

Testimony to the House of Representatives Sub-Committee on Africa, Global Health, Global Human Rights and International Organizations

By

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To Chairman Smith and members of the Subcommittee; especially Congresswoman Bass, and her staff for their active role in focusing on this issue, a thank you all for the opportunity to speak before you today, in my capacity as the President of Computer Frontiers, Inc., about increasing American jobs through greater exports to Africa.

My name is Barbara Keating, and I am the President and CEO of Computer Frontiers, Inc., a small woman-owned business started in 1996 in the spare bedroom of my house in Germantown, Maryland. For the past 17 years my company has been focused on working in Africa, and in that time we have worked in 34 African countries, incorporated in 9 countries, and currently have 4 fully staffed offices on the African continent, and an office in Frederick Maryland. I am speaking to you today as a representative of small business, who has worked to establish business throughout Africa, and the continuing and growing challenges that are arising for companies like mine.

There are two major points that I want to bring to your attention in regards to increasing US exports to Africa, and those are to support that 1) small and medium sized business is the right place to focus support, and 2) now is the time to act!

Why Focus on Small- and Medium-sized Businesses?

Small- and Medium-sized business is the place to focus for increasing exports to Africa. One reason is there are 54 African countries, and the majority of these countries have relatively

small individual markets, making these markets less attractive for larger U.S. corporations. However, for small and medium sized businesses, Africa's markets are the right size, leading to cooperative partnerships, and long term relationships for continuing growth between the US and African businesses. My oldest company is located in Uganda, and is thirteen (13) years old. Initially with a partner we grew the company together from five (5) to thirty-five (35) core, highly qualified technical staff, and hundreds of consultants and trainees throughout the last decade. In Uganda, as well as in Togo, my companies with my partners grew and expanded in both staff and revenue. From these bases, we then expanded our reach into other surrounding African country markets, incorporating in five (5) other countries, and hiring staff and providing services without having full-fledged offices or staff. The bottom line today is that 90% of my professional staff in the US is totally reliant on our work in Africa.

And yet, we are a small company. The challenges are many for a small U.S. company not only to enter and succeed in Africa, but then once established to move from the start-up phase to scale is further challenged by the lack of coordinated US Government focus on Africa, as well as from US policies, seemingly almost unwittingly bent on crushing small business. I will discuss each in turn.

First, one could find that the US Government is providing many resources including financing for US Small Business to increase their exports to Africa. However, where to go, and what is really available, is a "hit or miss" affair based on the knowledge of staff in the government agency you meet, and thus this "amorphous" resource pool does not in reality seem to be more than a few inches deep. And in my experience over the last decade, the bureaucratic hoops that must be passed through to even determine if your business qualifies for the program or financing, are almost in themselves too unlikely to succeed and too time consuming, that we in our own analyses have deemed them unrealistic to even raise the effort to apply. Other than minimal bank lines of credit based on receivables, we have had no loans or financing. It is almost impossible to grow, and we continue to cycle at the same level of activity.

What would help is a more coordinated focus on Africa, to include a strategic trade policy and a “one-stop-shop” for small business to more quickly determine if there are any supported options for our projects.

Second, in this same vein of challenges, is access to Africa. One of the main pluses to being a US State Department, USAID or other US Government agency contractor in Africa, is the contract vehicle give supporting the US Government in Africa for a small-business like ours, gives us a reason to be in that market. Currently, as Ms. Freeman also testified, the USAID Forward Implementation and Procurement Reform process is requiring local contracting, and loosening the hold of the “buy America” Act. While one might think that this would be an excellent move for a small company like mine, who has established local presence for more than a decade in Africa, the rule has language, I hope which is unintended, which rules out companies like mine. The new rule requires that to be considered a local company, it must be owned at 51% by local nationals from that country; eliminating US majority companies like mine, which have long vested in these markets. The reason for a US person or entity to maintain a 51% controlling interest is to ensure that compliance with US and local laws are enforced, which would appear in my humble opinion to be an advantage for the US government. However, this is not what is being implemented.

Further, as a part of the USAID Forward procurement reform, large contracts, which large USAID government contractors will pursue in Africa for USAID, will be required to include 30% of the contract value go to African local companies. Previously, these subcontracts may have gone to small US companies like mine. However, it is now unlikely US small business will be considered to partner and provide services for these large contracts, as we don’t meet “checkbox” requirements for being a local company. In summary, USAID Forward takes away both a logical vehicle US small business has used to access and grow in African markets, and further takes away our competitiveness in the USAID contract marketplace itself.

Now is the time to Act.

Over the last 10 years, I have been part of the discussions in Washington with relevant Department Heads, and Congressional members on the Chinese entry into the African markets, and have positing the notion that US companies have no support from the US government in Africa, while we are exposed in direct competition with Chinese businesses having the full power and financing of the Chinese government behind them. A common response has been that it is just “sour grapes” the US private sector is experiencing from the new competition in the African market.

However, today, we can clearly see how China’s government’s efforts over the last year has positioned its companies to be the largest African investor by far. We should not dwell only on the Chinese investment, or their good sense in pursuing the African market, as other countries are also providing significant support to their companies to aggressively expand into Africa. I have myself seen it from Europe, India, Turkey, the Gulf States, Brazil, Malaysia, Israel, and South Africa. It is resulting in the reality that the U.S. investment share is shrinking, simply because others are doing more. As is stated by the U.S. Corporate Council on Africa in their policy recommendations to the Obama Administration this year, (and where I have been a board member and member during the past 10 years):

“Some European countries are pursuing commercial advantage through Economic Partnership Agreements (EPAs) and reviving traditional relationships. Some countries are offering concessional financing in addition to innovative combinations of government assistance and private sector contracting that the U.S. government (USG) has been increasingly unable to match. The move to create a BRICS infrastructure bank is an indicator of how emerging powers are shifting focus towards Africa.

If the U.S. does not work to reverse the trend, long-term opportunities for U.S. business will be greatly limited. A substantial additional commitment of human, financial, and policy resources is needed to support our national interests in Africa. At the bare

minimum, the United States should be matching the support provided by other governments to their private sectors.

Thank you for your attention to this very significant matter.

It should be a U.S. policy objective to create a better-integrated commercial and economic development relationship with African nations that includes recognition of the key role played by U.S. business. The aim should be to involve U.S. business, including our African diaspora, more extensively in Africa's economic growth, and specifically in the development of the African private sector. CCA sees the growth of Africa's private sector along with an expanded role for the U.S. private sector as key to graduating African countries from foreign assistance.