

Rep. Ted S. Yoho, DVM (FL-3)
Testimony for House Appropriations Subcommittee for State, Foreign Operations and Related Programs
March 6, 2019

Chairwoman Lowey, Ranking Member Rogers, Members of the Committee: Thank you for convening this hearing to discuss the critical resources needed to protect our nation, advance our values, and uphold America's leadership role in the world. With your leadership and guidance, this Committee has the important task of determining what resources are required to meet our immense responsibilities.

As the Committee begins to consider the FY20 request, I would like to update you on an exciting new development: the establishment of the U.S. International Development Finance Corporation (DFC). Last year, along with Rep. Adam Smith, I introduced the *Better Utilization of Investments Leading to Development* – or **BUILD Act** – to consolidate, bolster and modernize the U.S. Government's development finance tools. I am excited to share with the committee that this bipartisan proposal – with help from many of you - became law last October. This is an incredible achievement we can all be proud of.

Development finance refers to the use of loans, guarantees, insurance and other financial tools to projects that will have development impact. For instance, many of us have seen power projects in Africa that have been financed through either the *Overseas Private Investment Corporation* (OPIC) or USAID's *Development Credit Authority* (DCA). Unlike traditional grants, these are investments which pay back over time.

Under the BUILD Act, OPIC and DCA will cease to exist at the end of this fiscal year – and instead be housed together under the Development Finance Corporation starting in FY20. But it is not just consolidation that is achieved. The BUILD Act brings increased flexibilities so that the US government can better use development finance to take on the world's greatest

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development challenges and places the DFC more prominently in the U.S. strategy for the developing world.

The other key element of the BUILD Act was to modernize the tools available to the U.S. government. In this respect, a tool possessed by all other development finance institutions – except the United States – is equity authority. The BUILD Act provides this critical authority – which provides not just a key development tool – but will also allow the United States to be “economically interoperable” with allies such as Germany, Japan, and the UK. For all its strengths, OPIC has difficulty working in partnership with – and leveraging the investment of – our allies because of its lack of equity authority.

While the BUILD Act envisions that the DFC’s total equity investments could approach 35 percent of its overall portfolio, it is important to note that – like the DFC’s loans that will be paid back over time – equity has a similar potential for repayment. I look forward to working with the Committee on this important new aspect of the DFC to ensure that it is resourced and structured for long-term success.

Madam Chair – this Committee’s support is incredibly important at this critical time. As the top Republican on the Asia Subcommittee, I’ve been through the region. I’ve been through Africa and our own Hemisphere and seen the challenges; like you have. Everywhere we go, we see China – loading up developing countries with debt they won’t be able to repay; bringing in Chinese workers; and not respecting the environment. With the establishment of the DFC – we have a viable alternative that countries can call upon; where they can bring in private sector financing; employ their own people and do things in a transparent way. And this model of

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development – of bringing in private capital - is becoming more prominent as the needs just can't be met with government resources alone.

The newly created DFC will be an important tool against an ever more aggressive China. China's Belt and Road Initiative (BRI) has undermined American Security and prosperity around the world. China is aggressively attempting to expand its influence not only throughout Asia, but around the world, especially in Africa, through its Belt and Road Initiative which is nothing more than a predatory loan scheme that indentures nations to China. This happened to Sri Lanka which had to hand over a deep-water port to China for the next 99 years and Pakistan has added billions to its debt through its partnership with China in building a port in Gwadar. The list of countries being harmed by China's Belt and Road continues to grow. It is imperative for Global and American security that the U.S. DFC is sufficiently funded.

Lastly, I'll note for the Committee that OPIC and DCA will cease to exist at the end of this fiscal year. Should the FY20 Foreign Operations bill not be signed into law by the start of the fiscal year, I will want to work with the Committee on "anomaly language" to ensure the DFC can be established on October 1st. There is no time to waste.

Thank you for your leadership and for the bipartisan atmosphere of respect and problem-solving that you have instilled in this Committee. You have the ability to shape America's future as a global leader by investing in diplomacy and development. I look forward to working with you to advance U.S. global leadership through a strong and effective International Affairs Budget.