delivering impact in lower-income countries where lack of access to private capital represents a binding constraint. In the Indo-Pacific, DFC has, for instance, provided direct loans to water operators in Cambodia, taken an equity stake in a business-to-business healthcare company in Vietnam, and offered portfolio guarantees to financial services groups in Laos in support of the U.S. government's countering PRC initiative.

The BUILD Act set out a mission for DFC to advance development outcomes and achieve foreign policy objectives. These need not be mutually exclusive, but DFC should focus on crowding in private capital where it is scarce, not crowding it out where it is abundant. Congress should reaffirm DFC's development mandate and urge the agency to adopt a higher bar for investments in more advanced economies.

Third, encourage continued transparency and accountability improvements. My former CGD colleagues Todd Moss and Ben Leo—who were among the early voices calling for a full-service development finance institution in the U.S.—once had to with the help of an industrious research assistant manually create a data base from

PDFs to analyze the portfolio of DFC's predecessor, OPIC. Thankfully, we've come a long way since then.

DFC now features project-level data in two forms on its website. Under the leadership of its first CEO, Adam Boehler, they also pioneered the creation of Impact Quotient, a framework used to assess the development, impact, and prospective projects but also track and measure whether projects deliver those expected development outcomes. Congress should encourage the merging of DFC's two primary project data sets and ensure regular updates and should direct DFC to provide disaggregated data on private capital mobilization, report more development information about impact at the project level, and publish ex-post evaluation results.

Fourth, remember DFC is part of a broader toolkit. While DFC effectively leverages limited resources, there's mounting pressure on the agency to work in a variety of sectors, regions, and countries. I want to caution against ladening the agency with too many directives without a commensurate increase in resources and staff.

DFC has become critical for achieving U.S. objectives internationally, but it is not the only channel. I hope this committee and its counterparts will take a holistic view and consider which tools and instruments the U.S. can deploy to operate most strategically in a given setting and look for opportunities to strengthen its other tools if they appear to fall short.

Finally, I want to note that while DFC has grown its overseas presence, it remains modest. Part of the vision for DFC was to leverage the U.S. global footprint, particularly by working with USAID mission staff who have often served as DFC's boots on the ground. The BUILD Act mandated coordination between these agencies, and recent actions to dismantle USAID will make DFC's job harder.

In closing, this committee has a significant opportunity to build on a bipartisan win by advancing a timely reauthorization that addresses core issues, reinforces DFC's development mandate, encourages accountability, recognizes DFC's position in a broader development and foreign policy toolkit.

Thank you again for the opportunity to appear today, and I look forward to your questions.

[The prepared statement of Ms. Collinson follows:]

"Reauthorizing the U.S. Development Finance Corporation"
House Foreign Affairs Subcommittee on East Asia and the Pacific
Erin Collinson
Director of Policy Outreach
Center for Global Development
Tuesday March 11, 2025

Chairwoman Kim, Ranking Member Bera, and distinguished Members of the Subcommittee thank you for the opportunity to testify today.

My name is Erin Collinson, and I serve as director of policy outreach at the Center for Global Development, a non-partisan think tank based here in DC. CGD does not take institutional positions, and the views I share today are my own.

I want to start by acknowledging that the passage of the Better Utilization of Investments Leading to Development (BUILD) Act establishing the US International Development Finance Corporation (DFC) was an impressive feat. Credit to those who noted that despite the size and strength of the US private sector, the US government was falling short in deploying strategic and efficient development finance and proposed a bipartisan solution. DFC helps harness the private sector to advance development outcomes and achieve foreign policy objectives with profits that return to the US Treasury.

When DFC opened its doors, it did so with an inherited portfolio of approximately $25 billion. Today, just five years later, DFC's investment portfolio has nearly doubled—reflecting strong demand for its services, including its expanded authorities under the BUILD Act. [1]

When it comes to DFC's reauthorization, I want to make four recommendations.

1) **Reauthorize DFC promptly**
   I want to commend this committee for having started this process in earnest last Congress by advancing a bipartisan reauthorization bill.[2] And for having this hearing: a platform to discuss shaping DFC's future trajectory. Several foundational elements must be included in any legislation extending the authorities of DFC.
   - A multi-year reauthorization to provide the certainty that businesses need to plan
   - A sufficient increase in DFC's $60 billion maximum contingent liability cap to leave room for future portfolio growth
   - A fix to the illogical budget treatment of DFC's direct equity authority, which has hamstrung its use and put unnecessary pressure on the international affairs budget

[1] https://www.dfc.gov/sites/default/files/media/documents/DFC_AnnualReport_2024_v6.pdf
[2] https://foreignaffairs.house.gov/press-release/mccauls-h-r-8926-the-dfc-modernization-and-reauthorization-act-of-2024-passes-out-of-committee/

I'll talk a bit about other important enhancements in a moment, but I want to underscore the value of getting this done in advance of the October deadline—even amid so many competing demands for attention on Capitol Hill. As a development finance institution that structures multi-year financing arrangements, DFC requires the market confidence and operational certainty that comes with timely reauthorization. Private sector partners—from project developers to co-investors—make decisions based on DFC's reliability and continuity. Timely reauthorization will help prevent disruptions to DFC's deal pipeline and preserve America's competitive position in global development finance. DFC's Office of Inspector General even highlighted the risk, "DFC's competitors could use the pending reauthorization as an opportunity to sway competing investment opportunities deals away from DFC."[3] So again, I want to applaud the leadership demonstrated by this committee.

2) **Maintain a strong development focus**

While I understand there's interest in affording DFC greater flexibility when it comes to country income restrictions, I want to highlight that DFC's investments have the highest likelihood of delivering impact in lower-income countries where lack of access to private capital represents a binding constraint.[4] In high-income countries and even in some upper-middle countries, private financing is generally available for bankable projects without the need for external assistance. DFC's limited resources would have minimal catalytic effects in those settings. By contrast, in low- and lower-middle-income countries, DFC's financing can transform project viability, representing a significant proportion of available capital while addressing critical market gaps. Projects in these contexts also align more naturally with DFC's core development mandate. In the Indo-Pacific, this includes providing direct loans to water operators in Cambodia,[5] taking an equity stake in a business-to-business healthcare company in Vietnam,[6] and providing portfolio guarantees to financial services groups in Laos in support of the US government's countering PRC initiative.[7]

The BUILD Act set out a mission for DFC to advance development outcomes and achieve foreign policy objectives. These need not be mutually exclusive, but DFC should focus on crowding in private capital where it is scarce, not crowding it out where it is abundant. I believe Congress should use reauthorization to reaffirm DFC's strong development mandate and encourage the agency to set a higher bar for mobilizing private finance in more advanced economies.

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[3] https://www.dfc.gov/sites/default/files/media/documents/Top%20Management%20Challenges%20Facing%20DFC%20in%20FY%202025FINAL.pdf
[4] https://www.cgdev.org/blog/development-north-star-does-dfc-need-better-compass
[5] https://www.dfc.gov/sites/default/files/media/documents/9000104892.pdf
[6] https://www.dfc.gov/sites/default/files/media/documents/9000116056.pdf
[7] https://www.dfc.gov/sites/default/files/media/documents/9000116889.pdf

3) Encourage continued improvements to DFC's transparency and accountability practices

Back in 2016, my former CGD colleagues Todd Moss and Ben Leo—who were among the early voices calling on the US to establish a full-service development finance institution—sought to answer questions about the portfolio of DFC's predecessor OPIC, including how well the agency was balancing risks, development impact, and fiduciary considerations. At the time, there was no accessible database to conduct this analysis, so with the help of an industrious research assistant, they created one, piecing together project-level data (much of it locked in pdf form) from annual reports and project summaries.[8] Thankfully, we've come a long way since then. A provision included in the BUILD Act ensured DFC was subject to the Foreign Aid Transparency and Accountability Act. DFC now features project-level data in two forms on its website. Congress should applaud this progress and encourage DFC to make continued improvements. Merging the two datasets, for instance, while ensuring regular updates would be a welcome step. As described above, by providing disaggregated data on private capital mobilization, DFC could demonstrate how its financing can be truly catalytic.

DFC has also made important progress towards measuring the impact of its investments. Under the leadership of its first CEO, Adam Boehler, DFC pioneered the creation of Impact Quotient (IQ)—a framework used to assess the development impact of prospective projects but also designed to track impact and measure whether projects deliver expected development outcomes.[9] Since then, DFC has sought to strengthen its capacity to monitor and evaluate projects—going beyond OPIC's approach, which relied primarily on client surveys.

Congress should direct DFC to provide more detailed information about development impact at the project level, including a narrative explanation to accompany the IQ categories in its project database, to update them as appropriate, and to publish its ex-post results. With continued commitment and resources, DFC will be able to showcase its impact and stewardship of taxpayer dollars, helping set a high standard for DFIs globally.

4) Remember that DFC is part of a broader US development and foreign policy toolkit

As a new agency that harnesses the power of the private sector and effectively leverages limited resources, DFC has attracted a lot of attention since its creation. That's a good thing in some ways, but it has contributed to mounting pressure on the agency to work in particular

[8] https://www.cgdev.org/sites/default/files/CGD-Policy-Paper-81-Leo-Moss-Inside-the-OPIC-Portfolio.pdf
[9] https://www.cgdev.org/event/measuring-development-impact-dfcs-new-impact-quotient-iq-tool

sectors, regions, and countries. The dramatic proliferation of these requests threatens to fragment DFC's strategic focus and dilute its development impact in places where capital constraints are most severe. And I want to caution against ladening the agency with too many directives without a commensurate increase in resources and staff.[10] DFC has become a critical channel for achieving US development and foreign policy objectives, but it's not the only one. I hope this committee and its counterparts will take a holistic view and consider which tools and instruments the US can deploy to operate most strategically in a given setting—and look for opportunities to strengthen its other tools if they appear to fall short. Finally, I want to note that while DFC has grown its overseas presence, it remains incredibly modest. Some of that was by design. Part of the vision for DFC was that it would leverage the US global footprint—particularly working with USAID mission staff.

In fact, the BUILD Act mandated a report detailing plans for future coordination between USAID and DFC. That report, dated July 31, 2019, outlines extensive institutional linkages, including opportunities to collaborate on deal origination, relationship management, technical assistance, feasibility studies, compliance oversight, monitoring and evaluation, and more.[11] In short, USAID was often DFC's boots on the ground. Recent actions taken to dismantle USAID will make DFC's job harder.

In closing, I want to underscore that this committee has a significant opportunity to build on a bipartisan win for America by advancing a timely reauthorization of DFC that addresses core operational issues, reinforces the agency's development mandate, encourages continued improvements in transparency and accountability, and recognizes DFC's position in a broader US development and foreign policy toolkit.

Thank you again for the opportunity to testify.

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[10] https://www.cgdev.org/blog/diplomacy-good-d-dfc-development
[11] https://www.dfc.gov/sites/default/files/2019-10/CoordinationReport_Shelby_7_31_19.pdf

Mrs. KIM. Thank you, all the witnesses. I now recognize myself for five minutes of questioning.

The DFC certainly has demonstrated its ability and its effectiveness in using our taxpayer money very wisely. As noted in my opening statement, in fiscal year 2023 alone, the DFC's revenue exceeded costs by 341 million dollars. That is money returned to our U.S. Treasury.

So Mr. Yoho, as you've seen in recent months, we witnessed a significant shift in the U.S. approach to international development assistance. How can the DFC's model of leveraging the private sector to provide a return on investment serve as a framework for broader U.S. foreign assistance efforts, particularly in helping countries reduce dependence on continuing aid?

Dr. YOHO. Thank you. I think that's the ultimate goal is weaning this countries from aid to trade and move that. And the DFC can do that with the tools that they have, but only if they stay focused on what I call the purity of purpose of what they were designed to do.

When we envisioned this and put this together, we were looking at major infrastructure projects that we could partner up. And we weren't able to do this with OPIC, the predecessor, to partner up with other DFIs from other countries or to bring in that private equity. And what they needed, they needed to have an investment vehicle that we could come to the table first with.

That's where organizations like MCC or USAID did on their grant basis. I know USAID right now is this terrible image, but yet there was some good that they did. And we want to make sure that we don't lose that because they're often the ones that are on the ground, boots on the ground, that invite in that private equity.

I look forward to you guys fixing this soon, and I'm sure you will.

Mrs. KIM. So continuing on that, I want to talk about the equity scoring issues and ask a question to you, Mr.——

Mr. MOSBACHER. Mosbacher.

Mrs. KIM [continuing]. Mosbacher. In Fiscal Year 1923, the DFC committed 9.3 billion dollars in new investments. Of that, 8.8 billion were direct loans that require only 110 million in appropriations. Meanwhile, the 500 million dollars equity investment required 500 million in appropriations.

That treatment of equity investments which assumes that every dollar of the investment will be lost is out of step with the private sector. The DFC needs an equity fix, which we all agree on. That would account for this on a net present value basis which evaluates future probability of investment returns, bringing the equity investments in line with Congress' original intent.

That fully allows the DFC to invest in countries that advance the U.S. objective in the long run. So could you talk to us about OPIC never having the ability to make equity investments, Can you explain to us why the DFC's ability to make equity investment is so important and how would this ability have changed your approach to OPIC?

Mr. MOSBACHER. Well, yes. I mean, we did not have the authority to do equity investments. And it actually cost us in terms of many deals. Even going in to private equity funds which OPIC did for years as senior secured debt, we were sort of the skunk at the party because when you exited those funds, OPIC came out first, got its principal back plus interest before any of the other investors got a return.

It was not well received internationally. And many who are our allies did not like to be in funds with us. Today, I would say equity is even more important than it was back then.

Equity is so critical, particularly as we look at how we're going to counter China on some of the competitive deals and the infrastructure of critical minerals. We have to have access to equity authority that's treated on a net present value basis. The way I've always explained equity is—or the issue of how to account for it on a net present value basis is to say it's a little bit like a 100-dollar loan at the bank.

The bank has a loan loss reserve. That loan loss reserve gives you some sense of what's the probability that loan is going to default or go off the ditch. We could use a small portion of funds as subsidy, it's called in this context, to cover loans or cover investments that frankly will probably turn out to be very productive. But the lack of capacity because we have to charge these on a dollar-for-dollar basis is a huge impediment to our performing at that level.

I'd just say one more thing. When Ted and the group put the BUILD Act together, we thought it would be with a 60-billion dollar contingent—maximum contingent liability, we thought as much as 35 percent of that 60 billion could be invested in equity. That's in the bill.

We anticipated it being a huge piece of our toolkit. And clearly, it hasn't been. So that's been an unfortunately piece of this.

Mrs. KIM. Thank you. Let me now recognize Ranking Member Bera for 5 minutes of questioning.

Mr. BERA. Thank you, Madam Chairwoman. I've had a chance to actually talk to all three of you, and there has been a lot of conversation both in the Biden administration but also in the Trump administration about creating a sovereign wealth fund. And every once in a while, DFC gets conflated with the sovereign wealth fund.

I think there's healthy concern on our side about the differences here. And maybe each of you could just quickly comment on why you think these should be separate and the differences, maybe starting with Ms. Collinson.

[Disturbance in hearing room.]

Mrs. KIM. Let's continue with——

[Disturbance in hearing room.]

Mrs. KIM. The committee will come to order. Please proceed.

Mr. BERA. Ms. Collinson.

Ms. COLLINSON. Yes, thank you. So my view is that should the U.S. move forward with creating a sovereign wealth fund that it should be separate and distinct from DFC. While sovereign wealth funds can operate with a range of objectives, typically profit is a core motive.

DFC must practice sound financial management and good stewardship of taxpayer dollars as the chairwoman noted. That, in some cases, means sending profits back to the Treasury. But the promise of market competitive returns is not what drives investment decisions.

I also think that just practically between existing statutory requirements and strong congressional interest and oversight that the effort to retrofit DFC in some way or pursue a substantially different model of operation would run into real challenges.

Mr. BERA. Mr. Yoho.

Dr. YOHO. I like the idea of a sovereign wealth fund. I don't like the idea of it being tied into the DFC. I think it clouds the mission. I think it gets messy. And I think if you want a sovereign wealth fund, create a separate one. Let the DFC focus on what it was designed to do.

Mr. MOSBACHER. And I agree with what they said.

Mr. BERA. Here's another question. I actually don't know the answer to this. Are public pension funds—we have some very large public pension funds that are looking for investment vehicles. Are they able to operate like private equity? Maybe Mr. Mosbacher on the DFC.

Mr. MOSBACHER. Yes, so here's the way I think of public pension funds, particularly in countries in which the DFC is doing business. If we de-risk projects enough so that you attract serious private capital to those deals and you start to build out infrastructure projects with that kind of participation in the private sector. Once those projects are operational, then at that point you have a chance to sell a package of assets to a pension fund that would be willing to take 8 or 9 percent blended return.

And that's where we should go because that will dramatically increase the traffic in terms of projects and pipeline and all that sort of thing. And I have that as a hope and dream. And I don't think it's too far fetched.

Mr. BERA. And is that something that we'd have to do legislatively? Or do they currently have——

Mr. MOSBACHER. No, all we need to do is encourage the DFC and others to be more creative about risk taking.

Mr. BERA. Mr. Yoho, I think you touched on—and the chairwoman touched on a little bit of the OMB scoring and how that does get in the way. If you want to expand on that a little bit.

Dr. YOHO. Yes, the equity scoring, it was designed in the bill as Mr. Mosbacher brought up. That was at 35 percent that they could take an equity stake in. And OMB, I feel, is misinterpreting this.

I think it doesn't need really a legislative fix. It's just they need to interpret it the way Congress intended. And I think if you do that, if you put the pressure on them, they'll have to do it.

This is an investment vehicle that's going to make this country stronger. It's going to make the people we invest in stronger. And it falls into that making American safer, stronger, more prosperous.

Mr. BERA. Mr. Mosbacher, you have other vehicles that are obviously out there in terms of multilateral development banks like the World Bank and so forth. Can you tell us how that complements—you touched on it a little bit about how it complements working with——

[Simultaneous speaking.]

Mr. MOSBACHER. Yes. Well, so when you speak of the World Bank, I mean, the 800-pound gorilla of private sector lending is the

IFC, International Finance Corporation. They're sort of the IFC and then there's everybody else. But the everybody else matters.

So teaming up like I mentioned with IDB Invest I think brings deals in, gives us much better market intelligence, allows us to share risks. So we leverage dollars much more effectively. And so I think it has all pluses. And I would recommend that, not just in terms of Latin America and the Caribbean but also Africa, Asia, the Far East.

Mr. BERA. Great. And again, it does seem like we've got a number of tools in our toolkit to compete effectively. We've got those tools in our toolkit to work with like valued allies, others that share our values. And we don't have to compete with competitors like the PRC and the Belt and Road Initiative on our own.

We certainly can do this and develop those markets. So again, let's strengthen these institutions, not weaken them. And with that, I yield back.

Mrs. KIM. Thank you. Let me now recognize Chairman Emeritus, Chairman McCaul.

Mr. MCCAUL. McCaul. Thank you, Madam Chair. Let me say, Mr. Mosbacher, great State of Texas.

Mr. MOSBACHER. Yes, sir.

Mr. MCCAUL. Appreciate your service and your father as well being Secretary of Commerce.

And Ted, great seeing you again. You are our champion in this area. This is your legacy. It's your baby, the BUILD Act, the Development Finance Corporation. I know you of all people have been very frustrated at the implementation which I would argue did not follow Congress' original intent.

Let me ask you this. As the author of the bill, we reauthorized the DFC last Congress. The Senate, of course, did not pass it. But as you pointed out, it really just—all it needs is an interpretation by OMB to fix this problem.

The BUILD Act of 2018, 22 U.S.C. Section 9621(d), equity investments, it says, a corporation is authorized to make equity investments. And then it goes on to say at the end, the corporation may not own more than 35 percent of the outstanding voting stock or other voting interest of any entity. As the author of this bill, what is your interpretation with respect to the equity investment provision?

Dr. YOHO. I think it's crucial. I mean, it really increases the leverage that the DFC has. And it also brings in that much more of private equity bringing that into that without using the way it was designed and really hamstringing this.

It's not going to reach its full potential if OMB doesn't change how they interpret what you just read. I think it's a misstep by OMB. And I hope they see the errors of their way and really utilize this thing.

If you think about where it started with, OPIC. That was where we kind of built this model from, and Rob was great at working with us. They were authorized or appropriated 65 million dollars. I think it was in 2014. But they returned 265 million dollars. Take that same concept and put multiple factors in there of what we can do. The return to the American taxpayers, something that's pretty much self funding, and——

Mr. MCCAUL. I continually say, I mean—my time. I think it not only is a great return for the American——

Dr. YOHO. Yes.

Mr. MCCAUL [continuing]. taxpayer, but it counters our adversaries, particularly China and Belt and Road, which we are failing. The DFC was not implemented properly. It went off on—just like USAID went off on programs that had nothing to do with the core mission, like, drag shows and the like.

Now because of that black eye, it makes DFC even more imperative that it succeed. But I want to get on the record here today so that if we have the same problem we did last Congress and the Senate doesn't pass this, we do have the fix right here from your testimony and that is, was it your intent when you authored this bill that the scoring be at the net present value?

Dr. YOHO. Absolutely.

Mr. MCCAUL. No question?

Dr. YOHO. There's no doubt about that. And I don't know if Rob or——

Mr. MCCAUL. Mr. Mosbacher.

Mr. MOSBACHER. Yes, just to elaborate, it seems like the authorizers and appropriators are generally in agreement it should be on a net present value basis. But then when we bring the budget committee and the CBO and the OMB into the conversation, we're at a deadlock. So I would just plead for creativity.

We're not exposing the taxpayers to undo risk. And as you indicated, I mean, this is an agency that's been self-sustaining for years, has made money for years, partly because they've been so conservative on their risk appetite which we're asking to loosen it up a little bit. But we need some—we need, I think, a meeting of the minds among the jurisdictional folks on the Hill.

Mr. MCCAUL. And I agree. So Madam Chair, I hope we can pass this and I hope the Senate wakes up and—it's vitally important. And I think the Senate, SFRC, they recognize this as well. Hopefully we can pass it. If not, I think we have the answer right here before us.

Last question, Mr. Mosbacher. I've never understood the idea that a country like China can self-designate as a developing nation therefore qualifying for low interest or zero interest loans. That defies logic and reason. It also allows them to fund the Belt and Road Initiative where they then take the money and use usurious interest rates on truly developing nations. What are your thoughts on that?

Mr. MOSBACHER. Well, my thoughts on that are they probably wouldn't be as successful as they've been if there was anybody else on the field to contest it. But there's not. So we haven't been around. We haven't been on the field.

I would argue—and I know I sound like a broken record here. But I'm a private sector guy. I've spent all my life in the energy industry.

I look at deals and look at what the risk is in that country of doing business there. And if it looks too great, I'm going somewhere else. So I guess what I'm saying is this agency can take more risk and we can find more ways of reducing the risk such that you have more private capital and there's an alternative to China.

Mr. MCCAUL. Thank you. I yield back.

Mrs. KIM. Thank you. I now recognize Representative Sherman for his five minutes of questioning.

Mr. SHERMAN. I want to join the ranking member in praising USAID. And the shuttering of USAID and its termination of foreign assistance projects could very well harm DFC which has relied on USAID mission staff to help generate projects. Ms. Collinson, does the shuttering of USAID cause a problem?

Ms. COLLINSON. Yes. Thanks, Congressman. I think it does. Obviously, USAID and DFC share a development mandate broadly. But they have a very different model.

And whereas USAID provides complementary grant assistance and historically the largest share of the agency's funding has supported humanitarian response and global health services, they have really played a critical role where DFC's overseas presence has been lacking. And they even set up—help stand up DFC's mission transaction unit which has been key to deal origination but also sort of helping to monitor and track deals.

Mr. SHERMAN. There's some people who are even on the committee last—when we dealt with USAID who attacked USAID for having tourism development projects because they thought USAID had to be just food. They didn't realize AID stood for development or Agency for International Development which, of course, includes tourism.

I've been involved for at least a couple decades in this with Mr. Mosbacher. I wrote the OPIC reauthorization bill in 2007 which the House passed and the Senate didn't, thus proving the wisdom of Nebraska in having a unicameral legislature. There were certain provisions we had there that I want to make sure that we have this time.

One of those is a requirement that the private sector entities that are substantially involved certify that not only they but everyone in their corporate family is abiding by U.S. sanctions, particularly those on Iran. Because we had a lot of pushback then that said, well, we'll have on subsidiary benefit from this program while we'll have a different subsidiary violating American sanctions.

We need to have whichever entity is benefiting from the program, whichever private sector entity, certify that none of their sister corporations, parent corporations, or subsidiary corporations, or nephew corporations are violating our sanctions on Iran. Would that pose a problem in making this an effective bill, Mr. Mosbacher?

Mr. MOSBACHER. No, sir.

Mr. SHERMAN. Good. We also had a provision in there that I don't know if it's still relevant, but it wouldn't hurt to put it in, to not fund an anti-Armenia railroad defined as a railroad that jogs around Armenia connecting Georgia and Azerbaijan. We had that, I believe, in the bill or in your regulations. Did that cause a problem, Mr. Mosbacher?

Mr. MOSBACHER. Not to my knowledge.

Mr. SHERMAN. Good. We also had provisions, I believe, that were in current statute dealing with companies not boycotting Israel. Was that a problem to carry out?

Mr. MOSBACHER. No, sir.

Mr. SHERMAN. And at times, the board has had at least one member from organized labor and one member from small business. Is that currently applicable and does it cause a problem?

Mr. MOSBACHER. I don't think that's still applicable, but I will get an answer for you because there's someone here from the agency.

Mr. SHERMAN. OK. And back in the day when it was imposed, was there a problem?

Mr. MOSBACHER. No, there was not. I worked very well with that representative.

Mr. SHERMAN. OK. Now there's a lot of talk here about going to high-or mid-income countries. I believe Ms. Collinson said that. Is there a way to structure the bill so that we give a preference to low-income countries or at least low-mid-income countries without necessarily prohibiting high-mid-income countries?

Ms. COLLINSON. Yes, Congressman. And I think actually the bill passed last year by this committee sort of helped try to strike the right balance. I would probably go a little further in terms of some guardrails around high-income investments. But it did, in fact.

Even though it expanded DFC's ability to invest in some high-income countries, it also put—allowed it to do—or preference low- and lower-income—lower-middle-income countries. And I should say I agree with Mr. Mosbacher that the upper-middle-income certification as it currently stands is not as workable as it needs to be.

Mr. SHERMAN. I would ask you to submit some ideas, Mr. Mosbacher and Mr. Yoho. Submit ideas on how we can tighten that language. And I yield back.

Mr. MCCAUL.

[Presiding.] The gentleman yields. The chair recognizes Mr. Barr.

Mr. BARR. Thank you, Mr. Chairman. And thanks to our witnesses today. I appreciate the testimony. As you all know, the Belt and Road Initiative since 2013 has invested over a trillion dollars across the globe, expanding the reach of the Chinese Communist Party's malign investments and debt trapped diplomacy.

I have said on this subcommittee and also in my capacity as a member of the select committee on the strategic competition with the CCP that as Americans, we shouldn't try to compete with China or counter China by becoming more like China. Imitating their industrial policy, misallocating capital is actually their Achilles heel. And it's exacerbating their own debt crisis.

Our advantage is that we're capitalists. Our advantage is that we allocate capital effectively and efficiently. And so let me just ask any of you all to comment on whether or not the DFC has the proper resources it needs because I think the model of attracting private capital and allocating that capital effectively is a better way of delivering returns but also geopolitical objectives than China's scattershot misallocation of resources.

Am I right about that? Do we counter China better by looking at investments that deliver returns? And should we avoid bad deals just because China is there? I'll start with you, Mr. Mosbacher.

Mr. MOSBACHER. Yes, I would argue that our biggest competitive advantage is the fact that we have a free market rule of law capitalist approach. They have a State owned enterprise autocracy.

They don't have to make returns, although they like to be repaid for their money. But we have no business emulating the Chinese in terms of all investment model or structure. So I think we played our strengths which is entrepreneurial capitalism.

Mr. BARR. Ted, good to see you, my former colleague, Congressman Yoho. Great work on the BUILD Act. Appreciate it. Let me ask you to comment on the equity scoring piece. Do we attract more private capital into these deals if we fix the equity scoring?

Dr. YOHO. Absolutely.

Mr. BARR. How would that attract more private capital to go along with DFC?

Dr. YOHO. Because we can leverage a lot more. The way it is right now, it's a dollar for dollar. Giving out a million dollars, it's a million dollar loss, as OMB looks at it erroneously versus looking return on investment.

So we're really leveraging that. And that's what the private sector is looking for. Plus we bring in de-risking of that of a project. And as we do that, that's more attractive to the private equity.

Mr. BARR. I appreciate that, and I appreciate all of the witnesses' testimony in support of also expanding the aperture of DFC and allowing DFC to move into higher income countries, Panama being the great example, Congressman Yoho, that you cited. The fact that Panama is ineligible for DFC investment is really one of the reasons why China has moved in. And I've been to Panama twice, and I've talked to high ranking government officials there.

They want to do business with the United States. They would prefer U.S. private capital. And this is the win-win where United States could displace China and take back de facto control of the canal to the benefit of national security.

Congressman Yoho, if DFC correctly focused on combating national security threats as opposed to just this development objective, would that be a better way to counter China in the Panama Canal?

Dr. YOHO. Yes, but it wouldn't just be national security. I would look at the whole picture. As you brought up, we're capitalist. We bring this to the table. People want to do business with people they know, like, and trust.

You hear it over and over again. It's easy to get money from these other countries. But we don't trust them. We don't like them. And that's what we bring to the table. And I think if we do that, we're going to win just on what we have to offer.

Mr. BARR. Mr. Mosbacher, should DFC play a role in Ukraine? How could the DFC help the reconstruction of Ukraine in a way that could deter further Russian aggression?

Mr. MOSBACHER. Yes, I think the DFC could be enormously valuable in helping support economic rebuilding at all levels. I mean, one of the things that the DFC has done and OPIC before most effectively for years was to support small-and medium-sized businesses. And that's the way you rebuild economies. But then——

Mr. BARR. What would you say to those who say that DFC or formerly known as OPIC would support the agenda of the globalists?

Mr. MOSBACHER. I think we support our own agenda. I don't see—I'm not sure what the globalist agenda is. But my sense is particularly on small-or medium-sized businesses but also infrastructure. And infrastructure is going to have to be rebuilt. But the DFC is as good as anyone in the government at knowing how to do this.

Mr. BARR. Thank you. I yield back.

Mr. MOSBACHER. Could I just add one thing, Mr. Chairman? You asked the question, Congressman Barr, about having the DFC and private equity funds. The reason that OPIC was able to be such an important catalyst for the private equity funds over the years where it was in the deal as debt was because once you got the U.S. in the deal, it all of a sudden became much more attractive to private sector investors. And that's exactly what would happen if you have DFC in equity funds.

Mr. BARR. Thank you.

Mr. MCCAUL. The chair recognizes Mr. Amo.

Mr. AMO. Thank you, Mr. Chairman. As others have mentioned, the Development Finance Corporation provides enormous return on investment for the American taxpayer. By working with the private sector to build development projects, whether it's strengthening mineral supply chains in Angola or expanding fish farms in Vietnam, the DFC advances the United States' foreign policy goals and our economic interests.

The DFC opens up markets to American businesses, thereby reducing the reliance on foreign aid and shifting our relationship toward an equal playing field where American investment advances American diplomacy. In doing so, it's the perfect counter to China's Belt and Road Initiative, a coercive financing scheme that pressures countries into accepting unfavorable investment terms while forcing them to look the other way on China's human rights abuses.

If we want government that is both efficient and effective, then Congress must reauthorize the DFC to extend and expand their track record of success. Thankfully, we already have a blueprint in hand, the bipartisan DFC Modernization and Reauthorization Act of 2024 which passed through our committee last Congress. This bill would make reforms to strengthen American competitiveness while authorizing the DFC to continue its unique role for another 7 years.

I use that word intentionally because the DFC does play, in fact, a unique role. First created in 2019, the DFC consolidated the various development finance tools from across the Federal Government, including USAID and the Overseas Private Investment Corporation to better coordinate our development finance work. And while the DFC consults with USAID on projects related to foreign assistance, they serve separate and distinct roles.

That raises some alarm on the Trump administration's activity to openly float moving some of USAID's work into the DFC as they try to unlawfully shut down USAID. So Ms. Collinson, could you please explain how USAID and DFC's roles are different? How would shutting down USAID while folding some of its work into the DFC harm the DFC's core functions?

Ms. COLLINSON. Yes, thank you, Congressman. I mean, as I mentioned before in my testimony, I think one of the biggest deleterious effects of USAID's dismantling for DFC will just be not having sort of folks on the ground in missions who can help with deal origination in particular. Again, they helped set up this mission transaction unit that was really critical in that arena. But also, as DFC is trying to do a much better job of monitoring and tracking their impact, if there are not USAID staff there, they just have much less presence. And DFC's presence overseas is quite limited.

Mr. AMO. Thank you. And as we know, the DFC is a key tool in the United States as the United States deploys our support to our ally, Ukraine, in their fight for survival against Russia's unlawful invasion. Last year, I lead a bipartisan letter requesting that the DFC requesting that the DFC scale up their work in Ukraine to support the Ukrainian economy and business community.

Ukraine's economy is vital to success in this war. A stronger Ukrainian economy benefits the war effort, supports Ukraine's capacity for reconstruction, and reduces future reliance on foreign aid. I'm glad, especially glad that the UFC—the DFC rather, committed to providing over 400 million in additional political risk insurance for companies investing in Ukraine. Again, Ms. Collinson, how does the DFC political risk insurance for private sector investments in countries like Ukraine support those countries' economies and encourage American companies to invest?

Ms. COLLINSON. Yes, maybe I'll start by just noting that the political risk insurance tool that DFC had is actually a pretty unique one. There's a few other actors that have a comparable tool, the multilateral investment guarantee agency being one of them. But it's really been shown to be catalytic and fragile in conflict affected states in particular. And you could imagine just being able to offer and take on at least—assume a part of that noncommercial project risk in a setting like Ukraine has really been a vital way to grow private investors' confidence in the economy and lend both to the economy now but also Ukraine's recovery and reconstruction down the road.

Mr. AMO. Thank you. With that, I yield back the rest of my time.

Mrs. KIM. [Presiding.] Thank you. I now recognize our vice chair of the committee, Representative Radewagen, for 5 minutes.

Mrs. RADEWAGEN. Thank you, Madam Chairwoman, Ranking Member Bera.

[Speaking foreign language.] Good afternoon. Today, we're discussing one of the most important programs to counter the PRC's Belt and Road Initiative, the Development Finance Corporation.

Congressman Yoho, I too want to echo my thanks to you for your leadership in writing this legislation. This hearing comes at an apt time for my home district. As I've stated in previous hearings, American Samoa is now surrounded on three sides by other Pacific Island nations that have signed major deals with the PRC.

America needs to be present and active in the Pacific. If we aren't, Americans will be cutoff and isolated from the mainland. The DFC is a great tool in our playbook to invest in the Pacific's future.

My question for all three of you, my home, the Pacific Islands, we face significant challenges in securing investment for essential projects in infrastructure. How can Congress and the Administration collaborate to encourage greater risk tolerance among private sector companies, enabling them to invest in the less secure yet highly impactful areas?

Mr. MOSBACHER. Congresswoman, there are a variety of tools that the agency has that can significantly reduce the risk to private sector investors. So if you're talking about how do we attract investors to areas that are starved for capital, you need two things. One, equity, because it's fine to support financing our debt, but many of the companies in some of the spaces that we're talking about desperately need equity as well.

So equity is one. And two is to reduce, again, the risk of a project which you can do by establishing small grant and technical assistance or a whole host of things that will encourage private sector investment. And that would be my suggestions.

Mrs. RADEWAGEN. Thank you. Congressman?

Dr. YOHO. I agree with that. And being from where you are, you're a long way from anywhere. And so how do you get capital there? How do you get people to invest in that?

The best way is to have the de-risking of it. And you also have to have a partner that is credible, somebody that has the clout like the U.S. Government with a vehicle like the DFC. But can the DFC, can they man it on the ground?

That's where organizations like the MCC, I'm a big fan of that, between 17 countries off of foreign aid. And so working with companies or agencies like we have there or that arm of USAID that was first on the ground with boots on the ground to do those things to carry a project forward, they work hand in hand with DFC. And let the DFC go in there with the big guns, the big equity, and bring in that private capital.

Of course, that all ties into, what do you need in your country? What is the most vital thing? And it's usually infrastructure where it starts.

Mrs. RADEWAGEN. Ms. Collinson?

Ms. COLLINSON. Yes, no, I don't have too much to add. I think I agree with both of their points.

Mrs. RADEWAGEN. Thank you, Madam Chairwoman. I yield back the balance of my time.

Mrs. KIM. Thank you. Let me now recognize Representative Olszewski for 5 minutes of questioning.

Mr. OLSZEWSKI. Thank you, Madam Chair and Ranking Member. I appreciate all of our witnesses' time today as always. I want to dig a little bit into two issues that you both mentioned today.

One is something I support, expanding the amount of countries that can be lended to. Our focus include more higher earner countries. But as we open up those countries, even if we extend preference for the low-middle-income nations, do you have any thoughts on how we can operationalize ensuring that we actually don't just express a preference but actually ensure that we execute on that?

Ms. COLLINSON. Yes, I think one of the ideas—and I know Mr. Mosbacher and I have some common ground here because we've discussed it, including as part of modernizing foreign assistance network which we both participate in. But one idea would be to think about having sort of a reporting requirement from DFC to come to Congress and let them know should the balance start to move in a certain direction.

You maybe put a threshold on high-income investments or certain upper-middle-income and high-income investments and say, we want to hear from you. Why? It gives a lot of flexibility but also sort of puts a check on the system in the event that you feel like it's getting too far in one direction away from the mandate.

Mr. MOSBACHER. Yes, I mean, so just to build on her comment, you can use percentages. So at the end of a fiscal year, I think last year, they did 181 projects. If more than—I mean, if less than two-thirds of those projects were in low-and lower-middle-income countries, then you could require that they come before a committee like this and explain why is it your not focusing as much on the low end.

Same thing could go for high-income countries. My personal view is—and you all did this last year in 8926—I would eliminate the focus on just the European group of countries and make it much broader but say no more than 10 percent of all the projects done in a given Fiscal Year can be in high-income countries. And if they are, then you have to come explain it to Congress.

Mr. OLSZEWSKI. That's helpful as we consider reauthorization which I think I'll just join the chorus of bipartisan support for here. I also wanted to just pick up a little bit on the conversation around USAID and actually turn a little bit to workforce at DFC itself. I know that in fiscal 1925, there was a goal to expand the U.S. workforce up to 700 staff.

Obviously, we've seen lots of conversation around D.C. these days about reducing staff size. So as we're talking about providing higher borrowing limits, that we're talking about allowing markets to go into more countries, as we think about reauthorization in the context of what we've already talked about at USAID and what's happening with staff generally in the U.S. Government, what should this committee be thinking about, just sort of account for those limitations? Or is that any reason to be concerned as we do that work?

Ms. COLLINSON. Yes, Congressman, I think that's a great question. And I would just start by noting that sort of OPIC, DFC's predecessor, really ran lean in terms of staff and portfolio exposure. And so DFC has really had to take an active role in staffing up as it was growing its portfolio.

And as you noted, it was quite successful over time. But it took quite a while to get to this 700 or near 700 number. And a lot of those roles that they're hiring for are not the typical federal workforce position.

So something like underwriting capacity, you can make quite a bit of money in the private sector doing that. And so being able to recruit those people and the right people to do this work takes time. And I think it's really that important to ensure that the folks that they have hired and that they have the ability to continue to hire if we want to have the kind of ambition for growth at the agency.

Dr. YOHO. I agree with that. You've got to have the boots on the ground to be able to start a project. And with your previous question, you don't forget the low-income countries.

You expand your portfolio, and that's the whole purpose of raising the maximum contingency liability because that way you can focus developing countries moving from aid to trade. Then you have your other countries that you say, well, strategically from a geopolitical standpoint, this is where we should be investing, whether it's critical minerals or whatever. But I agree with what she says, and it's imperative we have the boots on the ground.

Mr. MOSBACHER. Yes, and I would just add particularly if you're going to focus more on infrastructure and critical minerals as a priority, those deals are very labor intensive for lawyers. And I know that makes a lot of people nervous, but that's fact.

Mr. OLSZEWSKI. Thank you, all. I yield back.

Mrs. KIM. Thank you. Let me now recognize Representative Sheri Biggs for 5 minutes of questioning.

Mrs. BIGGS. Thank you, Madam Chairwoman. And thank you to the witnesses for participating today. As President Trump has sought to refocus America's influence in the foreign policy sphere, the Development Finance Corporation has taken on new importance as the primary vehicle for America to demonstrate soft power abroad by providing valuable resources and support to combat the People's Republic of China's influence.

Through alternative financing for critical infrastructure and development projects, the DFC empowers our allies and partners with the means to achieve self-determined economic growth while shielding them from the predatory debt and coercive influence inherent in the PRC's Belt and Road Initiative. So in a testament to fiscal responsibility, the agency generates significant returns operating profitability with a net income surpassing 500 million dollars across fiscal years 1923 and 1924. It is clear that the DFC is an effective and value-driven alternative to PRC investment.

However, the DFC's current operational framework presents certain limitations. The legislation that governs the agency prioritizes investments in low-income countries with restrictions on the ability to operate an upper-middle-income and especially high-income nations. While this focus is valuable, it creates practical challenges when engaging with strategically significant countries like Panama, Indonesia, Vietnam, and Brazil.

With that being said, I would like to direct my first question to Dr. Yoho. Good to see you today. In your experiences, what are the key areas where DFC supported projects are in high demand within middle-income countries?

Dr. YOHO. You know, if you look at the different countries around where we're invested, the majority are in the lower to middle-income countries. Where we're restricted is, like, in Panama. We can't go into Chile. We can't go into Costa Rica.

You look at the geopolitical areas that we can't go into. We should be able to go into, like, New Zealand, some of the other nations in Europe that we could go into that would really bolster our national security. And I don't want to go across this too much.

I don't want to compete against China. I think we can outperform them by the product and our values. And if we invest in these, those countries will be included in that, those middle—lower and middle income. I hope that answers your question——

Mrs. BIGGS. It does.

Dr. YOHO [continuing]. or got close.

Mrs. BIGGS. But I do have a little second part to that. So what do you feel that are the potential benefits of increased DFC involvement in these nations? You kind of answered that, but——

Dr. YOHO. I think the biggest thing is the work that we can do to change the dynamics in a lower-income country. We're moving them from aid to trade. That was something that was one of the impetuses behind the DFC. How do we get countries from that?

Then we built on models from OPIC and MCC. But then we look at where can we strategically invest that will counter somebody that's wanting to gain influence in our hemisphere. And I think that's so important that we use this strategically but also on the other side raising countries out of that economic disaster that they sometimes have.

Mrs. BIGGS. Great. Thank you. And just one more quick questions for Mr. Mosbacher. A critical component of our strategic competition involves energy security. How do you propose we ensure that the DFC can effectively support high impact energy projects in strategically important middle-income and high-income nations?

Mr. MOSBACHER. Well, I think energy is an essential component of any economic progress. So I believe we need to be as flexible as possible in honoring the fuel source that the host country has that it may want to use, even though that fuel source may not be to someone's liking. But I'm a big believer in a wide open, sort of all of the above type approach. And the DFC should be available to try and help countries implement legitimate energy deals that will advance the economic growth of the country.

Mrs. BIGGS. Great. Thank you so much, and I yield back.

Mrs. KIM. Thank you. I now recognize Representative Ryan Mackenzie for 5 minutes of questioning.

Mr. MACKENZIE. Well, thank you, Madam Chair, and thank you to all of our panelists. I don't know if I could've asked for a better segue into my question than the latest comment from Mr. Mosbacher.

I want to particularly focus on DFC and its investment in energy because as was mentioned, such a critical component to developing countries around the world. And we see the increased demand for energy in so many areas of our lives. And so what I see, though, when I look at DFC and the list of projects is a concerning focus solely on climate focused solar, low carbon transition, green loans, climate mitigation.

These are all a grab bag of buzz words that are listed in all of the projects on DFC's website. What is absent from that is any investment in fossil fuels. And I have heard from developing countries, I had an ambassador to a developing country in my office just the other day who said that he is seeking out and has been unable to get so far but is still seeking for an American investment into natural gas in his country because they have a depositor reserve of that.

He feels like that would be the best thing to help develop their country and move them forward economically and with energy reliability. So when I look at the DFC's website, though, my concern only gets worse when I look at the criteria that is laid out from 2024—April 2024, the environmental and social policy and procedures. And the reason that's so concerning is because it seems like it is projecting an unnecessary screening on the types of investments the DFC is even going to receive in applications let alone what they ultimately determine is the criteria that they're going to use to select those projects.

But that messaging and that criteria alone that is laid out there, you're going to stop people from even coming to DFC with these potential types of projects. So what I would like to raise as a question is in a time where we are seeing the markets and investors moving away from ESG toward purely profitability and also other criteria that they want to set on their own deals, I would like to hear from each of you what your thoughts are on that policy and procedure in DFC and what we should do about it going forward.

Mr. MOSBACHER. Well, let me start by saying that when I said each country should have the right to choose what type of fuel source they use, I was suggesting that if a country is sitting on top of a bunch of natural gas, they ought to have every right to try and build a natural gas fired power plant. But I don't think the DFC is automatically opposed to that. I think, in fact, each administration has priorities. The last administration had prioritization of renewable energy sources.

This administration can move toward a more balanced approach and I would recommend that. In terms of the comments you made about standards, I agree we can overdo it. I do think sometimes some of the standards we have probably run some companies off.

But I also believe we have to find the right balance. In other words, if we go in and make a mess of a country because we've not abided by just reasonably balanced approaches in terms of the environment or impact on the people that may be displaced by a project, then we're sort of cutting off our nose to spite our face. We're undermining our effectiveness. So I think you need a balance in there. And in terms of energy source, I'd be for mostly whatever they want in their country.

Dr. YOHO. Along that—I agree with that. But I think when you're looking at the DFC to go into a country, you're looking to build an economy in developing countries. The primary thing they need is infrastructure. The primary infrastructure is energy.

You can't build manufacturing or any of that unless you have a reliable baseline energy. And you're not going to get it on solar and wind. They can augment it and supplement it. But you need to go and meet the resources within that country. Help them develop it responsibly. And so I think that's what we should focus on.

Ms. COLLINSON. Yes, I mean, I would certainly hope that DFC doesn't rule out renewable energy where those are a good source. I will say I agree that I think where lack of energy access is a real challenge where there are places of energy poverty in low- and lower middle-income countries. They need energy to be able to run an economy. And so we shouldn't be ruling out natural gas, particularly when that's a fuel source we use regularly at home.

Mr. MACKENZIE. Great. Well, thank you and I appreciate Mr. Mosbacher's comment, particularly around the balance. And I think that is something that we can achieve, both environmental responsibility and stewardship but at the same time developing those energy sources that are reliable, affordable for these developing countries. So I think we need to bring back that balance, and I'm concerned that this policy and procedure in place puts too much of a focus and an emphasis on a certain category. So I would like to see that broadened as we move forward in discussing DFC and what we can do to make it even better than it already is. Thank you, and I yield back.

Mrs. KIM. Thank you. Let me now recognize Representative Schneider.

Mr. SCHNEIDER. Thank you. I want to thank Chairwoman Kim and Ranking Member Bera for holding this important hearing on reauthorizing the U.S. International Development Finance Corporation. Let me take a special privilege, Congressman Yoho.

It is so good to see you. We miss you on this side of the dais. But you look more relaxed and calm on that side of the dais. And thank you for your leadership on this project.

The DFC was created by the bipartisan BUILD Act, two parties working together. I think it represents one of our Nation's strongest tools to bolster international development while also advancing American strategic interest abroad. China's Belt and Road Initiative expands its own global footprint.

Mr. Yoho indicated that over the last 10 years, 12 years, they've invested more than a trillion dollars in contrast to the U.S., a fraction of that at 70 billion dollars. DFC has to provide a compelling alternative to China. It has to be one that upholds transparency, respects environmental standards, and reinforces good governance. And it has to be one that advances U.S. interests.

One area that I'm particularly interested in, the Abraham Fund, announced following the history Abraham Accords between Israel, UAE, and the United States. It was designed precisely for these purposes, to enhance regional economic cooperation, support peace, and present a tangible alternative to authoritarian investments. Unfortunately, as of today, questions remain about the Abraham Fund's operational clarity and the commitment of the current administration to fully realize its potential.

For the DFC to succeed, especially in strategic initiatives like the Abraham Fund which has broad range of implications, timely reauthorization as was recommended earlier, increased flexibility in equity investment scoring, and greater risk appetite are all essential. Equally important is ensuring transparency and effective oversight to reinforce confidence among our private sector partners. I look forward to exploring how Congress can ensure DFC remains an effective tool for development and strategic competition, particularly is strategically vital regions.

But I'd like to again focus on the Abraham Fund. If I can ask the witnesses, do any of you have a sense of the current status of the fund and have applications for project stalled? If so, any sense why? Looking behind that, I'll ask you, Congressman Yoho, because we worked together on so many things. How important is having this soft power of a program like the DFC to promote not just American interest but American relationships around the world, specifically in the context of China's efforts to expand and increase its influence around the world?

Dr. YOHO. It's vital. It's vital. If we're not at the table, somebody is going to fill that void. We've got to be there. People have to know we're reliable, we're trustworthy.

We're going to be there not just for the now but for 50 years from now. And I think if we fund this, if it goes through, a rapid reauthorization, and enhance what the House did last Congress, build on what you did, that sends a strong signal. The worst thing you can do is pull back, and you know nature abhors a vacuum.

Somebody is going to fill that vacuum. Somebody is going to fill it with their ideology. So you want it to be Western ideology, liberal democracies. Or do you want it to be authoritarian? That's the choice that we have to offer.

Mr. SCHNEIDER. And Ms. Collinson, you in your recommendations I think gave wise counsel to us. Remember that DFC is part of the broader U.S. development and foreign policy toolkit. The current administration has basically wiped out aid completely and celebrated that. Can you touch on if we don't have that in our toolkit, what is left for us and what are the implications of that?

Ms. COLLINSON. Yes, no, again, I would echo I think that USAID's dismantling is a real problem for DFC and particularly when it comes to deal origination and tracking, the impact that it can deliver on the ground. I do hope that DFC will be able to work increasingly with the State Department, also with the Millennium Challenge Corporation which they set up their own platform for collaboration precisely to try to do that in the places where MCC invests. And I think it'll be really important as Mr. Mosbacher pointed out to work with a lot of DFIs to try to share intel and develop deals collaboratively if we don't have the kind of presence on the ground that we expected.

Mr. SCHNEIDER. Thank you. And I'll use my last 10 seconds just to make a statement because whether we like or not, if the United States turns its back on the rest of the world, the rest of the world is not going to throw up its hands and stand still. They'll proceed forward and China will lead the way.

They will lead it for their interest of China as you said, Mr. Yoho. We need to engage with the rest of the world. And the United States created the American century in the last century because of our engagement, things like the Marshall Plan and other work.

We can do things no other nation is able to do because of who we are, because of our values, because of our philosophies and our systems. And to turn away from that I think is a grave mistake. I hope we can turn the other way. I yield back.

Mrs. KIM. Thank you very much. I would like to recognize Representative Zinke for your 5 minutes of questioning.

Mr. ZINKE. Well, thank you for coming. So a couple things, one, I agree with flexibility. I agree with equity. I'm not sure percentage I would agree with you on. I think it should be aligned with the policy of the United States with executive and the Congress. So it is that from where our policy is driven and should be driven.

So a couple things, USAID has come up a lot. And of course, USAID has gone through a lot of scrutiny as it should. But when you have transgender medical clinics in India or condoms for Taliban, we can go through the list after list after list after list.

So some of it then is spread to you because you have a relationship with them. So on your loans, do you have a single data base?

Because when I was in Interior, I went in and I canceled every loan until I could figure out where they're going. It took us a while.

And we're seeing the same thing with USAID, canceling it. So you haven't been in the papers lately. Do you have a data base of where your loans are, your outstanding loans?

Mr. MOSBACHER. Yes.

Mr. ZINKE. Is that data base accessible to the United States Congress?

Mr. MOSBACHER. It should be. I believe that there are some platforms like the FATAA.

Ms. COLLINSON. Yes, so technically, DFC is, I believe, required to report to the foreignassistance.gov dashboard under FATAA, the Foreign Aid Transparency and Accountability Act, which BUILD Act extended its purview to. Right now, it's just reporting grant and technical assistance on that dashboard because there's been some—but there is——

Mr. ZINKE. And I've heard this from multiple. It's amazing. The Department of State does not have a list, one that's a data base that you can query on loans, on grants. And if you have one, I would love to see it.

And what fidelity because a lot of things are just titles. And whether you love or hate them, DOGE, what it has done is open up files that when you and I are in Congress, we couldn't access. When I was a Secretary, I couldn't access the files. Evidently, just a few can. And we're trying to run ahead if there's files out there, I would like you to share them——

Ms. COLLINSON. So maybe, Congressman——

Mr. ZINKE [continuing]. so we can see and defend.

Ms. COLLINSON. Sorry, just to clarify. DFC does post. It has two data bases actually on its website that have project level data. Now they're a little bit lagged, so we're missing the most recent data. But you can query and search.

One of them has more fields than others. You get greater granularity. But I think those are both areas where Congress should push the DFC for even greater transparency.

Mr. ZINKE. And perhaps we don't want to make every loan a billboard for debate, right? Because we give you the authority, and we should for you to make a deal, as long as it's in line with U.S. policy. I agree with that. But I think the chairs and the ranking member should have access to see it. I think that's fair and prudent. I'd like to see that.

Last, up close, the five meter target, we could go to a government shutdown. So what does that do you? I just want to know. A government shutdown, how does that affect your mission if we go to a government shutdown? Sir?

Dr. YOHO. Well, I don't work for them——

[Simultaneous speaking.]

Mr. ZINKE. No, I know. What do you think it would do?

Dr. YOHO. It'll do like any other government shutdown. You press a reset button and everything has got to start all over. All those contracts that were negotiated, if the government shuts down, they have to renegotiate all those contracts. It's a waste of money, and let's hope we don't do that.

And as far as the oversight, all those loans are on a book somewhere and the Inspector General. And they have a board of people that approve these things. It's up to Congress when you get the Inspector General report to hold them accountable.

We always talked about transparency and accountability up here. It's happened under this administration. And if you don't like what they did, shame on us because we didn't act. It's happened. We can't change it. Let's move forward and make it better.

[Simultaneous speaking.]

Mr. MOSBACHER. Congressman, if I could just add to that. Businesses have every right to—understand there needs to be some certainty and predictability about contracts they have. To the extent that we have a stop and start funding system in our government that impacts private sector partners of our government, it damages our capacity to attract new business.

Mr. ZINKE. I agree. I'm hoping we're not at that point. And with that, I wish you a lot of luck. I know you have a lot of influence on there. And for the record, I do agree with the program. But it needs greater scrutiny like anything else.

We can justify taxpayer dollars when we know about them. And we should have that debate whether we should or shouldn't. But we never should have to debate with fraud, abuse, and waste. And that we should all stand firm on. And with that, I yield back.

Mrs. KIM. Thank you, Representative Zinke. And with respect to your question about transparency, if you go on the dfc.gov website, you will see the list of countries where DFC is funding projects. If you click on each country, it will also give you a whole list of the programs that are already being funded. I think that would be a helpful tool.

We have a lot of discussion here, but one thing is for sure, despite its short life-span, the DFC has really emerged as a key U.S. national interest and security tool. With this commitment to making America stronger and more competitive leader and partner on the world stage, I think we have a tremendous opportunity to improve and strengthen its operations and how DFC's impact is felt around the world.

The CCP as we know is funding critical infrastructure projects and signing security pacts across East Asia and the Pacific region and throughout the world. But we know the U.S. remains the economic and security partner of choice. With that, we must provide our partner nations and allies with an alternative to exploitative state-led initiatives.

This is not something the U.S. Government can do alone. We need partners. We need to also incentivize and mobilize our U.S. private sector to unleash economic opportunities and investments abroad.

I look forward to working with all of you as we go through this reauthorization process. We'll engage in further discussions to make it even stronger and tighter and make DFC the best security tool that we need.

I want to thank the witnesses for your valuable testimony and answering all of our questions. I also want to thank the members who have participated.

The members of the subcommittee may have some additional questions for the witnesses, we'll ask you to respond to those in writing. Pursuant to committee rules, all members may have 5 days to submit statements, questions, and extraneous materials for the record subject to the length limitations.

Without objection, the committee now stands adjourned.

[Whereupon, at 3:48 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

Chairman Brian Mast

COMMITTEE ON FOREIGN AFFAIRS
SUBCOMMITTEE HEARING NOTICE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on East Asia and the Pacific
Young Kim (R-CA), Chairwoman

March 4, 2025

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs to be held by the Subcommittee on East Asia and the Pacific at 2:00 p.m. in Room 2172 of the Rayburn House Office Building. The hearing is available by live webcast on the Committee website at https://foreignaffairs.house.gov/.

DATE:	Tuesday March 11, 2025
TIME:	2:00 p.m.
LOCATION:	2172 RHOB
SUBJECT:	Reauthorizing the U.S. Development Finance Corporation
WITNESSES:	The Honorable Ted Yoho, D.V.M. Former U.S. Representative Florida's 3rd Congressional District
	Mr. Rob Mosbacher Former CEO Overseas Private Investment Corporation
	Ms. Erin Collinson Director of Policy Outreach Center for Global Development

*NOTE: Witnesses may be added.

By Direction of the Chair

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202 -226-8467 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE HEARING

Day *Tuesday* **Date** *March 11, 2025* **Room** *2172 RHOB*

Starting Time *14:15* **Ending Time** *15:48*

Recesses ☐ (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Chair Young Kim, Rep. McCaul

Check all of the following that apply:

Open Session ■
Executive (closed) Session ☐
Televised ■

Electronically Recorded (taped) ■
Stenographic Record ■

TITLE OF HEARING:

Reauthorizing the U.S. Development Finance Corporation

COMMITTEE MEMBERS PRESENT:

Attached

NON-COMMITTEE MEMBERS PRESENT:

None

HEARING WITNESSES: Same as meeting notice attached? Yes ■ **No** ☐

(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Chairwoman Kim

TIME SCHEDULED TO RECONVENE __________

or

TIME ADJOURNED *15:48*

Meg Wagner

Full Committee Hearing Coordinator

Committee on Foreign Affairs
Subcommittee on East Asia and the Pacific
119th Congress

ATTENDANCE

Meeting on: Reauthorizing the U.S. Development Finance Corporation
Date: March 11, 2025

Representative	Present	Absent	Representative	Present	Absent
Chairwoman Kim	X		RM Bera	X	
Rep. McCaul	X		Rep. Sherman	X	
Rep. Barr	X		Rep. Castro		X
Rep. Radewagen	X		Rep. Moskowitz		X
Rep. Zinke	X		Rep. Amo	X	
Rep. Moylan		X	Rep. Olszewski	X	
Rep. Biggs	X				
Rep. Mackenzie	X		Rep. Schneider	X	

NENSC Nuclear Energy and National Security Coalition

STATEMENT FOR THE RECORD

**SUBMITTED TO THE HOUSE FOREIGN AFFAIRS
EAST ASIA AND PACIFIC SUBCOMMITTEE
BY THE NUCLEAR ENERGY AND NATIONAL SECURITY COALITION**

**RE: REAUTHORIZATION OF THE U.S. INTERNATIONAL DEVELOPMENT FINANCE CORPORATION (DFC) AND SUPPORT FOR NUCLEAR ENERGY EXPORTS
March 11, 2025**

Chairwoman Kim, Ranking Member Bera, and Members of the Subcommittee:

The Nuclear Energy and National Security Coalition[1] appreciates the opportunity to submit this statement for the record regarding the reauthorization of the U.S. International Development Finance Corporation (DFC). Our coalition, composed of national security experts and energy policy leaders, advocates for restoring U.S. leadership in nuclear energy as a strategic economic and geopolitical priority.

The reauthorization of the DFC presents a critical opportunity to unlock the financing needed to support nuclear energy projects that support continued economic development that also enhances U.S. competitiveness in the global nuclear energy market, strengthens alliances, and counters China and Russia's growing influence in energy diplomacy. To achieve these objectives, Congress must ensure DFC has the tools necessary to support U.S. nuclear energy exports. We urge the inclusion of specific provisions in the reauthorization to expand DFC's financing capacity and increase its ability to support civil nuclear projects.

THE NATIONAL SECURITY IMPERATIVE FOR U.S. NUCLEAR ENERGY EXPORTS

U.S. nuclear energy exports advance national security by fostering long-term strategic alliances, ensuring high safety and nonproliferation standards, and maintaining a robust domestic industrial base that supports national laboratories and naval propulsion programs. The decline of U.S. nuclear exports over the past two decades has

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[1] The Nuclear Energy and National Security Coalition (NENSC) is an independent organization of leading national security experts who recognize the essential benefits of a strong national nuclear energy enterprise to the continued national security of the United States. NENSC is dedicated to expanding recognition of this interdependence among policymakers at all levels and promoting policies that ensure a robust U.S. nuclear energy enterprise.

diminished America's ability to shape global nuclear governance and has allowed authoritarian regimes to dominate the market.

Since 2000, China and Russia have built or are constructing 64 nuclear reactors abroad, while the U.S. has been involved in only five. Rosatom, the Russian state-owned nuclear enterprise, recently reported that its reactor order book has reached $200 billion, compared to zero U.S. contracts, although hopefully Westinghouse will finalize the sale of three reactors to Poland. China has rapidly expanded its global nuclear footprint, leveraging aggressive state-backed financing to attempt to challenge Russia's dominance in exports and further displace Western influence. When the U.S. does not compete in nuclear energy markets, it cedes long-term economic and political interests to these competitors.

China and Russia's nuclear export strategies are not just commercial; they are geopolitical tools that lock countries into long-term energy dependencies. Russia's state-owned Rosatom has secured reactor deals across Eastern Europe, the Middle East, and Asia by providing below-market financing that U.S. firms cannot match without comparable government-backed financial tools. China is expanding its own state-backed nuclear projects, securing agreements that include financing, fuel supply, and operational services for decades. If the U.S. fails to counter this trend, it will continue to lose influence in key regions given that energy security is a primary driver of diplomatic alignment.

THE ROLE OF DFC IN COUNTERING CHINESE AND RUSSIAN DOMINANCE

DFC is a vital tool for advancing U.S. economic and security interests. Recognizing the strategic role of nuclear power, the agency lifted its prohibition on financing nuclear projects in 2020. However, it has yet to finance a single reactor. Bureaucratic obstacles, financial constraints, and limited expertise have prevented it from effectively supporting U.S. nuclear exports.

Reauthorizing DFC with enhanced authorities will allow the agency to address these barriers and enable U.S. companies to compete in global markets. Nuclear energy projects are among the most capital-intensive infrastructure investments, requiring long-term financing structures that align with plant construction and operational lifecycles. Without government-backed financing mechanisms, private U.S. firms will be unable to offer competitive terms against state-supported Chinese and Russian projects.

RECOMMENDATIONS FOR STRENGTHENING DFC

To ensure DFC can fulfill its role in advancing U.S. nuclear exports, the following legislative improvements should be included in its reauthorization:

1. **Increase Authority to Provide Equity Investments in Nuclear Projects**. Unlike state-owned enterprises in China and Russia, U.S. nuclear firms rely on private investment. However, budgetary restrictions on DFC's equity investments limit its ability to catalyze industry participation. Fixing the budgetary treatment of DFC's equity tool would provide a critical signal of U.S. government commitment and attract additional private sector capital.
2. **Double DFC's Financing Cap from $60 Billion to $120 Billion**. The current $60 billion cap on DFC's overall financing portfolio constrains the agency's ability to finance nuclear energy projects that support economic development and advance America's national interests. Large-scale projects require substantial upfront investment, and without an increased cap, DFC will be unable to finance nuclear energy projects in key markets, ceding the field to our geostrategic competitors. Expanding the agency's financing capacity will ensure it can effectively compete with China's state-backed financing model.
3. **Expand the Number of Countries Eligible for Strategic Projects**. DFC's current mandate limits its ability to support projects in geostrategically significant countries. Expanded eligibility criteria would allow DFC to finance nuclear energy development in key regions, including Eastern Europe and Southeast Asia, where U.S. companies face competition from Chinese and Russian state-backed projects.
4. **Strengthen Internal Expertise and Coordination**. Financing nuclear projects requires specialized knowledge to ensure that projects are sufficiently managing and mitigating risks unique to the nuclear sector. Establishing a dedicated nuclear energy team within DFC and improving interagency coordination would enhance the agency's ability to evaluate and support nuclear energy projects effectively.
5. **Expand Public-Private Partnerships**. DFC should actively partner with U.S. industry and allied export credit agencies to develop joint financing mechanisms for nuclear projects. Leveraging public-private partnerships would enable U.S. companies to present competitive offers against state-backed Chinese and Russian financing. Initiatives such as co-investment funds and syndicated lending structures would provide U.S. nuclear projects with stronger financial backing.

Reauthorizing DFC with expanded authorities is a critical step to reasserting U.S. leadership in nuclear energy exports and countering China and Russia's growing dominance in the global energy market. Without action, the U.S. will lose influence in key strategic regions, undermining both economic and national security objectives.

The proposed reforms will allow DFC to provide the necessary financial tools for U.S. companies to compete in global nuclear markets, ensuring that future nuclear power projects are built under U.S. safety, nonproliferation, and governance standards rather than those of authoritarian regimes. Congress must seize this opportunity to modernize DFC and equip it with the resources needed to support American leadership in nuclear energy.

The Nuclear Energy and National Security Coalition urges the Committee to include these provisions in the DFC reauthorization to ensure the agency can fully execute its mission.

Submitted respectfully,
The Nuclear Energy and National Security Coalition