

Congress of the United States
Washington, DC 20515

October 26, 2021

Jake Sullivan
National Security Advisor
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear National Security Advisor Sullivan:

We write to urge you to work with the Office of Management and Budget and Congress to restore Congressional intent when it comes to the budgetary treatment of the U.S. International Development Finance Corporation's (DFC) equity investments.

As you know, in October 2018, a bipartisan coalition in Congress passed the *Better Utilization of Investment Leading to Development (BUILD) Act* to enhance U.S. development finance at a time of growing global needs and heightened great power competition. The BUILD Act went beyond simply combining the development finance functions of different agencies into the DFC or just increasing the size of its portfolio. It also empowered the DFC with critical new financial capabilities such as the ability to offer technical assistance, perform feasibility studies, and make equity investments. Since it began operations the DFC has used these new tools to great effect and has played a critical role in global challenges, such as financing vaccine production in India as part a Quad Initiative. However, the DFC has not been able to realize the full potential of one of its most important new tools, equity authority, due to the budgetary treatment of the equity investments it would make.


Other Development Finance Institutions (DFIs), including the CDC in the United Kingdom and Japan Bank for International Cooperation, have long made equity investments a key part of their international development finance efforts and have a demonstrated track record of positive returns on their equity investments. The BUILD Act allows the DFC to make equity investments up to 35 percent of its overall liability (potentially up to \$21 billion). This significant level of equity authority illustrates the important role for equity investments that Congress envisioned.

Budgetary treatment of the DFC's equity investments is currently on a dollar-for-dollar basis, and thus every dollar of equity investment must be matched by an appropriated dollar for Congress. This does not reflect the expected positive returns from the investments, nor does it align with Congressional intent in passing the BUILD Act. Under the current scoring arrangement, the DFC will never come close to having an equity portfolio that will be able to make the sort of impact that Congress envisioned.

We ask that you urgently work with OMB, the DFC, and Congress to rectify this budgetary scoring issue to ensure the budgetary treatment of the DFC's equity investments reflects the expected return on investment, similar to the DFC's traditional debt financing. Getting the budgetary treatment of equity investments right will enable the DFC to fulfill the development mission envisioned by Congress and strengthen U.S. global leadership and our ability to compete with countries like the People's Republic of China.

The Interim National Security Strategic Guidance rightly noted that "creative approaches that draw on all the sources of our national power" will be needed for the U.S. to succeed on the world stage. Congress devised the DFC as a new powerful tool to help the U.S. expand its international development efforts and advance our foreign policy objectives. It's time to unleash its full power.

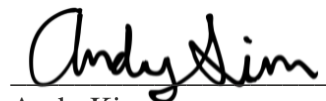
Sincerely,


Joaquin Castro
Member of Congress

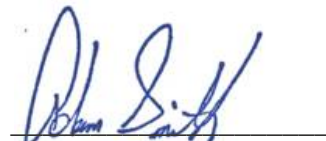

Michael McCaul
Member of Congress


Dean Phillips
Member of Congress

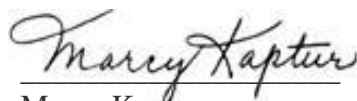

Young Kim
Member of Congress


Andy Kim
Member of Congress



Anthony Gonzalez
Member of Congress


Adam Smith
Member of Congress


Brian Fitzpatrick
Member of Congress


Marcy Kaptur
Member of Congress


Peter Meijer
Member of Congress



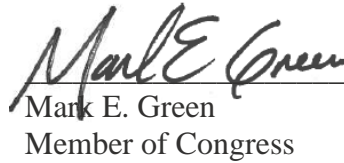
Sara Jacobs
Member of Congress



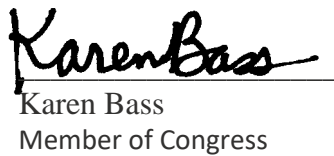
Andy Barr
Member of Congress



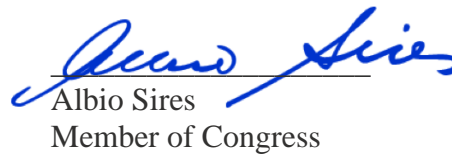
Tom Malinowski
Member of Congress



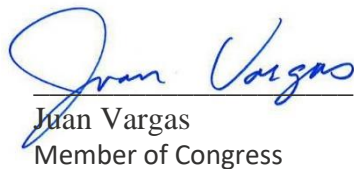
Mark E. Green
Member of Congress



Karen Bass
Member of Congress



Albio Sires
Member of Congress



Juan Vargas
Member of Congress

CC:

Acting Director Shalanda Young, Office of Management and Budget, Executive Office of the President

Acting Chief Executive Officer and Deputy General Council, Dev Jagadesan, United States International Development Finance Corporation