



**Oral Testimony of Rodney J. MacAlister
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before the
House International Relations Committee
Subcommittee on Africa, Global Human Rights
and International Operations
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“Removing Obstacles for African Entrepreneurs”**

Mr. Chairman and distinguished members of the Committee, thank you very much for this opportunity to appear before you today to share what the United States African Development Foundation (USADF) is doing to remove obstacles for African entrepreneurs.

The Foundation was created in 1980 to take a different approach to fighting poverty in Africa. The concept – then as now – is to enable individuals and groups to get out of poverty by putting their own ideas to work, not someone else’s. Our methods have evolved over time, with experience, but one of the main pillars of our work throughout has been to remove barriers and promote the success of our customers: thousands of Africans who have no lack of innate entrepreneurial instinct but simply lack the means to get going and stay on the path to success. We believe people in poverty know better than anyone what they want to do to improve their lives, and usually lack only some technical now-how and the necessary capital to make their dreams a reality.

I would appreciate being able to submit a longer testimony for the record, please.

Let me tell you four things about us and what we do:

- 1) USADF has a unique model for growing businesses, which gets impressive results.
- 2) The Foundation is stretching appropriated funds with leveraged contributions.
- 3) Our work is in high demand across the continent.
- 4) After 25 years as part of the overall American aid and development framework, USADF would like to, and has the potential to, do much more.

1) We are actually unique - a pretty bold claim. Our core business is growing African-owned small businesses and demonstrating that African entrepreneurs and farmers can compete in the global market place. Since 1984, we have made more than 1500 investments in enterprises owned and managed by poor Africans – business that they themselves conceived and operate.

The way we go about doing this is distinct from other agencies:

- First, we work directly with our clients. Other than employing African host government funds, there is no host government control over what we do and how we invest our joint funds, and we do not work through NGOs, consultants or other intermediaries. We believe our customers have the best view of their obstacles and how to remove them.

- Second, we help our clients think commercially. We show them how to diagnose their constraints, assess opportunities, conduct rigorous financial analyses on their options, and develop business plans that are commercially viable and which generate income for owners, employees, and suppliers.
- Third, USADF provides a comprehensive package of direct investments in African small and medium-scale enterprises and small farming operations. Essentially, we enter into a 3-5 year relationship with our clients and stick with them through thick and thin to help them succeed.
- Fourth, we work with enterprises that could not otherwise access commercial capital through banks. The investment is interest-free, but the customers commit to contribute up to 100% of the investment amount to a local development trust. This feature reinforces commercial discipline and creates a pool of development funds for reinvestment in other businesses and community initiatives.
- Fifth, because our business development model is unique and effective, African governments are making cash contributions to match, one-for-one, appropriated funds. I know of no other agency whose core model is specifically based on leveraging American taxpayer's funds in partnership with host governments.

USADF works – it is producing results. Our investments in small African-owned businesses are generating economic growth. Small farmers are increasing their income by diversifying their production into high value cash crops. These African businesses and farmers can compete in the international market place. We

help them meet the quality and quantity demands of global markets and create relationships with international buyers. Last year, USADF's investments across Africa helped create more than 110,000 jobs for poor Africans and generated \$70 million in gross revenues for enterprises and almost \$35 million in export sales. Local communities are taking control of their own development. Thus, USADF is advancing the objectives of AGOA and furthering U.S. objectives of building a foundation for peace and prosperity in Africa.

My written testimony includes examples that illustrate what our customers are accomplishing.

2) USADF is stretching appropriated dollars. Because of the Foundation's distinct approach and high impact, a dozen African governments and two private corporations are actually matching the U.S. government's funding, dollar-for-dollar. USADF has a total of \$22.0 million in actual commitments and expressions of interest. However, at the current level of funding, USADF will leave \$11.5 million of this private co-funding on the table, because we do not have adequate appropriated funds to match the private contributions.

3) So we're in high demand. As an example of the "walk-in" business we experience, just this week during the 2-day AGOA Forum, we were asked by the Minister of Industry from the Congo, the Secretary of Commerce of Malawi, the Minister of Commerce from Burkina Faso, the Minister of Commerce of Benin, and the Minister of Foreign Affairs from Burundi to match funds that they have ready to put into USADF work in their countries. It hurts, quite frankly, not to be able to say yes.

For another example, President Ellen Johnson-Sirleaf of Liberia has requested USADF to help in rebuilding her country and restoring hope through creating small businesses and community enterprises that can provide meaningful jobs to ex-combatants, women and youth. USADF is already developing an initial round of investments to be funded this year, but we will need additional funding next year to expand that program.

4) (and finally) It is time for USADF to grow to its optimal potential. What will it take to enable us to increase our impact in Africa and deepen our contributions to U.S. objectives? Two things:

- 1) This is an important year for us. We have put in process a number of improvements, including stationing our former President, Nate Fields, in Ghana to oversee in a more hands-on way the service we are providing to the poor. But to have the capacity we need to answer all the demand we have, including being able to match \$11.5 million in contributions of African governments that are currently left on the table, we need adequate funding. Our Board of Directors has committed itself to this goal, and we will work with the Administration and Congress to achieve it. We would be exceedingly grateful for the support of this Committee's members.
- 2) We also need some technical updates to our authorizing statute. During our 25 years of operations, the context for our work has changed significantly but the legislation has never been revised. We believe several changes are now needed to better enable us to achieve our Congressional mandate.

I am extremely grateful to Congresswoman Lee, Congressman Payne and Congressman Boozman for their support in general and their leadership in

particular on shepherding this small but necessary bill through the House. All of the proposed revisions are straightforward, so I hope the Committee will be able to dispense with it as a form of “technical corrections” bill. I would welcome the opportunity, Mr. Chairman, to meet with any members or their staff on the proposed revisions.

Mr. Chairman, thank you for the opportunity to appear before you today. More importantly, I thank you and your colleagues for your commitment to the poor of Africa. The work of the United States African Development Foundation is a powerful example of the goodwill of the American people, and I believe it is one of the most effective foreign assistance programs we have. I look forward to working with you in furthering the United States’ interests in Africa.