

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) coordinates Federal efforts to develop and strengthen new and existing minority businesses. MBDA's Minority Enterprise Growth Assistance (MEGA) Centers provide high quality integrated business development services by upgrading the level of effort with more competitive, comprehensive professional expertise and support. On a cost-sharing basis, MBDA-funded Minority Business Development Centers (MBDCs) provide management and technical assistance to minority entrepreneurs. MBDA also conducts resource development, advocacy, research and information programs.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1993	1994	1995 Estimate	Increase/ (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Minority business development	\$37,889	\$42,100	\$44,733	\$2,633
TOTAL APPROPRIATION	37,889	42,100	44,733	2,633
 PERMANENT POSITIONS				
<u>Appropriation:</u>				
Minority business development	209	209	206	(3)

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
Enterprise Development	148	\$37,067	(3)	\$230

An increase is requested to allow MBDA to fully fund an additional MEGA Center, bringing the total to three MEGA Centers in FY 1995, and to improve MEGA Center support (0 pos.; +\$496). Includes FTE reductions (-3 pos.; -\$173) and administrative savings (0 pos.; -\$93).

Resource Development	27	3,018	0	1,210
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This increase will enable MBDA to focus on improving minority access to capital as well as to Federal procurement opportunities.

Research	8	1,134	0	505
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Funds will be used to analyze discrimination in commercial lending markets and guide MBDA's Capital Development programs.

Comparison of Appropriation by Activity

MINORITY BUSINESS DEVELOPMENT AGENCY	1994 Currently Available		1995 Base		1995 Estimate		Increase/ (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Minority business development								
DIRECT OBLIGATIONS:								
Enterprise development	148	\$38,278	148	\$37,067	145	\$37,297	(3)	\$230
Resource development	27	3,276	27	3,018	27	4,226	0	1,210
Advocacy, research and information	34	2,629	34	2,703	34	3,208	0	505
TOTAL DIRECT OBLIGATIONS:	209	44,183	209	42,788	206	44,733	(3)	1,945
REBURSABLE OBLIGATIONS:	0	1,500	0	1,500	0	1,500	0	0
TOTAL OBLIGATIONS:	209	45,683	209	44,288	206	46,233	(3)	1,945
FINANCING:								
Offsetting collections from:								
Federal funds		(1,500)				(1,500)		
Non-Federal sources		0				0		
Unobligated balance, start of year:		(2,083)				0		
Total financing	0	(3,583)			0	(1,500)		
TOTAL BUDGET AUTHORITY:	209	42,100			206	44,733		
TOTAL APPROPRIATION:	209	42,100			206	44,733		

Summary of Changes from 1994 Appropriation

MINORITY BUSINESS DEVELOPMENT AGENCY

1995 Estimate

	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>
Minority business development			209	\$42,100
Appropriation currently available, 1994				
ADJUSTMENTS TO BASE:				
ADJUSTMENTS				
Redirect funds from Enterprise Development and Resource Development		(1,542)		
Redirect funds to MEGA Center (Enterprise Development)		1,542	0	0
OTHER CHANGES				
1995 Pay raise		131		
Locality Pay		412		
Changes in Compensable Days		(37)		
Within-grade step increases		64		
Civil Service Retirement System (CSRS)		26		
Federal Employees Retirement System (FERS)		(48)		
Thrift Savings Plan		(7)		
FICA		(13)		
Health Insurance		43		
Employees' Compensation Fund		69		
Travel and Transportation		7		
Rental Payments to GSA		36		
Rental Payments to Others		(1)		
Communications, utilities & misc. charges:		0		
Printing and reproduction		3		
Working Capital Fund		2		
Supplies and materials		1		
Subtotal, other changes			0	688
TOTAL, ADJUSTMENTS TO BASE			0	688
1995 base			209	42,788
FTE Reduction			(3)	(173)
Administrative Savings:			0	(93)
Program changes			0	2,211
TOTAL REQUIREMENTS			206	44,733
1995 APPROPRIATION			206	44,733

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) coordinates Federal efforts to develop and strengthen new and existing minority businesses. On a cost-sharing basis, MBDA-funded Minority Business Development Centers (MBDCs) provide management and technical assistance to minority entrepreneurs. MBDA's Minority Enterprise Growth Assistance (MEGA) Centers provide high quality integrated business development services by upgrading the level of effort with more competitive, comprehensive professional expertise and support. Resource Development activities focus on access to opportunities in capital development, trade, and high growth markets. Advocacy programs provide for a more favorable environment for minority businesses. Research and information activities gather, analyze and disseminate information for formulating policy decisions and reducing barriers to business participation.

APPROPRIATION SUMMARY

(Dollars in Thousands)

	1994	1995	1996 Estimate	Increase/ (Decrease)
FEDERAL FUNDS:				
<u>Appropriation:</u>				
Minority Business Development	\$41,600	\$43,900	\$47,921	\$4,021
Cancellation for procurement expenses	0	(111)	0	111
TOTAL ADJUSTED APPROPRIATION	41,600	43,789	47,921	4,132
Transfer Pursuant to P.L. 103-211	2,500	0	0	0
TOTAL, BUDGET AUTHORITY	44,100	43,789	47,921	4,132
 PERMANENT POSITIONS				
<u>Appropriation:</u>				
Minority business development	209	206	200	(6)

HIGHLIGHTS OF PROGRAM CHANGES

	<u>Base</u>		<u>Increase/(Decrease)</u>	
	Permanent Positions	Amount	Permanent Positions	Amount
Enterprise Development	144	\$37,445	(5)	\$1,327

An increase is requested to allow MBDA to establish a MEGA/Entrepreneurship and Information Center at a solely or predominantly minority college or university (0 pos.; +\$1,000). In an effort to reach the underserved rural community, MBDA requests an increase to fund a Rural Business Development Center (0 pos.; +\$300). This request also includes an increase to improve MBDA's information technology capabilities to better respond to its clients, and allow MBDA to become compatible with other Commerce bureaus (0 pos.; +\$242). Reductions pursuant to Executive Order 12837, "Deficit Control and Productivity Improvement in the Administration of the Federal Government", dated February 10, 1993 and P.L. 103-226, "the Federal Workforce Restructuring Act of 1994" (-5 pos.; -\$215).

Resource Development	27	4,235	0	2,196
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An increase is requested to assist state and local governments to provide expanded procurement opportunities through their institutional capacity building activities (0 pos.; +\$400). An increase is requested to assist minority firms with access to secondary capital markets and to conduct demonstration projects whose efforts would be aimed toward generating equity capital sources (0 pos.; +\$1,000). An increase is also requested to promote minority business penetration of new markets where minorities are generally under-represented (0 pos.; +\$400). MBDA is also requesting an increase which would allow MBDA to provide leadership to corporations wanting to expand business with minorities and to encourage others who have not sought to do so (0 pos.; +\$400). An increase is requested to improve MBDA's information technology capabilities to better respond to its clients, and allow MBDA to become compatible with other Commerce bureaus (0 pos.; +\$37). The request also includes reductions pursuant to Executive Order 12837 "Deficit Control and Productivity Improvement in the Administration of the Federal Government" dated February 10, 1993 (0 pos.; -\$41).

Advocacy, Research and Information	34	2,698	0	20
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Includes an increase request to improve MBDA's information technology capabilities to better respond to its clients, and allow MBDA to become compatible with other Commerce bureaus (0 pos.; +\$41). This request includes reductions pursuant to Executive Order 12837 "Deficit Control and Productivity Improvement in the Administration of the Federal Government" dated February 10, 1993 (0 pos.; -\$21).

Comparison of Appropriation by Activity

MINORITY BUSINESS DEVELOPMENT AGENCY	1995 Currently Available		1996 Base		1996 Estimate		Increase/ (Decrease)	
	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount	Perm. Pos.	Amount
Minority business development								
DIRECT OBLIGATIONS:								
Enterprise Development	145	\$41,746	144	\$37,445	139	\$38,772	(5)	\$1,327
Resource Development	27	5,298	27	4,235	27	5,431	0	2,186
Advocacy, Research and Information	34	3,625	34	2,698	34	2,718	0	20
TOTAL DIRECT OBLIGATIONS:	206	50,669	205	44,378	200	47,921	(5)	3,543
REIMBURSABLE OBLIGATIONS:	0	1,850	0	1,850	0	1,850	0	0
TOTAL OBLIGATIONS:	206	52,519	205	46,228	200	49,771	(5)	3,543
FINANCING:								
Offsetting Collections From:								
Federal funds		(1,850)				(1,850)		
Non-Federal sources		0				0		
Unobligated Balance, Start of Year:		(8,880)				0		
Subtotal, Financing	0	(8,730)			0	(1,850)		
TOTAL BUDGET AUTHORITY:	206	43,789			200	47,921		

Summary of Changes from 1995 Appropriation

MINORITY BUSINESS DEVELOPMENT AGENCY

	1996 Estimate			
	Detailed		Summary	
	Perm. Pos.	Amount	Perm. Pos.	Amount
Minority Business Development				
Appropriation, 1995			206	\$43,900
Procurement reduction pursuant to P.L. 103-317				(111)
Appropriation currently available, 1995			206	43,789
ADJUSTMENTS TO BASE:				
TRANSFERS AND FINANCING				
To Working Capital Fund (DOC)	(1)	\$3		
Subtotals, transfers and financing			(1)	0
OTHER COST CHANGES				
1995 Pay raise		220		
1996 Pay raise		183		
Within-Grade Step Increases		72		
Changes in compensable day		38		
Civil Service Retirement and Disability Fund		15		
Civil Service Retirement System (CSRS)		2		
Federal Employees Retirement System (FERS)		(41)		
Thrift Savings Plan		(1)		
Federal Insurance Contribution Act (FICA) - OASDI		(11)		
Health Insurance		24		
Employees' Compensation Fund		(21)		
Travel		1		
Rental Payments to GSA		(86)		
FTS 2000 Savings		(20)		
Printing and Reproduction		3		
Other Services:				
Working Capital Fund		120		
Procurement Reform		(59)		
Commerce Administrative Management System (CAMS)		52		
General Pricing Level Adjustment		98		
Subtotal, other cost changes			0	589
TOTAL ADJUSTMENTS TO BASE			(1)	589
1996 Base			205	44,378
FTE Reductions			(5)	(181)
Administrative Savings			0	(98)
Program Changes			0	3,820
1996 APPROPRIATION			200	47,921

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) has the lead role in the Federal Government of coordinating all minority business programs. The Agency's mission is to develop minority owned business which is critical to the growth of the national economy.

Minority Business Development provides a variety of direct and indirect business services through public/private partnerships. In addition, advocacy, research and on-line information systems are provided to improve the participation rate of minority-owned businesses in the US. economy.

In 1995, MBDA began, and is in the process of, completing supply and demand studies across the country which are being used to identify local minority business needs.

In 1996, a variety of delivery mechanisms, including MBDCs, Community Based Enhancement Services (CBES) and Minority Business Opportunity Committees (MBOCs), will be used to deliver services. The CBES will enhance, rather than compete with existing services in local communities such as the establishment of the one-stop Business Resource Center in Baltimore, Maryland, with MBDA, NationsBank, AT&T and SBA. The number of MBOCs will be expanded to promote the mobilization of public and private resources.

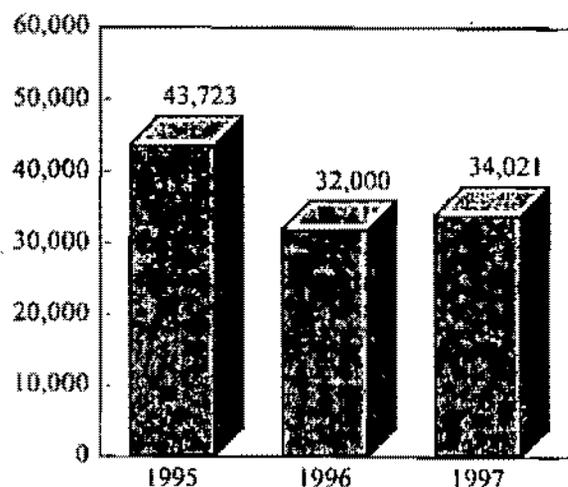
Other program components such as capital formation, construction, franchising, international trade, advocacy, information management and dissemination may be delivered as a single service or through the CBES approach.

In 1997, MBDA requests an increase for capital formation activities to improve minorities access to both debt and equity capital and to establish interactive business development services on the INTERNET.

For FY 1997, MBDA has identified a series of performance measures which can be used to assess the impact of their program activities. This list of measures focuses on MBDA's priority programs and thus is not intended to cover every dollar in MBDA's entire budget. In most cases, performance measures address program goals.

In addition, the list of measures can be expected to evolve over time, as MBDA and its programs, the Department of Commerce, and the Federal government as a whole continue to refine and enhance their capacity to develop performance measures, to use performance measurement as a key management tool, and to prepare to implement the GPRA.

MBDA Funding



The performance measures to be used by MBDA in FY 1997 will focus on major and measurable program impacts on the communities MBDA serves, on both a short-term basis (through business start-ups, employment, etc.) and a long-term basis (by increasing capital investment and economic growth). Some of these impacts can be measured readily, and MBDA has been gathering and reporting information on them for several years. However, information on other measures (especially those reflecting recent program changes and new initiatives) is more difficult to gather, or must be gathered over several years, and thus is not yet reportable. MBDA has engaged a highly-qualified contractor who has assisted in initiating this long-term analysis, and will report on the results on recent programs as they become available.

Key indicators currently available, which demonstrate MBDA's contribution to employment and economic growth, and which relate to some of MBDA's priority goals, include:

	<u>FY1995</u>	<u>FY1996</u>	<u>FY1997</u>
\$ Financial Packages / \$ Contracts	\$957 m	*	*
Business Starts	1296		
Percentage of Client Satisfaction	92%		
Number of Customers	12,852		

* MBDA is changing its strategic approach, and transition efforts are focusing on measures being developed in FY 1996. Examples of the type of measures being developed are:

Increase MBEs access to capital

- Dollar amount of capital delivered with MBDA assistance
- Partnerships formed between MBDA and intermediate customers

Monitoring the changing needs of customers

- MBE startups as a percentage of all business startups
- Gross employment generated by MBEs

Increase MBEs access to private sector market opportunities

- Number of private sector procurements and contracts won by MBEs with MBDA assistance
- Dollar value of private sector procurements and contracts awarded to MBEs

SUMMARY OF APPROPRIATIONS

(Dollars in Thousands)

	1995	1996	1997 Estimate	Increase (Decrease)
<u>FUNDING LEVELS</u>				
Minority Business Development	\$43,723	\$32,000	\$34,021	\$2,021
Total, Budget Authority	43,723	32,000	34,021	2,021
<u>PERMANENT POSITIONS</u>				
Minority Business Development	206	169	159	(10)

HIGHLIGHTS OF BUDGET CHANGES

APPROPRIATION: Minority Business Development

Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm. Pos.</u>	<u>Amount</u>	<u>Perm. Pos.</u>	<u>Amount</u>
1996 Continuing Resolution			169	\$32,000
<u>Adjustments to Base</u>				
<u>Other Cost Changes</u>				
1996 Pay Raise	0	\$95		
1997 Pay Raise	0	268		
Within-grade step increase	0	59		
Civil Service Retirement System (CSRS)	0	(46)		
Federal Employees' Retirement System (FERS)	0	75		
Thrift Savings Plan	0	13		
FICA	0	33		
Health Benefits	0	(35)		
Employees Compensation Fund	0	(122)		
Travel	0	7		
Postage	0	8		
Rental Payments to GSA	0	(44)		
Printing and reproduction		6		
Working Capital Fund	0	53		
Commerce Administrative Management System (CAMS)	0	21		
General Pricing Level Adjustment	0	112		
Subtotal, other cost changes			0	503
Less Adjustments to Base Absorbed				(138)
Total, Adjustments to Base			0	365
1997 Base			169	32,365
FTE Adjustment to DoC Ceiling			(7)	0
FTE Reductions			(3)	(186)
Administrative Savings			0	(158)
Program Changes			0	2,000
1997 Appropriation			159	34,021

Comparison by Activity

	<u>1996 Currently Avail.</u>		<u>1997 Base</u>		<u>1997 Estimate</u>		<u>Increase / Decrease</u>	
	<u>Perm Pos.</u>	<u>Amount</u>	<u>Perm Pos.</u>	<u>Amount</u>	<u>Perm Pos.</u>	<u>Amount</u>	<u>Perm Pos.</u>	<u>Amount</u>
DIRECT OBLIGATIONS								
Minority Business Development	169	\$41,271	169	\$32,365	159	\$34,021	(10)	1,656
TOTAL DIRECT OBLIGATIONS ...	169	41,271	169	32,365	159	34,021	(10)	1,656
REIMBURSABLE OBLIGATIONS ..	0	400	0	400	0	400	0	0
TOTAL OBLIGATIONS	169	41,671	169	32,765	159	34,421	(10)	1,656
Offsetting collections from :								
Federal Funds	0	(400)			0	(400)		
Non-Federal Sources								
Unobligated balance, start of year ...	0	(9,271)						
Subtotal, financing	0	(9,671)			0	(400)		
TOTAL BUDGET AUTHORITY	169	32,000			159	34,021		
TOTAL APPROPRIATION	169	32,000			159	34,021		

Highlights of Program Changes

By FY 1997, much of MBDA's management and technical assistance (M&TA) reinvention strategy is expected to be in place. Work will also be complete to revise and enhance the National Programs component. The increases requested for FY 1997 are needed to complete two critical components of the reinvention strategy, specifically:

	<u>Base</u>		<u>Increase / (Decrease)</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
<u>Capital Formation</u>	0	\$500	+0	+\$1,000

An increase of \$1,000,000 is requested to address the need to provide access to financial capital resources. In FY 1996, MBDA plans to replicate the successful capital formation module used in California. This increase will allow for the delivery of this component nationwide. It will also begin the development of permanent capacity within existing financial institutions.

<u>Interactive Business Development Services</u>	0	1,000	+0	+1,000
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An increase of \$1,000,000 is required to provide expanded interactive business development services through INTERNET access. Patterned after an existing off-site M&TA delivery project,

this would allow MBDA to provide M&TA, at significantly reduced costs, to minorities at various sites throughout the United States where MBDA must withdraw physical presence. This service will provide improved vendor and intermediate customer lists, be the repository of research and contain a best practices database. It will also support MBDA's public affairs and advocacy activities.

<u>Personnel and Administrative Reduction</u>	66	\$5,480	-10	-\$344
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Reductions pursuant to Executive Order 12837, Deficit Control and Productivity Improvements in the Administration of the Federal Government dated February 10, 1993 and P.L. 103-326, the Federal Workforce Restructuring Act of 1994. Included in the personnel reductions are an FTE reduction of three FTE and \$186 thousand, and an FTE adjustment of seven to the DoC ceiling.

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) has the lead role in the Federal Government of coordinating all minority business programs. The Agency provides access to market and resource opportunities through a variety of direct and indirect business assistance services.

For FY 1998, MBDA will continue to implement its strategy of reinventing its programs. Beginning in FY 1995 the agency initiated a series of supply and demand studies which have been used to identify the needs of minority entrepreneurs across the country as well as determine the availability of business assistance programs in those communities. MBDA's reinvention

strategy is largely based on those findings. One outcome of the supply and demand studies has led to a major revision of the Minority Business Development Center (MBDC) program. Under FY 1997 guidelines, MBDA now grants bonus points to locally-based applicants in the competitive award process and requires a 40% cost share.

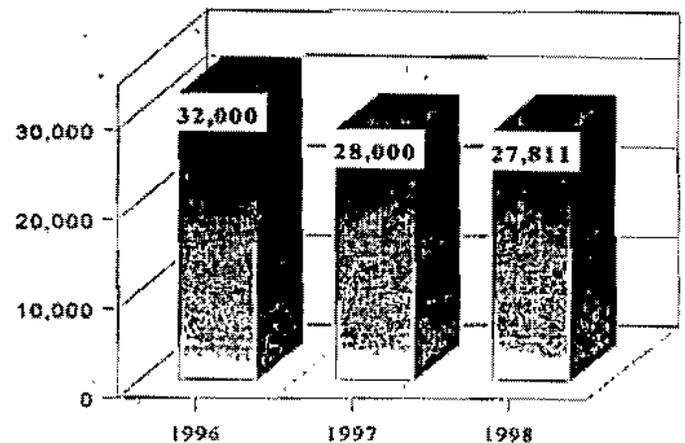
In FY 1998, MBDA will continue to refine its strategy within the context of available resources and the four programmatic assumptions on which it is based. These assumptions include:

- Shifting focus from heavy emphasis on the provision of one-on-one management and technical assistance to a more balanced approach that includes other critical needs, such as access to capital and markets;
- Targeting resources to existing public and private institutions that are already involved in business and economic development. Doing this avoids the possibility of duplication and frees up MBDA's Federal resources to enhance existing capacity for minority business assistance by public/private institutions at state and local levels;
- Helping minority firms to gain access to specialized markets offering the potential for high growth based on the dynamics of regional economies;
- Taking a more visible role in providing coordination of the often disconnected efforts of private/public institutions (at state and local levels) to promote minority business utilization.

In FY 1998, MBDA will use a variety of delivery mechanisms such as public and private partnerships and advocacy activities to improve the participation rate of minority owned businesses in the U.S. economy. Among these mechanisms are MBDCs, Minority Business Opportunity Committees, telecommunications technology, including the INTERNET, and the Business Resource Centers jointly developed with the Small Business Administration (SBA). In addition, the MBDA and the SBA are working to develop and implement other joint projects for which sites and resources have been identified.

The performance measures that MBDA plans to use will focus on major and measurable program impacts on the communities MBDA serves, on both a short-term basis (through business start-ups, employment, etc.) and a long-term basis (by increasing capital investment and economic growth). However, information on other

MBDA Funding



measures (especially those reflecting recent program changes and new initiatives) is more difficult to gather, or must be gathered over several years, and thus is not yet reportable.

Key indicators currently available, which demonstrate MBDA's contribution to employment and economic growth, and relate to some of MBDA's priority goals, include (dollars in millions):

	<u>1996*</u>	<u>1997</u> estimate	<u>1998**</u> estimate
\$ value of Financial Packages and	...	\$900	\$900
\$ value of contracts			
Percentage of Client Satisfaction	92%	93%
Number of Clients	...	7,100	7,100

* Review of data from FY 1996 performance measures has been delayed due to the reduction-in-force. Once the information is compiled, the data will reflect total amount of financial packages and contracts obtained through MBDA's investment in the community, the number of business starts, and the number of customers.

** MBDA is changing its strategic approach. The agency is focusing efforts on developing additional measures that comply with the Government Performance and Results Act. Listed below are examples of the types of measures that will be collected.

Increase Minority Business Enterprise access to capital

- Dollar amount of capital delivered with MBDA assistance
- Partnerships formed between MBDA and intermediate customers

Monitoring the changing needs of customers

- Business Starts
- MBE startups as a percentage of all business startups
- Gross employment generated by MBEs

Increase MBEs access to private sector market opportunities

- Number of private sector contracts won by MBEs with MBDA assistance.

SUMMARY OF APPROPRIATIONS

(Dollars in Thousands)

FUNDING LEVELS

<u>Appropriation</u>	<u>1996</u>	<u>1997</u>	<u>1998</u> <u>Estimate</u>	<u>Increase</u> <u>(Decrease)</u>
Minority Business Development	\$32,000	\$28,000	\$27,811	(\$189)
TOTAL BUDGET AUTHORITY	32,000	28,000	27,811	(189)

PERMANENT POSITIONS

Minority Business Development	159	133	133	0
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HIGHLIGHTS OF BUDGET CHANGES

APPROPRIATION: Minority Business Development

Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>
1997 Enacted			133	\$28,000
<u>Adjustments to Base:</u>				
Other Changes				
1997 Pay raise		\$95		
1998 Pay raise		191		
Within-grade step increases		42		
Civil Service Retirement and Disability Fund		(2)		
Civil Service Retirement System (CSRS)		11		
Federal Employees' Retirement System (FERS)		(17)		
Thrift Savings Plan		(3)		
Federal Insurance Contributions Act (FICA) - OASDI		(9)		
Health Insurance		(5)		
Employees' Compensation Fund		26		
Travel		6		
Rent payments to GSA		39		
Printing and reproduction		4		
Other services:				
Working Capital Fund		29		
Commerce Administrative Management System (CAMS)		59		
General pricing level adjustment		151		
Subtotal, other changes			0	617
Total, Adjustments to Base			0	617
1998 Base			133	28,617
Program Changes			0	(806)
1998 Appropriation			133	27,811

Comparison by Activity

	<u>1997 Currently Avail.</u>		<u>1998 Base</u>		<u>1998 Estimate</u>		<u>Increase / Decrease</u>	
	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>
DIRECT OBLIGATIONS								
Minority Business Development	133	\$32,130	133	\$28,617	133	\$27,811	0	(\$806)
TOTAL DIRECT OBLIGATIONS	133	32,130	133	28,617	133	27,811	0	(\$806)
REIMBURSABLE OBLIGATIONS	0	400	0	400	0	400	0	0
TOTAL OBLIGATIONS	133	32,530	133	29,017	133	28,211	0	(\$806)
FINANCING:								
Unobligated balance, start of year		(4,130)						
Offsetting collections from:								
Federal Funds		(400)				(400)		
Non-Federal sources								
Subtotal, financing	0	(4,530)			0	(400)		
TOTAL BUDGET AUTHORITY	133	28,000			133	27,811		
TOTAL APPROPRIATION	133	28,000			133	27,811		

Highlights of Program Changes

MBDA experienced a reduction-in-force in the first quarter of FY 1997 which affected 56 headquarters positions. In the past, the agency relied almost solely on funded organizations to carry out functions like increased advocacy and greater coordination of resources in local communities. Current resource levels now make it imperative that MBDA staff assist in the delivery of services. The reinvention plans call for the deployment of staff to areas where funded organizations traditionally operated.

In FY 1998, most of MBDA's management and technical assistance (M&TA) reinvention strategy is expected to be in place. MBDA will continue to work to revise and enhance the National Programs component.

	<u>Permanent Positions</u>	<u>Base</u>	<u>Increase / Decrease</u>
		<u>Amount</u>	<u>Permanent Positions</u> <u>Amount</u>
<u>Minority Business Development</u>	133	\$28,617	0 -\$806

As part of MBDA's streamlining and reinvention strategy, the agency will implement additional cost cutting measures in FY 1998.

MINORITY BUSINESS DEVELOPMENT AGENCY

MBDA FUNDING

(Dollars in Thousands)

The Minority Business Development Agency (MBDA) has the lead role in the Federal Government of coordinating all minority business programs. The Agency provides access to market and resource opportunities through a variety of direct and indirect business assistance services.

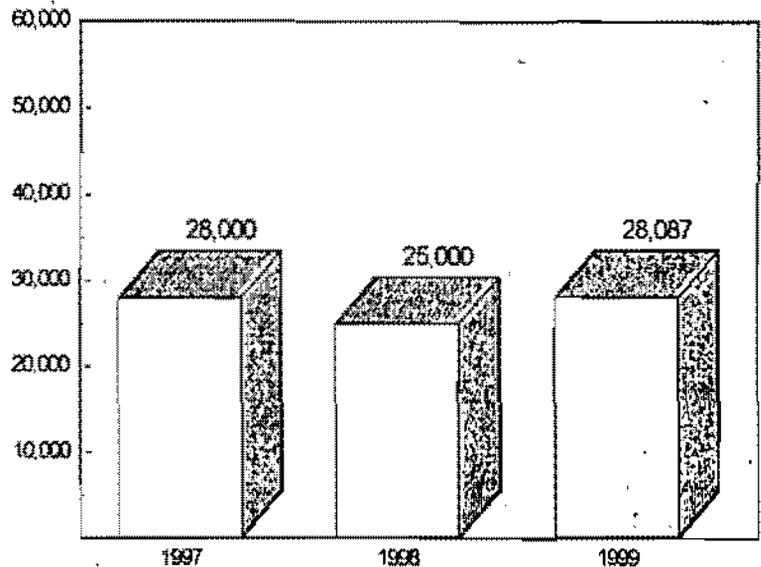
For FY 1999, MBDA has redesigned its service delivery system to 1) respond more effectively to its customer's needs, 2) develop partnerships with and leverage the resources of public and private institutions, and 3) develop a permanent institutional capacity in communities to serve minority businesses. MBDA also plans to dedicate more resources toward established firms because research indicates that the needs of these companies are not being met.

In FY 1999, MBDA is defining its program strategy through goals and objectives that promote job creation, economic growth and sustainable development for the growing minority business population in the United States. These goals are:

- **Goal 1:** Improving opportunities for minority owned businesses in major growth industries according to geographic demands. This will be done by: a) identifying industry sectors offering potential for high growth in geographic service areas and assessing available public and private resources to assist minority-owned businesses in penetrating these industries; and b) matching minority-owned businesses with domestic and international opportunities.
- **Goal 2:** Improving the opportunities for minority-owned businesses to pursue financing by: a) identifying and maintaining data on regional lending trends; and b) obtaining agreements with financial institutions to commit new funds or increase current funding levels available for minority-owned businesses.

These goals and objectives reflect MBDA's annual performance plan which is under development tie with the Department's Mission Statement and Theme 1 (*Build for the future and promote U.S. competitiveness in the global market place by strengthening and safeguarding the nation's economic infrastructure*) of the Commerce Strategic Plan.

To carry out this new program strategy, MBDA plans to use four service delivery mechanisms:



1. **Minority Business Opportunity Committees (MBOCs).** These are local volunteer organizations dedicated to the planning, coordination and delivery of resources to facilitate participation of local minority businesses in domestic and foreign markets.
2. **Minority Business Development Centers (MBDCs).** These centers provide management and technical assistance to minority businesses.
3. **INTERNET-based service delivery.** MBDA is using the Internet to provide information about the agency, information on contracting opportunities, links to other federal sites and resources that would benefit minority businesses.
4. **National Business Development Support and Growth Sector Initiatives.** MBDA will strengthen minority representation in areas that have been traditionally under-represented by minority businesses. These areas include capital formation, rural business development, and technology utilization.

The selection of any one mechanism over another for a project will be determined by an assessment of the needs of customers.

The performance measures that MBDA will use focus on measure outputs that will guide the agency toward meeting its objectives of the goals listed above. The performance measures will continue to evolve over time, as MBDA and its programs, the Department of Commerce, and the Federal government as a whole

continue to refine and enhance their capacity to develop performance measures, to use performance measurement as a key management tool, and implement the GPRA.

Key indicators currently available, which demonstrate MBDA's contribution to employment and economic growth, and relate to some of MBDA's priority goals, include (dollars in millions):

OUTPUTS	1997	1998	1999
Number of International trade missions	3	3	3
Number of firms MBDA assisted by industry & sector	-	500	1,000
Number of public & private resources identified	N/A	5	20
Number of debt, equity, merger & acquisition opportunities facilitated	4	25	25
OUTCOMES			
Dollar value of financial packages	\$402	\$465	\$700
Dollar values for contracts awarded to assisted companies (in millions)	\$450	\$500	\$600

SUMMARY OF APPROPRIATIONS

(Dollars in Thousands)

FUNDING LEVELS

Appropriation	<u>1997</u>	<u>1998</u>	<u>1999</u> Estimate	Increase (Decrease)
Minority Business Development	\$28,000	\$25,000	\$28,087	\$3,087

PERMANENT POSITIONS

Salaries and Expenses	133	133	133	0
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HIGHLIGHTS OF BUDGET CHANGES

APPROPRIATION: Minority Business Development

Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>
1998 Enacted			133	\$25,000
Adjustments to Base				
<u>Other Changes</u>				
1998 Pay raise	0	\$11		
1999 Pay raise	0	195		
Payment to the Working Capital Fund	0	20		
Within-grade step increases	0	22		
Civil Service Retirement and Disability Fund	0	(13)		
Civil Service Retirement System(CSRS)	0	65		
Federal Employees' Retirement System(FERS)	0	(13)		
Thrift Savings Plan	0	1		
Health insurance	0	13		
Employees' Compensation Fund	0	79		
Travel	0	5		
Rent payments to GSA	0	48		
GSA Security Surcharge	0	59		
Printing and reproduction	0	3		
Other services:				
Working Capital Fund	0	24		
Commerce Administrative Management System (CAMS)	0	38		
General Pricing Level Adjustment	0	197		
Subtotal, other cost changes			0	754
Less Amount Absorbed			0	(478)
TOTAL, ADJUSTMENTS TO BASE			<u>0</u>	<u>276</u>
1999 Base			133	25,276
Program Changes			0	2,811
1999 APPROPRIATION			<u>133</u>	<u>28,087</u>

Comparison by Activity

	<u>1998 Currently Avail</u>		<u>1999 Base</u>		<u>1999 Estimate</u>		<u>Increase / Decrease</u>	
	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>
DIRECT OBLIGATIONS								
Minority Business Development	133	\$27,630	133	\$25,276	133	\$28,087	0	2,811
TOTAL DIRECT OBLIGATIONS	133	27,630	133	25,276	133	28,087	0	2,811
REIMBURSABLE OBLIGATIONS								
REIMBURSABLE OBLIGATIONS	0	400	0	400	0	400	0	0
TOTAL OBLIGATIONS	133	28,030	133	25,676	133	28,487	0	2,811
FINANCING								
Unobligated balance, start of year		(2,630)						
Offsetting collections from:								
Federal funds	0	(400)			0	(400)		
Non-Federal sources	0	0			0	0		
Subtotal, financing	0	(3,030)			0	(400)		
TOTAL, BUDGET AUTHORITY	133	25,000			133	28,087		

Highlights of Program Changes

	<u>Base</u>		<u>Increase / Decrease</u>	
	<u>Permanent Positions</u>	<u>Amount</u>	<u>Permanent Positions</u>	<u>Amount</u>
<u>Minority Business Development</u>	133	\$25,276	+0	+\$2,811

MBDA will maintain a number of initiatives which are consistent with Congressional mandates and Department of Commerce recommendations. These initiatives broaden and expand the scope of business assistance which MBDA offers. Some of the changes are: 1) developing a MBDA Intranet which will allow regional and headquarters staffs to communicate with each other; 2) hiring a Chief Information Officer; 3) Establishing an Interagency Minority Business Council; 4) undertaking more collaborative efforts in conjunction with SBA and other agencies within the Department of Commerce, and; 5) developing an electronic process to match business opportunities with minority businesses.

In FY 1999, most of MBDA's reinvention strategy is expected to be in place. MBDA will continue to serve the minority business community by focusing on accessing markets and finance in efforts to level the competitive market environment.

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) has the lead role in the Federal Government of coordinating all minority business programs. The Agency provides access to market and resource opportunities through a variety of direct and indirect business assistance services.

For FY 2000, MBDA will continue to define its program strategy through goals and objectives that promote job creation, economic growth and sustainable development for the growing minority business population in the United States. These goals are:

Goal 1: Improve opportunities for minority-owned businesses to gain access to the marketplace.

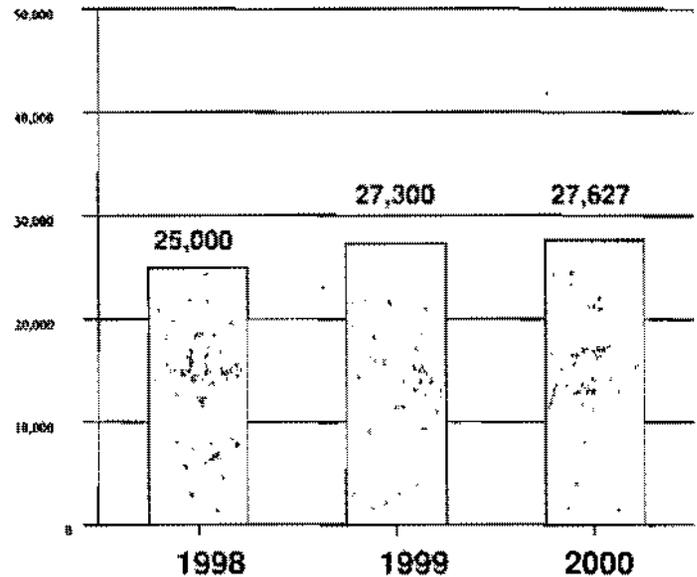
To accomplish this goal, MBDA will:

- provide electronic access to growth markets by automated matching of firm capabilities with public and private sector opportunities;
- promote and expand opportunities for minority-owned businesses in the global marketplace;
- assist minority-owned businesses to identify and commercialize new technologies that offer unique potential for business success;
- advocate and increase the use of electronic commerce by minority-owned businesses; and
- provide management and technical assistance resources electronically for use by local, state and non-profit organizations.



MBDA Funding

(Dollars in Thousands)



Goal 2: Improve opportunities for minority-owned businesses to pursue financing:

MBDA will:

- establish an electronic information clearinghouse of growth opportunities and business development resources for minority-owned businesses and those engaged in business development activities; and
- increase the availability of financial capital for firms expanding into new or growing markets.

The goals and objectives listed above support the Department's Mission Statement and Theme 1 of the Commerce Strategic Plan (*Build for the future and promote U.S. competitiveness in the global marketplace by strengthening and safeguarding the Nation's economic infrastructure*).

MBDA plans to use the Internet as a vehicle to establish an information clearinghouse and National referral center for minority-owned businesses of any size to access the network of public and private business development resources. The Agency will also expand the automated capabilities of matching firms with contracting opportunities.

MBDA will continue to use the Business Development Centers (BDCs), Native American Business Development Centers (NABDCs), and Minority Business Opportunity Committees (MBOCs) to provide management and technical assistance. The MBDCs are a crucial part of the Internet outreach program because the new Geographic Business Information System will be available through both the Internet and BDCs. The BDCs will provide more in-depth information and assistance. MBDA is not requesting increases in funding for the BDC network.

The performance measures will continue to evolve over time, as MBDA and its programs, the Department of Commerce, and the Federal Government as a whole, continue to refine and enhance their capacity to develop performance measures, to use performance measurement as a key management tool, and implement the GPRA. A more detailed presentation of goals, objectives, and performance measures is found in the Department's Annual Performance Plan and MBDA's budget justification.

The performance indicators focus on measuring outputs that will guide the agency toward meeting the goals listed above.

Key indicators that demonstrate MBDA's ability to improve minority-owned business access to the marketplace and financing include:

Measures and Targets Summary

<u>Goal</u>	<u>Measure</u>	<u>Target</u>
Improve opportunities for minority-owned businesses to have access to the marketplace	Dollar value of contracts generated by assisted minority-owned businesses	\$548m
Improve the opportunities for minority-owned businesses to pursue financing	Number of business loans received by assisted minority-owned businesses	858
	Dollar value of business loans to assisted minority-owned businesses	\$475m

SUMMARY OF APPROPRIATIONS

(Dollars in Thousands)

Funding Levels

<u>Appropriation</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Increase</u>
			<u>Estimate</u>	<u>(Decrease)</u>
Minority Business Development	\$25,000	\$27,000	\$27,627	\$627
Transfer of Y2K Funds (P.L. 105-277)		300		(300)
TOTAL BUDGET AUTHORITY	25,000	27,300	27,627	327

PERMANENT POSITIONS

Minority Business Development	133	133	133	0
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HIGHLIGHTS OF BUDGET CHANGES

APPROPRIATION: Minority Business Development

Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>
1999 Enacted			133	\$27,300
Adjustments to Base				
<u>Adjustment</u>				
Non-recurring Y2K funds				(300)
<u>Other Changes</u>				
1999 Pay raise		\$84		
2000 Pay raise		263		
Payment to the Working Capital Fund		28		
Within-grade step increases		26		
Civil Service Retirement System(CSRS)		4		
Federal Employees' Retirement System(FERS)		(5)		
Thrift Savings Plan		(1)		
Health insurance		26		
Employees' Compensation Fund		(109)		
Travel		5		
Rent payments to GSA		41		
Postage		2		
FTS		4		
Printing and reproduction		3		
Other services:				
Working Capital Fund		314		
Commerce Administrative Management System (CAMS)		(14)		
NARA Storage and Maintenance		1		
General Pricing Level Adjustment		92		
Subtotal, other cost changes			0	764
Less Amount Absorbed			0	(438)
TOTAL, ADJUSTMENTS TO BASE			0	28
2000 Base			133	27,326
Program Changes			0	301
2000 APPROPRIATION			133	27,627

Comparison by Activity

	1999 Currently Avail		2000 Base		2000 Estimate		Increase / Decrease	
	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
DIRECT OBLIGATIONS								
Minority Business Development	133	\$28,276	133	\$27,326	133	\$27,627	0	\$301
TOTAL DIRECT OBLIGATIONS	133	28,276	133	27,326	133	27,627	0	301
REIMBURSABLE OBLIGATIONS		400		400		400	0	0
TOTAL OBLIGATIONS	133	28,676	133	27,726	133	28,027	0	301
FINANCING								
Unobligated balance, start of year		(976)						
Offsetting collections from:								
Federal funds		(400)				(400)		
Subtotal, financing	0	(1,376)			0	(400)		
TOTAL BUDGET AUTHORITY	133	27,300			133	27,627		
Transferred from other accounts	0	(300)			0	0		
TOTAL APPROPRIATION	133	27,000			133	27,627		

Highlights of Program Changes

	Base		Increase / Decrease	
	Permanent Positions	Amount	Permanent Positions	Amount
<u>Minority Business Development</u>	133	\$27,326	+0	+\$301

Business Geographic Information System

A program increase (+0 pos; +\$250) is requested to allow MBDA to use Geographic Information System (GIS) software to deliver market information to minority firms via the Internet. The proposed GIS will link information and location in a geographic format. Any business with Internet access will be able to search for business development resources by selecting the type of resource needed and clicking on a map or typing in the zip code. The GIS will play an important part in maximizing the agency's limited resources.

Phoenix Database Expansion

A program increase (+0 pos; +\$51) to expand the Phoenix database system. Established in FY 1998, the Phoenix database system matches minority-owned firms with opportunities to participate on contracts and procurements. Of the 45,000 companies in the MBDA primary database, 1,400 Phoenix companies have been matched with over 5,000 contract opportunities. As the database expands, so do the number of contract opportunities to be matched with businesses. MBDA seeks to have 70,000 companies registered in the database by the end of FY 2000.

MINORITY BUSINESS DEVELOPMENT AGENCY

The Minority Business Development Agency (MBDA) has the lead role in the Federal Government of coordinating all minority business programs. The Agency provides access to market and resource opportunities through a variety of direct and indirect business assistance services.

For FY 2001, MBDA will continue to define its program strategy through goals and objectives that promote job creation, economic growth and sustainable development for the growing minority business population in the United States. These goals are:

Goal 1: Improve opportunities for minority-owned businesses to gain access to the marketplace. To accomplish this goal, MBDA will:

- provide electronic access to growth markets by automated matching of firm capabilities with public and private sector opportunities;
- promote and expand opportunities for minority-owned businesses in the global marketplace;
- assist minority-owned businesses to identify and commercialize new technologies that offer unique potential for business success;
- advocate and increase the use of electronic commerce by minority-owned businesses; and
- provide management and technical assistance resources electronically for use by local, state and non-profit organizations.

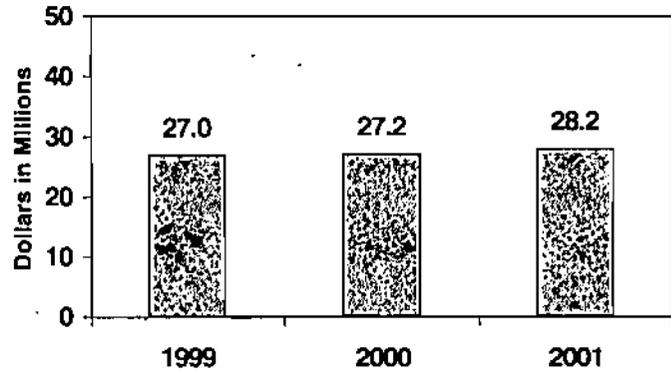
Goal 2: Improve opportunities for minority-owned businesses to pursue financing. MBDA will:

- establish an electronic information clearing house of growth opportunities and business development resources for minority-owned businesses and those engaged in business development activities; and
- increase the availability of financial capital for firms expanding into new or growing markets.

The goals and objectives listed above support the Department's strategic goal involving promotion of economic growth.



MBDA Funding



MBDA plans to use the Internet as a vehicle to establish an information clearinghouse and National referral center for minority-owned businesses of any size, to access the network of public and private business development resources. The Agency will also expand the automated capabilities of matching firms with contracting opportunities.

MBDA will continue to use the Business Development Centers (BDCs), Native American Business Development Centers (NABDCs), and Minority Business Opportunity Committees (MBOCs) to provide management and technical assistance. The MBDCs are a crucial part of the Internet outreach program because the new Geographic Business Information system will be available through both the Internet and BDCs. The BDCs will provide more in-depth information and assistance. MBDA is not requesting increases in funding for the BDC network.

MBDA Performance Measures

Key performance indicators that demonstrate MBDA's ability to improve minority-owned business access to the marketplace and financing include: 1) the number and dollar value of contracts awarded, and 2) the number and dollar value of financing packages received.

The performance indicators focus on measuring outputs that will guide the agency toward meeting the goals listed above. The performance measures will continue to evolve over time, as MBDA and its programs, the Department of Commerce, and the Federal Government as a whole, continue to refine and enhance their capacities to develop performance measures, to use performance measurement as a key management tool, and implement the GPRA. A more detailed presentation of goals, objectives, and performance measures is found in the Department's Annual Performance Plan and MBDA's budget justification.

SUMMARY OF APPROPRIATIONS

(Dollars in Thousands)

Funding Levels

Appropriation	<u>1999</u>	<u>2000</u>	<u>2001</u> <u>Estimate</u>	<u>Increase</u> <u>(Decrease)</u>
Minority Business Development	\$27,000	\$27,221	\$28,156	\$935

PERMANENT POSITIONS

Minority Business Development	133	133	133	0
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HIGHLIGHTS OF BUDGET CHANGES

APPROPRIATION: Minority Business Development

Summary of Requirements

	<u>Detailed</u>		<u>Summary</u>	
	<u>Perm Pos</u>	<u>Amount</u>	<u>Perm Pos</u>	<u>Amount</u>
2000 Enacted			133	\$27,221
Adjustments to Base				
Transfers				
Transfer of CAMS to NIST/FARS				(68)
Transfer of GA Security from bureaus				(24)
Other Changes				
2000 Pay raise		\$106		
2001 Pay raise		188		
Payment to the Working Capital Fund		19		
Within-grade step increases		40		
One less compensable day		(26)		
Civil Service Retirement System (CSRS)		1		
Federal Employees' Retirement System (FERS)		(1)		
Federal Insurance Contributions Act (FICA) - OASDI		(1)		
Health insurance		49		
Employees' Compensation Fund		(31)		
Travel		11		
Rent payments to GSA		33		
Printing and reproduction		3		
Other services:				
Working Capital Fund		13		
Executive Development and Leadership Training		15		
Commerce Administrative Management System (CAMS)		44		
General Pricing Level Adjustments				
Communications, Utilities, & misc.		1		
Other services		59		
Supplies		1		
Equipment		3		
Subtotal, other cost changes			0	527
TOTAL, ADJUSTMENTS TO BASE			0	435
2001 Base			133	27,656
Program Changes			0	500
2001 APPROPRIATION			133	28,156

Comparison by Activity

	2000 Currently Avail		2001 Base		2001 Estimate		Increase / Decrease	
	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount	Perm Pos	Amount
DIRECT OBLIGATIONS								
Business Development	51	\$18,209	51	\$18,570	51	\$18,570	0	\$0
Advocacy, Research & Information	82	\$12,140	82	\$11,086	82	\$11,586	0	500
TOTAL DIRECT OBLIGATIONS	133	30,349	133	27,656	133	28,156	0	500
REIMBURSABLE OBLIGATIONS		400		475		475	0	0
TOTAL OBLIGATIONS	133	30,749	133	28,131	133	28,631	0	500
FINANCING								
Unobligated balance, start of year		(3,128)						
Offsetting collections from:								
Federal funds		(400)				(475)		
Non-Federal sources								
Subtotal, financing	0	(3,528)			0	(475)		
TOTAL BUDGET AUTHORITY	133	27,221			133	28,156		
Transferred from other accounts	0	0			0	0		
TOTAL APPROPRIATION	133	27,221			133	28,156		

Highlights of Program Changes

	Base		Increase / Decrease	
	Permanent Positions	Amount	Permanent Positions	Amount
<u>Minority Business Development</u>	82	\$11,086	+0	+\$500

Phoenix Database Expansion

Funding is requested to expand and maintain the Phoenix database system. This increase would enable MBDA to expand the data entry capability to include its 5 regional offices, upgrade the system and expand the number of records in the system by 250,000 names. The database contains over 40,000 minority businesses, drawn from databases of minority businesses maintained by State and local governments. The database is essential to MBDA in providing information to assist minority businesses, and in accumulating performance results. The Phoenix database system contains such features as automatic matching of minority businesses with business opportunities, and an electronic gateway to other websites that can link minority businesses, policy makers and business development practitioners to statistical information, news events, resources and market opportunities that are essential for business growth.

Commerce Policy on Minority Business

The Commerce Department's mission is to enhance economic opportunity for all Americans. Through the growth of business activity among existing and new minority businesses, new economic opportunities will be made available to the minority community. We have embarked upon an ambitious agenda to help existing and start-up minority businesses become full participants in the changing domestic and global economy. Expanding trade opportunities and enhancing the commercialization of technology is at the center of the Department's efforts to assist in economic growth. The Department has focused on ensuring that minorities participate in the trade expansion and technology growth efforts undertaken.

To ensure minority business participation, minorities are employed in decision-making positions throughout the Department. This Administration believes that diversity is a unique American strength. In the increasingly competitive world marketplace, diversity is one of America's most important comparative advantages. Using all employees wisely is at the foundation of the Department's implementation of a national economic strategy. Historically, Commerce's focus on minority business was limited to providing technical assistance for start-up ventures. While expanding the number of minority businesses and assisting them in this endeavor is a significant component of the Commerce agenda, it is no longer the sum total of the Department's efforts. Commerce has expanded the universe of its involvement in minority business activity so that their business interests are represented in all aspects of the Department. The Office of Business Liaison ensures minority business participation in all business outreach activities including trade missions, policy overviews and sector development. NTIA, ITA and EDA all participate in ensuring that minority businesses are part of the development, strategy and implementation of policies that affect U.S. businesses.

The mission of the MBDA is to promote the growth and expansion of the nation's minority business sector by assisting in the formation, development and preservation of competitive minority owned firms. While Census figures indicate that business start-up rates have increased, the continued low rates of minority-owned mid-to-large size companies and their limited participation in many domestic and international markets clearly demonstrate the need for a continuing Federal role in minority business development. As the overall coordinator of Federal efforts to increase opportunities for minority-owned firms, MBDA engages in a number of policy and program initiatives designed to ensure that all Americans are included in the American economic mainstream.

MBDA programs contained in this budget were developed in response to the needs of our customers and are consistent with the Department of Commerce's mission of working in partnership with business and communities to foster sustained economic growth. For over a decade, the MBDA has provided primarily management and technical assistance to new and start-up companies. We recognize that today's minority businesses are more complex and operate from varying states of growth that require more sophisticated services.

These existing "ready-to-grow" companies are critically important to the health of minority business and serve as the target group for new MBDA initiatives. While the Agency will not abandon its services to start-up companies, we do plan to develop programs that make our services more relevant to the mid-to-large size American minority-owned company.

MBDA will continue to assist the growth of minority-owned firms by:

- ◆ leveraging financial resources to foster partnerships among and between the public and private sector;
- ◆ expanding market opportunities for minority businesses in domestic and international markets; and
- ◆ facilitating the delivery of management and technical assistance by enhancing the capacity of quality local public and private service providers.

Presently, the Agency funds Minority Business Development Centers (MBDC) nationwide. These centers provide business assistance for bonding, bid estimation, loan packaging, business planning, marketing, acquisitions and joint ventures and assistance in other strategic areas. In fiscal year 1995, these centers:

- ◆ provided **general business assistance** to approximately 13 thousand customers including 1,296 new start-up companies.
- ◆ assisted minority businesses to receive \$317.5 million in financing and \$639.6 million in contracting opportunities;
- ◆ provided over 260,000 **management and technical assistance** hours to over 9200 clients nationwide;

In addition, the Agency funded six Minority Business Opportunity Committees (MBOC). The MBOC is a committee of business leaders from the public and private sectors. These public-private partnerships serve as regional advocates and clearinghouses for minority business opportunities.

They link minority firms with resources and opportunities and address the barriers that affect minority business participation in the public and private sectors. MBOCs stimulate local business and government participation in minority business development in the areas of: procurement, capital development, entrepreneurial education and training, and economic development.

An excellent model of public-private partnerships, the MBOC programs are credited with \$2.8 billion in new private and public contracting dollars. The Los Angeles MBOC is representative of the effectiveness of the MBOC service delivery model:

- ◆ the Los Angeles MBOC has generated over \$1.8 billion in contract awards, which translate into the creation of about 35,000 local jobs. The LA-MBOC's 150 members, representing private and public entities and minority trade associations, use six working subcommittees to address the needs of minority entrepreneurs.

These Agency programs build the entrepreneurial capacity of minority businesses enabling them to compete with non-minority firms.

Thus far, the Department's efforts have focused on ensuring that: 1) minority businesses take advantage of the new paradigm of government/industry cooperation to expand opportunities for U.S. companies to compete globally; 2) minority companies have access, knowledge and exposure to the growth industries in the marketplace; 3) minority business interests are intertwined in the Administration's urban agenda.

Minority Business and Government/Industry Cooperation

One of the most significant changes that the Administration has brought about is shaping the new world order by actively changing the government/industry relationship. For 40 years we were locked into a paradigm of Cold War policies and an ideological debate on the need for industrial policy versus the free market.

With the end of the Cold War, the world learned that command economies do not work and that the new global marketplace will be more competitive and require a partnership between the federal government and industry. As we implement the new government/business relationship, minority companies are at the forefront of participation. For instance, the change in export controls provides new opportunities for minority manufacturers and vendors -- especially in the computer industry. The change in export controls will lead to \$30 billion in sales and over 600,000 jobs.

Increasing Minority Entrepreneurs Access to Growth Industries

In business, often informal networking leads to expanded activity; for minority companies often the informal networking with majority owned companies is not readily available. Commerce is attempting to bridge that gap. The Department has 67 industry advisory committees and boards.

They are policy making advisory groups that impact trade, technology and various industrial sector policies. The advisory groups ensure that the Administration's policies are consistent with business interests and thus help shape the direction of the Administration's action.

Industry participants have traditionally been large majority owned, businesses. We have wanted to ensure that as board positions open, minority companies are provided access. Minority companies like all advisory group participants will have insight into developments in

the marketplaces, cutting edge technological developments and a broadened exposure to various industry sector changes. Through the advisory groups, Commerce is facilitating emerging minority companies, many of which are smaller, nimble and niche players, establish relationships and joint venture with larger entities participating in the advisory groups.

In one of the key advisory groups where this Administration has made all the appointments, the National Information Infrastructure or "NII" advisory group, an African American is the co-chair and will help shape direction for the information superhighway. The advisory group is composed of several African American, Asian and Hispanic business owners, to ensure full participation of the diverse business class that is growing in telecommunications.

Participation in the Urban Agenda

Commerce is actively engaged in the urban initiatives of the Administration. The Department represents the interests of business particularly minority business in the policy development and implementation of the urban agenda.

In the Empowerment Zone initiative, for instance, several agencies within the Department provide assistance to stimulate business growth and development. The National Telecommunications Information Agency provides grant awards in zone designated areas. Businesses located in the nine Empowerment zones compete against each other for awards as public service telecommunications test bed projects.

To ensure minority business participation in the competition, NTIA conducted "NII how to Seminars" in empowerment zones to make minority businesses aware and competitive for the grants. MBDA waived fees charged to minority business located in empowerment zones. Minority businesses located in the zone have additional sources of capital made available through the EDA revolving loan funds and other forms of financial assistance.

The Administration's changes in the Community Reinvestment Act (CRA) provide an opportunity for new sources of capital for minority businesses. Through MBDA, Commerce is working with commercial lenders to devise methods whereby capital starved minority businesses and CRA-obligated lenders establish working relationships.

If recent history is any indication, without a concerted effort, many lenders would try to meet their CRA obligations solely by providing home mortgages to minority families. Commerce's objective is to ensure that lenders devise methods to address the needs of minority business owners as well.

In the future Commerce will play an active role in the implementation of the Community Development banks. As the Administration put the legislative initiative together, Commerce represented the interests of business and especially minority business. In part because of Commerce's participation, the Administration's proposal is weighted toward the banks providing working capital for business activity.

Internally, the Department is exploring methods to provide financing for expanded business activity in distressed communities. The goal would be to provide a source of capital for expanded business development in high growth industries in distressed areas. If successful, new businesses will be formed and existing businesses will expand in distressed areas. Minority businesses stand to gain tremendously from this initiative.

Conclusion

The Administration's goal of inclusion of all facets of American life into a growing economy necessitates a comprehensive effort of bringing minority businesses into the forefront of policy development and implementation. At Commerce we have begun this process and intend to step up our efforts during the balance of the year.

MINORITY BUSINESS ROUNDTABLE CONCEPT

It is recognized that the public policy decision at every level of government impact on the effectiveness of all American business. Issues of access to capital, taxation, community redevelopment, and programs for entrepreneurial education and training are important to the development of minority business. Moreover, government policy development often suffers from the lack of minority business positions being included in the process. It is essential that the voices of the many minority Chief Executive Officers (CEO) are heard by the policymakers deciding whether or not to implement a policy concept. The Minority Business Roundtable (MBR) vehicle may provide minority CEOs an avenue to discuss and act on the important business topic of the day. The entity could become a generator of policy positions that expand minority business opportunities and their impact on the minority communities.

The MBR may be patterned after the existing Business Roundtable which is a twenty-four year old association comprised of 220 Fortune 500 CEOs. In the existing Business Roundtable model, participating CEOs serve on issue-oriented task forces and collectively direct research, supervise preparation of position papers, recommend policy positions and advocate on specific issues affecting American business. The position papers approved by the Roundtable are circulated to members and to the Government and are made available for use in the public discussion of issues. For example, the Roundtable has established task forces in the areas of government regulation, international trade and investment, taxation, education, tort policies and corporate governance.

An MBR would provide a similar structure where serious policy discussions may take place and effective strategies can be developed regarding important minority business issues. A diverse group of CEO members of the MBR should provide information from a cross-section of industries. Currently, there is no business and advocacy institutions dedicated to minority business development providing a uniform voice and policy discussion for this community. An overall objective could be to foster interaction between the Business Roundtable and the MBR so as to lead to mutually beneficial collaborative efforts between both organizations.

If it is determined that an MBR should be established, there is historical precedence for the Department's limited participation. The Minority Business Development Agency (MBDA) has provided "seed money" to many minority organizations in the past who have become successful self-sustaining organizations. In fact, MBDA has funded over 57 organizations -- 47 of which remain as active independent groups. Some examples of these efforts include Black Enterprise Magazine, National Minority Purchasing Council, U.S. Hispanic Chamber of Commerce, National Bar Association, National Association of Minority Contractors, the National Urban League and the National Association of Minority Auto Dealers. Therefore, participation in the front-end of the project is certainly appropriate; however, creating a structure that ensures financial independence is important for the integrity of the MBR.

POTENTIAL QUESTIONS AND ANSWERS

A. What is a Minority Business Roundtable?

A Minority Roundtable are business owners that work together on issues affecting long-term business growth.

B. Is there a precedent for such an organization?

Yes, the Minority Business Roundtable will be patterned after the Business Roundtable, a twenty-four year old organization, comprised of approximately 220 Fortune 500 Chief Executive Officers (CEO). The CEOs direct research, supervise preparation of position papers, recommend policy and speak out on issues affecting business.

C. What would be the goals of the Minority Business Roundtable?

The Minority Business Roundtable may provide minority owned businesses with:

- o timely information on policy issues and other matters that affect their firms,
- o a unified voice to articulate the views of minority business leaders, and
- o a dialogue among minority business owners, and also between the minority owners and political leaders and CEOs from the Business Roundtable.

However, these suggested objective are certainly open for modification by this group.

D. Will the Minority Business Roundtable be limited to small firms?

No, the Minority Business Roundtable will be open to businesses of all sizes.

E. How will funds be generated to operate the Minority Business Roundtable?

This issue would be decided by the membership of the Minority Business Roundtable. The Business Roundtable funds their organization through dues paid by each member. A formula, based on a company's revenues and stockholder's equity, is used to decide a member's annual dues. The Business Roundtable has eighteen full-time employees, but they rely on the staffs of member companies for talent and expertise.

F. What organization/Federal Agency will be in charge of the Minority Business Roundtable?

The Minority Business Roundtable would operate independently and would not be governed

by any Federal or government entity.

G. What types of businesses will participate in the Minority Business Roundtable?

The Minority Business Roundtable will comprise many business types. A diverse group of businesses will ensure that a cross section of concerns and considerations is addressed.

H. What role will Commerce play in the establishment and ongoing operation of the Minority Business Roundtable?

The Department of Commerce's Minority Business Development Agency provides services to minority businesses, of all sizes, throughout the country. The MBDA can provide technical assistance in the creation of a national Minority Business Roundtable and ongoing support after the organization is established. However, independence and a self-sustaining financial structure are imperative for the success of this effort.

PREPARED STATEMENT BY
COURTLAND COX
DIRECTOR, MINORITY BUSINESS DEVELOPMENT AGENCY
BEFORE THE SUBCOMMITTEE ON
COMMERCE, JUSTICE STATE AND JUDICIARY
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 20, 1998

Chairman Rogers, Congressman Mollohan, other distinguished Members of the Subcommittee: Thank you for the opportunity to appear today before the Subcommittee to present the Administration's Fiscal Year 1999 Budget Request for the Minority Business Development Agency (MBDA). First, I would like to express my sincere appreciation to Members and staff of the Subcommittee for the many courtesies that you have extended to my staff and me. In particular, I am grateful for the bi-partisan collaboration that has resulted in funding for the programs and activities of MBDA. We thank you and look forward to a continued partnership on behalf of the Nation's minority-owned businesses.

I came to MBDA in September, 1997, as the Acting Director and was recently named by President Clinton as the Director. I made management reform my first priority. The Commerce Department issued a report, The MBDA Management Review, on June 10, 1997. This report identified major recommendations and issues that required immediate attention. The following is a list of some of the recommendations that have already been implemented:

- *Use comments from customers, policy experts, industry leaders, and other interested persons on current MBDA programs to develop an agency strategic plan.*
- *MBDA needs to review its activities to ensure that it can efficiently and effectively achieve its mandate as established by E.O 11625.*
- *The headquarters organization structure needs to be revised. In particular, it should conform to MBDA's new strategic business plan and flatten the organizational structure.*
- *The agency's shift in mission focus will require a critical examination of the need for and location of field offices. The agency's field structure should be redesigned.*
- *The extensive Federal Government resources need to be better coordinated to support the minority business initiative, beginning with the Department of Commerce itself.*

- *MBDA should improve the operations of its grant processing and management so that it is more rational and cost effective.*

On the program side, we have moved away from a heavy emphasis on management and technical assistance to an increased focus on access to the marketplace and access to financial capital. We are integrating the technology of the Internet and electronic commerce in all of our programs. We are continuing discussions with the Administrator of the Small Business Administration to promote cooperation between our two agencies on the delivery of management and technical assistance. We are also exercising our leadership and coordination role in a very meaningful way by working with other Commerce Department bureaus to bring information and new technologies to the minority business community.

MBDA's budget for Fiscal Year 1998 is \$25 million. We are requesting \$28.077 million for Fiscal Year 1999, which is an increase of \$2.8111 million plus adjustments to base. This increase will be used to bring minority business development into the age of electronic commerce, making a great number of services available in all fifty states to any minority business with access to the Internet, and allow for many essential management reforms. It will allow our existing Minority Business Development Centers (MBDCs), Native American Business Development Centers (NABDCs) and Business Resource Centers (BRCs) to operate more efficiently. It will provide access to markets worldwide. Finally, this increase will provide online information to start and grow a business and link minority businesses through electronic mail to consultants throughout the country.

MBDA will use this increase in three areas: 1) efficient delivery of management and technical assistance; 2) improved access to the marketplace; and 3) improved access to financial capital. The three program areas will require the following major cost categories.

- **Electronic Commerce Promotion** - This is the cost of promoting use of electronic commerce and developing awareness of MBDA's on-line services in the minority business community. It is one of MBDA's most important activities, because of the speed at which the world is moving toward a digital economy. We will be promoting electronic commerce to business and trade associations, at special meetings and conferences of minority groups, through Public Service Announcements and through educational institutions.
- **Research** - This cost includes identification and development of the information content to be included in twenty new Internet-based One-Stop Centers. These Centers will focus on two areas. The first will be in potential high-growth industries, market sectors or business formats such as international trade and franchising. The second will focus on new potential

technologies such as aquaculture and biotechnology having commercial opportunities for minority-owned businesses. We will begin our search for these opportunities within the Federal sector, beginning with Commerce Department agencies such as NOAA's Sea Grant Program and NIST's Manufacturing Technology Program.

- Information Technology - This includes the acquisition and maintenance cost of equipment and software for Internet-based One-Stop Centers, an on-line shopping mall, enhanced Phoenix, Opportunity and Performance databases and on-line grants management.
- Financial Capital MBOC - This is the cost of designing, forming and operating a Wall Street Minority Business Opportunity Committee. We will use this vehicle to begin to bring people together on Wall Street and other financial centers to increase access to large scale financial capital for growth oriented firms. This group will form networks necessary to bring specific deals to the attention of the investment community and assist firms in making financial transactions.

Management and Technical Assistance

Management and technical assistance to minority businesses will be strengthened with this increase by improving both the quality of services and their geographic distribution. Our existing network of thirty-five Minority Business Development Centers, seven Native American Business Development Centers and six Business Resource Centers will continue, but they will have more tools at their disposal. We will integrate what they are already doing with our new electronic approach to business development. They will have access to various Internet-based online services and "one-stop centers". This approach will use the technology of the Internet and electronic commerce to bring management and technical assistance to minority businesses across the country in both urban and rural communities. Furthermore, we will have an automated method of measuring performance, which will provide us with the information necessary to better manage this program.

We are now developing, in partnership with SBA, an interactive online business assistance center for small and minority entrepreneurs. We have agreed to the types of information that should be included and it will be based on the format in SBA's Online Women's Business Center. There will also be an interface so that various client groups of our two agencies, such as minorities, veterans, women, and the disabled can be linked to appropriate specialized information. This is an effort by both MBDA and SBA to reduce duplicative programs and bring efficiency and cost savings to the delivery of general business services to minorities.

Access to Markets

The driving force behind MBDA's new approach to improving market access is recognition of the stark reality that increasingly more business activity will be conducted electronically. Entrepreneurs and firms that do not adjust to this reality will simply not survive. MBDA has started a new effort to advocate electronic commerce in the minority business community. In partnership with the National Institutes for Standards and Technology (NIST), we are developing a one-day electronic commerce course for minority business executives. The course will provide fundamental training on the benefits of engaging in electronic commerce and inform the students about tools and steps necessary to participate in electronic commerce. Once the course is developed, we will implement a system for distributing the course to the widest possible audience through traditional classroom settings and over the Internet.

We have developed and implemented databases that electronically document minority firm capabilities using an on-line form accessed via the World Wide Web. Another on-line form enables any public or private entity to submit contract or joint venture opportunities through the same medium. These databases - called Phoenix and Opportunity - automatically match business capabilities with opportunities and generate daily alerts to minority businesses via email and fax. They are available to any business with access to the Internet. They are now in their early stages of development. The requested funding increase will be used to maintain and expand these databases.

MBDA will develop Internet-based One-Stop Centers for organizing and distributing information necessary to penetrate selected high-growth industries, market sectors or business formats such as franchising. These include telecommunications and international trade. Wherever possible we will use existing information and/or websites to avoid duplicative processes. The value added will be that the information will be presented in a logically structured manner useful to any minority business having access to the Internet. Currently this information is either not available to businesses or it is rendered useless by being disorganized and fragmented.

Each One-Stop Center will be tailored to a specific industry or market sector and will include information about the market and available financial and other resources necessary to enter that market. The pilot for these Centers will be designed in Fiscal Year 1998. The budget increase will be used to develop the information content for the Centers and the associated hardware and software costs. We anticipate having market specific centers online in areas such as franchising, international trade, supplier development (business to business sales), Federal government procurement, state and local government procurement and strategic alliances and joint ventures by the end of Fiscal year 1999.

We will also develop Internet-Based New Technologies Centers. These Centers will be similar to the One-Stop Market Centers but will be focused on emerging technologies that have potential for new commercial products or that significantly improve a business process to enhance a firm's competitiveness or ability to grow. Examples are biotechnology, aquaculture, construction standards and manufacturing processes. These Centers will be developed in partnership with NIST, NOAA and other Commerce agencies so that minority businesses can take advantage of these resources at a level never before possible.

A significant advantage of the Phoenix/Opportunity matching system and the Internet-Based Centers is that their services will be available to any minority business owner in all fifty states throughout the country.

In addition to the Internet-Based One-Stop Centers, we will also develop at least one online electronic shopping mall. Online shopping malls are a recent development on the Internet. They allow participating firms to use an electronic format to achieve increased market presence with Federal, state and local procurement officials, the private sector and non-profit organizations.

Access to Capital

To complement our One-Stop Market Access Centers, we will develop an Intranet-Based One-Stop Financial Capital Center. This will be an electronic center where staffs of our MBDCs, NABDCs and BRCs and our regional offices' business development specialists can search for banking and other financial opportunities that resulted from various Memorandums of Understanding between MBDA and financial institutions. In addition, it will include links to several online commercial finance matching sites that are now found on the Internet.

A key objective of MBDA is to develop a capital access strategy for graduates of SBA's 8(a) program and other minority businesses that have achieved financial success, but want to move to the next level of growth and penetrate significantly larger markets. Consequently, the second part of our strategy is creation of a new entity to pursue capital access efforts for firms with high growth potential. This would be a Wall Street MBOC, a variation of our traditional Minority Business Opportunity Committee (MBOC), which focuses on local government or private contracting opportunities. It would apply MBOC leadership and coordination roles to the large financial institutions on Wall Street and other financial centers. This new entity's function would include:

- Providing information on sources of capital and matching services for larger minority businesses;
- Bringing specific deals to the attention of the investment community;
- Assisting firms in pricing their deals and preparing their offering documents;
- Assisting exiting 8(a) firms with expanding into the larger marketplace;
- Educating firms regarding mergers and acquisitions as sources of growth and facilitating efforts to accomplish them; and
- Developing a network of advisors whose expertise could assist in raising capital.

The success of this program will be measured in the short term by the development of useful sources of information, and creation of a network of advisors from Wall Street. Over the longer term we will measure the amount of capital raised by participating minority businesses, their increased revenues and the increased percentage of firms that obtain capital for growth.

Additional Management Reforms

As stated in my introduction, we have already taken significant steps to improve management processes within MBDA. However, there are two other management improvements that I want to briefly mention as part of our budget request. The first is our Performance database. This database will be used to measure program performance in Fiscal Year 1999. The second reform is automation of the grant process. This automation will permit online grant application and processing. It will save time and money for prospective grantees, and allow MBDA to reallocate more of its human resources from administrative overhead into business development activities.

The Administration's Fiscal Year 1999 Budget Request will permit MBDA to be, for the first time, a national leader in minority business development. We will be able to reach every community in all fifty states. Through the technology of the Internet, we will also be able to coordinate business development institutional resources and information available at all levels of government, the private sector, and educational and other non-profit organizations. Most importantly, we will also be able to track the results of these activities in real-time using our GPRA-compliant database.

In closing, I would like to say that MBDA has come a long way in the past eight months. I am very proud of what we have accomplished during this time. The recent years have been an extremely difficult time for MBDA, but we are committed to the changes we started last fall, and we are now on the verge of being able to serve our client base in a way never before possible. When we do that the entire Nation will benefit from our efforts.

Again, I appreciate the support of this Subcommittee. Mr. Chairman, at this time I will be glad to respond to any questions which you and the Members of the Subcommittee may have about MBDA programs and activities.

REMARKS BY COURTLAND COX
ASIAN ENTREPRENEURS MAGAZINE DINNER
MAY 29, 1998
LOS ANGELES, CALIFORNIA

Good evening. Thank you, Pierre, for that very warm El Nino introduction. It is a pleasure to join you tonight for this celebration of the important contributions made by Asian-American entrepreneurs to the economic life of our country.

For more than a hundred years, men and women from Asia and the Pacific Islands have brought their extraordinary skills and talents to the United States. The earliest immigrants came mostly from China, Korea, India, Japan and the Philippines. Today, newer Americans from places like Laos, Cambodia, Vietnam and Thailand are making their mark here. Asians and Pacific Islanders are extremely diverse,

with over two dozen distinct ethnic groups speaking several different languages.

You have shared in the American dream because of the values you practice every day: hard work and diligence, an entrepreneurial spirit, commitment to family and education.

At the MBDA, we want to increase your ability to share in this dream. We are aware that with the variety of ethnic and cultural groups in the Asian community, that there are special outreach efforts which we need to make.

To that end, over the past several years, we have funded minority business development centers that are specifically positioned to serve the Asian community. Here, in Los Angeles, the West Los Angeles MBDC is a combined project between the University of Southern California and the Pacific Asian Consortium for Employment. PACE was selected as a

partner on this project because it was well-known in the Asian community and would be beneficial in outreaching to the community. In the Bay Area, we have funded a project in San Jose operated by Asian, Inc. to serve the needs of Asian-American entrepreneurs.

At these centers, there are consultants who speak the languages of many of the clients and have long-standing ties to different communities. This is not to say that our other centers are not staffed with Asian-Americans, nor is this an attempt to only send Asian-Americans to these centers. However, we understand that there are specific needs in the community and this is one way of addressing these needs.

In addition, we are ensuring that our staff continue to make outreach to the Asian-American community. Here in Los Angeles, I am aware that the MBDA District Office works

with different Asian-American organizations, including the local chambers of commerce. We want to continue to become more familiar with and satisfy the needs of the community.

However, as minority businesses, there are certain common struggles which we all face. For many businesses, whether Asian, Hispanic or African-American, it has been an uphill struggle to reach a modicum of success - there have been, and continue to be, systemic difficulties in obtaining capital, in accessing markets, in finding the technical support and assistance necessary to encourage and sustain growth.

However, the political landscape and nation is beginning to change as we move into the 21st century.

This change is occurring as a result of a demographic shift.

The Commerce Department's Census Bureau tells us that by

the year 2050, the U.S. population will have increased by 120 million. Of that 120 million, only 12 million will be White Americans. The Asian-American population is expected to more than triple, from 10 million to 32 million. The Hispanic population is also projected to triple, from 30 million to 97 million, while the Black population will nearly double, from 33 million to 54 million.

Within the lifetime of your children, minorities will

constitute 47.5% of the U.S. population. Within the

lifetime of nearly every one in this room, almost one in three Americans will be minorities. While I am sure that the Californians in the room have been well-aware of these statistics for some time, they continue to be eye-opening with respect to the implications for minority businesses. As a result of this demographic reality, companies are beginning to look at minority communities as powerful consumers. As

entrepreneurs, you have the opportunity to leverage your knowledge and networks to target these markets that are going to be increasingly important to the U.S. and global economy.

However, as the numbers of Asian-Americans, African-Americans, Native-Americans and Hispanic-Americans continue to grow in this country, it provides another opportunity - to begin to form strategic alliances across racial and ethnic lines. As the world grows smaller through globalization, we must become increasingly aware of our interconnectedness. Nothing happens in the economies of Asia that does not affect the United States and other countries in this hemisphere, in Europe, and in Africa. However, to maximize the ability of our companies to become true economic powers, we must reach beyond our

individual communities to understand the culture and markets of other groups.

With approximately 10 million Americans of Asian-Pacific ancestry, U.S. companies have a competitive advantage when it comes to tapping the growing consumer demand in places like Thailand, Indonesia, Malaysia, Singapore, South Korea, Vietnam and the Philippines. Our strong Black and Hispanic communities give us a similar leg up on global competition in Africa, Latin America and the Caribbean. However, as minority companies, working together will provide us the opportunity to move into markets and areas which would be difficult if working alone or within our own groups.

Strategic alliances are not just an asset on the global stage. Within this country, when men and women of different,

backgrounds come together, sharing their knowledge and experience, it strengthens their ability to make sound business decisions.

In conclusion, I recognize that not enough is being done by the government to support the interests of minority entrepreneurs. I believe that only by working together across racial and ethnic lines that we can secure the resources to truly strengthen all minority-owned businesses. However, in particular, I want to ensure that you as Asian-American entrepreneurs are receiving the management and technical assistance, access to markets and access to capital that you need to prosper and grow. As I move forward as director of the Agency, I'd like to have an ongoing authentic and candid dialogue about the needs and concerns of the Asian-American business community, so that I can

ensure that the interests of all of MBDA's constituents are being served.

Again, thank you and I look forward to continuing to speak with you again soon.

**REMARKS AT
NATIONAL URBAN LEAGUE CONFERENCE
PENNSYLVANIA CONVENTION CENTER
PHILADELPHIA, PENNSYLVANIA
AUGUST 4, 1998**

**AFRICA AND AFRICAN-AMERICANS: OPENING DOORS FOR
EMERGING OPPORTUNITIES"**

Thank you, for that wonderful introduction. I am delighted to be here today to talk about emerging business and investment opportunities for African-Americans in Africa. Back in 1973, I was involved in organizing the 6th Pan-African Congress, which was held in Dar-el-Salaam, Tanzania. At this Congress, one of the primary points made was that true political independence was impossible without economic self-determination. To quote one of the participants, Dr. Neville Parker of the U.S. delegation, "...the level of economic independence and economic self-determination which can be achieved is in direct proportion to the extent to which a people, a nation, can effectively mobilize its scientific and technological resources, both human and natural, for its own benefit (emphasis added)".

Twenty-five years later, Africa is still in the process of fully mobilizing these technological and scientific resources for its own benefit. To the extent that you can assist in this process, can provide access to and training in the necessary technologies, processes and knowledge to assist in developing emerging African economies, I believe that you will find a multitude of opportunities to do business or invest in Africa. However, I believe the key to success is adding value – as a minority entrepreneur or investor, you must identify the ways in which you can add value to the abundant natural and human resources of the continent.

Today, there are thirty million Americans who trace their roots to Africa and who, I believe, have a special interest in participating in trade and economic development in Africa. I'd like to talk a bit first about Africa and then about the initiatives that MBDA and the Department of Commerce are implementing to assist you in obtaining the necessary information and contacts to successfully do business on the continent.

Africa is the second largest continent in the world. It is as large as the United States, Germany, England, France, Italy and all of the other countries of Europe combined.

It contains almost 800 million people – more than 12% of the world's population. It has natural resources far more varied than the gold and diamond mines we most often hear about – including crude oil

and timber, as well as cobalt, copper, uranium and the iron ore of North Africa.

As African nations gradually implement market reforms, we are beginning to see an economic awakening. According to the World Bank, Sub-Saharan Africa as a whole enjoyed 4.4% real growth in 1996. It could well be 5% next year. Countries like Mozambique, Uganda and Zimbabwe already grew more than 6% in 1996.

As a result, we have seen an increase in U.S. exports to Africa. Since 1994, exports have been growing steadily, topping \$6 billion in 1996. In addition, U.S. direct investment in Africa has yielded an extraordinary return – a 31% return on book value in 1996, compared to 12% worldwide.

Last year, just 1% of American exports headed to Africa – far less than it should be. America has only a 7% share of Africa's market. This places us third behind France and the United Kingdom – and just ahead of Germany and Japan.

However, at the same time, we cannot overlook the risks of investing in Africa. Much of Africa is quite poor. Of the 25 poorest nations in the world, 20 are in sub-Saharan Africa. While we find 12% of the planet's population in Africa, currently the continent contains only 2% of world's telephone lines. In addition, if we've learned one thing from the Asian financial crisis, it is that emerging markets, for all their promise, are very volatile. Obviously, for an entrepreneur or

businessperson, this makes for a somewhat tricky potential trade relationship. However, there is tremendous opportunity for those willing to take the risk.

President Clinton's Africa Initiative. For that reason, President Clinton launched his Africa Initiative, which is aimed at speeding the economic development of Africa and strengthening our trade and investment relations. The first White House Conference on Africa occurred in 1994 and the momentum has built since then. President Clinton's recent trip to Africa - the longest and largest presidential trip outside the United States- has emphasized his commitment to the region.

The President's trip was followed by those of other Cabinet officials, including Secretary Slater of the Department of Transportation and Secretary Rubin of the Department of Treasury. Commerce Department Secretary Daley will lead a trade mission in September. Vice President Gore also is actively involved in this initiative.

However, let us not forget the first person to focus the energies of the United States on the African markets –the late Secretary of Commerce Ron Brown. When Ron Brown visited the continent five years ago, it was the first time in 14 years a Commerce Secretary had toured Africa with business leaders. And we also should not forget where Ron Brown learned about the importance of business and economic development to African-Americans– at the Urban League, in the many years that he worked with your organization.

When trade between Africa and the United States has reached its true potential, we will owe a huge debt to the foresight and efforts of Secretary Brown.

Department of Commerce Initiatives. The Department of Commerce also is leading the way to increasing trade with Africa. I'd like to speak to certain of the efforts that we are undertaking.

Secretary's Trade Mission. First, as I mentioned earlier, Secretary Daley will lead a commercial trade mission to South Africa, Kenya and the Ivory Coast from September 12th through 20th. During the mission, he also hopes to visit at least two other countries.

Accompanying Secretary Daley will be leaders of a variety of businesses in high-growth areas - particularly those in computers and software, telecommunications, other information technologies, agribusiness, power generation, health care, financial services and environmental technologies. Quite simply, the Secretary's primary goal for this mission is increased export opportunities and new U.S. jobs.

Africa Commercial Strategy. However, the Department is moving beyond trade missions in its efforts to develop long-standing and ongoing relationships on the continent. The Secretary has specifically asked each agency, every unit in the Department to respond to these questions: How can we increase our ties to Africa? What can we do, as partners, with Africa? As a result, the Commerce Department is developing an Africa Commercial Strategy, led by

Deputy Secretary Mallett, to support and compliment the President's Africa Initiative.

Other Agency Activities. The Africa Commercial Strategy will focus on four major themes.

The first is capacity building. We must help Africa build the infrastructure – both physical and economic – to improve the business climate for American businesses. This means not only roads and telephone lines, but also aviation and the technical support network and workers needed to maintain those systems.

Second, is the business environment. We must help African countries create a sustainable level of economic development – not only to improve the standard of living but also to enhance their own business opportunities and production. For example, the Department's National Weather Service is providing better weather forecasting and is training African scientists in climate forecasting. This will enable scientists to predict and deal more effectively with drought and flood impacts on crops and vegetation. As I mentioned earlier, this type of technology transfer is critical to Africa's development and continues to be amongst the most important services that Americans can provide.

Third, Commerce is designing programs to improve trade and investment in Africa. In particular, the Department is examining three areas that seem particularly promising for American investors.

- First, infrastructure. Africa has a desperate need for ports, highways, railroads, telecommunications equipment and utilities. Right now, financing for most infrastructure projects comes from the multinational lending agencies, regional development banks or the government. Because the developmental needs of Africa are so great – and because so many American companies are skilled at these projects – this is natural market for the sector.
- Second, financial services. Africa needs innovative financing packages. Public-private sector partnerships in finance are also promising for American investors. We want to make sure that management consulting firms, insurance companies, venture capitalists, accounting firms and others see the ways they can be involved supporting infrastructure projects.
- Third, agribusiness. We already export wheat and milled rice – as well as farm machinery, organic chemicals and fertilizer. But, regrettably, Africa continues to have difficulty feeding itself. This sector will continue to be vital in Africa, and, as Africa modernizes, this sector will provide new opportunity.

If your company is involved in these areas and is export ready, you may want to focus your international efforts on African markets.

MBDA Programs. And MBDA is prepared to help you do this. As in the past, we will continue to organize trade missions and will work with minority businesses to ensure that they are export-ready.

However, we also have begun to embrace activities that emphasize and use technology. We know that doing business in Africa and other international markets is expensive for any business and particularly costly for many smaller minority businesses. In addition, information clearly will be the currency of the 21st century. As a result, MBDA's primary mission must be to provide minority businesses the knowledge necessary to master and triumph in the marketplace. As a result, MBDA will be providing information on international opportunities and markets electronically, to make doing business in these markets more accessible and less costly for minority businesses.

To increase the number of minority businesses that are involved in exporting, during the next year we will establish a Website on international trade, to provide minority businesses with the necessary information and resources to pursue opportunities in the global marketplace, including Africa.

In addition, we are establishing direct means of obtaining and disseminating African market opportunities. For example, we are starting to partner with business development organizations in South Africa. The goal of this partnership is to develop long-term and ongoing relationships with these organizations that will result in

greater market opportunities for our clients and increased development in South Africa. The information will be maintained on MBDA's intranet site, which will be used to exchange information, ideas, and opportunities and develop projects in both countries. I will be traveling to South Africa this fall to finalize and implement these relationships.

We also are establishing a geographic business information system for the continent. This system will not only allow you to do market research in the regions that you're interested in, but also will provide information on the government, private sector, development and other resources that are available to assist you in your business or investment efforts. You will be able to obtain information on your markets that could have taken days or even weeks to obtain.

Finally and most importantly, we will use of our Phoenix database to match minority businesses with business opportunities. The Phoenix database is an on-line system used by both the private sector and federal government to locate minority business enterprises. The Phoenix database asks you for background information on your business, including a description of the services or product your company provides, the North American Industry Classification code for these services or products, maximum bonding levels and other information which would be helpful to potential purchasers. You also must provide an e-mail address or fax number so that you can be contacted about upcoming opportunities.

Once your business is registered in Phoenix, it will be matched electronically against the Opportunity database, which contains upcoming private sector and government contracts and opportunities. As African and other international contract opportunities become increasingly available, they will be input into the database. The Opportunity database also contains information about joint venturing or allying with other companies and will provide you information about upcoming trade missions or international opportunities. Your company will be matched with any opportunities where there is a fit in terms of industry or other specification.

We see this system as adding value to your marketing efforts in a way that requires only fifteen minutes to fill out the form. And this service is free of charge. However, you must register on Phoenix to participate in this and other MBDA programs. You can register by going directly to the MBDA Website at www.mbda.gov and completing the form.

Again, I want to emphasize that use of technology and information technology is the wave of the future. Companies that are aware of this and use new technology will have a clear competitive advantage. Those that are waiting to see what happens will be left in the dust. African-American and minority companies simply cannot become road kill on the Information Superhighway.

In addition to our electronic efforts, we also will plan other activities. We are working with the Africa Club of the World Bank to sponsor a

conference on October 21-22 in Washington, D.C. The Conference will both highlight African entrepreneurs and link these entrepreneurs with African-American and other minority businesses. We believe it is critical that African-American entrepreneurs begin to develop long-standing relationships with African businesses and businesspersons, to obtain the information and access necessary to do business in African markets. We hope that efforts such as this will facilitate these types of relationships.

Conclusion. In conclusion, I want to emphasize that we will be creative and innovative in trying to further open African markets to African-American entrepreneurs. Through electronic commerce and technology, we are trying to devise efficient, cost-effective ways for you to broaden your markets and move effectively into the international markets. However, as entrepreneurs, you must determine the added value that your businesses can bring and the way it can help Africa and its people – especially in infrastructure development, technology transfer and agribusiness. Only then will you truly be able to prosper in the markets. At MBDA, we firmly believe that the 21st century will be your century and we stand ready to assist you as you move into the new millenium.

BLACK ENTERPRISE ENTREPRENEURS CONFERENCE

"ACCESS TO MARKETING OPPORTUNITIES"

THURSDAY, MAY 7, 1998

ORLANDO, FLORIDA

Final Draft

May 6, 1998

Good afternoon. Thank you, Carolyn, for the wonderful introduction. It is a real pleasure for me to be here today to talk to a group of African-American entrepreneurs about the changes which are occurring in the global markets, and how we can use these changes to strengthen and empower our businesses.

As the Director of the Minority Business Development Agency and a long-time advocate of increasing economic opportunities for minorities in general and African-Americans in particular, I am acutely aware that the last real frontier for Blacks entering the mainstream of America is the business world.

This is an historic and exciting time for African-American businesses. It is historic because of the structural changes that are occurring in the marketplace - Black businesses are now expanding beyond neighborhood retail and services industries into modern hi-tech and manufacturing. The time is exciting because of the arrival of the digital age, the exploding use of electronic commerce, and the ever-increasing globalization of the economy.

Equally significant are the changes in U.S. demographics. The Commerce Department's Census Bureau tells us that by the year 2050, the U.S. population will have increased by 120 million. Of this 120 million, only 12 million will be White Americans. The Black population is projected to almost double, from 33 million to 54 million, and the Hispanic population to triple, from 30 million to 97 million.

Within the lifetime of your children, minorities will constitute 47.5% of the U.S. population. Within the lifetime of most of us in this room, almost one in three Americans will be minorities. As a result of this demographic reality, companies are beginning to look at minority communities as powerful consumers. As entrepreneurs, you have the opportunity to leverage your knowledge and networks to target these markets that are going to be increasingly important to the U.S. and global economy.

Yet this also is a time of struggle.... struggle as critical to Black Americans as our earlier battles for the ballot and for public accommodations. It is the struggle to increase economic opportunities for African-Americans and to create wealth in a country deeply rooted in the importance of wealth creation.

At a time when entrepreneurs have, collectively, the largest net worth of any group in this country, business ownership and the net worth of African-Americans as a community continues to trail that of many other ethnic groups. While many Black-owned companies have prospered and African-American entrepreneurship clearly is on the rise, business ownership is less ingrained within the Black community than in other groups. This has a

significant effect on our ability to develop and strengthen our communities, particularly in the ever-important area of job creation.

As the world continues to grow smaller, we must develop the economic resources to compete effectively in the global marketplace. I'd like to talk generally about the business environment in which minority businesses are currently operating, the challenges and opportunities that we face and some strategies to achieve continued growth and success.

Judicial Trends.

In the last few years, we have witnessed a period of unprecedented assault on affirmative action and a hard-nosed retrenchment in the judicial system with respect to minority businesses, as evidenced most particularly in the Adarand and Croson cases. As the courts continue to limit affirmative action programs, federal contract opportunities available to African-Americans will continue to shrink. As a result, this sector will no longer be a vehicle for the rapid growth that has benefited some African-American businesses in the past.

Bundling and Benchmarking.

In addition to cutbacks in affirmative action programs, business practices such as bundling have resulted in the loss of business by minority firms to larger mainstream competitors. In the past, government agencies frequently earmarked contracts for minority firms through the Small Business Administration's Section 8(a) program. However, for greater efficiency,

federal agencies are bundling contracts into deals that are too large for small businesses to bid on. The result, as reported in a recent Washington Post story entitled "Minority Firms Lose Ground", is that minority contractors are receiving less from federal government purchases.

As a consequence of Adarand, federal agencies are developing limits in minority participation, called "benchmarks", for each industry where there is government contracting. Benchmarking is likely to decrease minority contracting in certain sectors of the federal markets, such as facilities management, janitorial and construction, where minority businesses are concentrated and can be considered "over-represented".

However, while opportunities are shrinking in the public sector, the country is changing the way it does business, primarily as a result of technology and changing marketplace demographics. These changes are opening up new business and retail markets to all companies, and, as a result, African-American businesses are well-positioned to grow and develop.

Changes in Purchasing and Procurement

The most important of these trends is the exploding use of electronic commerce by government, businesses and consumers. By presidential directive, federal procurement officers are moving aggressively to use electronic commerce for most procurements, especially those under \$100,000. Within the federal government, contract opportunities over \$25,000 are advertised once in the Commerce Business Daily. After this, information on upcoming requirements is listed on a Commerce Department

Website and the information will have to be downloaded to your personal computers. In addition, local governments also are moving to electronic procurements. In the future, using the Internet will be the easiest and most convenient way for you to access government contracting opportunities.

Electronic sales are growing rapidly in the private sector. By the year 2002, business to business Internet commerce is expected to have surpassed \$300 billion. In a recent speech on electronic commerce, U.S. Commerce Department Secretary William Daley noted that Dell Computers saw 1997 Internet sales increase from less than \$1 million per day in January to \$6 million per day by the following December. He indicated that Cisco Systems, a premier provider of networking products, closed 1996 with \$100 million in sales over the Internet. During the following year, Cisco's sales increased ten-fold, to over \$1 billion. In addition, companies such as General Electric are going online to find suppliers. By the year 2000, GE expects to buy \$5 billion in goods over the Internet.

Retail sales also are increasing dramatically each quarter over the Internet.

Electronic commerce is the wave of the future. Companies that are aware of this and use new technology will have a clear competitive advantage. Those that are waiting to see what will happen before they commit will be left in the dust. Like never before, the old adage applies – he who hesitates is lost.

International. You must penetrate the international markets. As President Clinton recently noted "96% of the world's consumers live outside our borders". However, less than 10% of American businesses have attempted to market their products abroad and the numbers are even smaller for minority businesses. With the use of the Internet, businesses can now reach international markets that previously were undreamed of. For example, John Thompson, the general manager of IBM North America, recently discussed the example of a kosher grocer in New York with only five employees who ships more than 130 varieties of kosher goods to customers around the world, often within 24 hours of ordering. With low overhead as a result of e-commerce, products can be sold for 15% less than at retail stores.

I use the example to illustrate this point. Like Jewish entrepreneurs, African-American business owners have an untapped market of consumers in the international African diaspora – in the Caribbean, Latin America, Canada, Africa, and throughout Europe. The fastest growing trading partners of the U.S. are in this hemisphere – the Caribbean, Latin America and Canada, with more than 40 percent of U.S. exports going to neighbors in the Americas. Because the markets in the Caribbean and Latin America are largely composed of persons of color, this provides an ideal opportunity to explore the benefits of exporting your products or services.

African-American businesses clearly can benefit from these trends. However, to do so, we must reshape the way we do business. I'd like to briefly discuss some strategies for doing this and the role the Minority Business Development Agency can play.

Electronic Commerce and Technology

First and foremost, Black businesses must embrace the use of technology. For all businesses, the use of a computer and access to the Internet must be as common as the use of the telephone.

Electronic Marketing.

Secondly, it is critical that you use the Internet to market your products and services. In addition to the traditional strategies of calling or meeting with purchasing personnel and networking at trade fairs and industry meetings, electronic marketing can be an effective method of exposing your products and services to a greatly expanded audience. Given the importance of promotion efforts to your overall business success, the Minority Business Development Agency is developing two e-commerce marketing programs.

Phoenix and Opportunity Databases. The first, the Phoenix database, is an on-line system used by the federal government and private sector, to locate minority business enterprises. The Phoenix database asks you for background information on your business, including a description of the services or products you provide, the North American Industry Classification System code for these services or products, maximum bonding level, and other information which would be helpful to potential purchasers. You also must provide an e-mail address or fax number so that you can be contacted about upcoming contract opportunities.

Once your business is registered in the Phoenix system, it will be matched electronically against the Opportunity database, which contains upcoming government procurements, and private sector contracts and opportunities. The Opportunity database also contains information about joint venturing or allying with other minority companies and can provide you with information on upcoming international trade missions sponsored by the Commerce Department. As opportunities become available, your company will be matched with any opportunities where there is a fit in terms of industry, size, geographic location or other specifications. Both you and the government or private sector contact person will be notified either through e-mail or fax. You can then decide whether or not the opportunity is a good fit for your business and if you want to pursue it.

We see this system as adding value to your marketing efforts in a way that requires only about 15 minutes of your time to complete the electronic form. And the service is free of charge. However, you must register on Phoenix to participate in this and other MBDA programs. We strongly encourage each of you who have not registered your businesses to do so today at the IBM booth. In addition, if you have access to the Internet, you can register by going directly to the MBDA Website at www.mbda.gov and completing the form.

Electronic Mall. We also are in the process of developing another electronic marketing system. In the future, one of the most efficient ways of selling to other businesses or the government will be through electronic malls, where you can display your company's products or services in a central location and purchasers can browse and shop electronically. While business-to-business

malls are still developing, there are at least 13 government e-malls, including those sponsored by the Defense Logistics Agency, the Air Force and the General Services Administration. On the DLA e-mall, buyers at military bases around the world can go to a single Web site to buy more than 12 million parts from multiple vendors and sources. It is quick, convenient and greatly simplifies the procurement process for purchasing officials.

To assist minority businesses, the MBDA is considering creating an electronic catalogue or on-line mall, either through MBDA information systems or in conjunction with a private partner. This on-line mall would provide minority business owners a venue to display and sell their products and services. The mall would target federal procurement officers, especially those making purchases under \$100,000, and purchasing personnel at corporations and non-profits.

An African-American owned technology company, NexGen Solutions, Inc., has already proposed the creation of a business-to-business e-mall and collaboration center for minority businesses. The purpose of this center is to develop a single location for all minority businesses to conduct e-commerce and other e-business transactions, as well as obtaining the information and resources necessary to compete effectively.

Private Business-to-Business Matchmakers. We also have identified and are working with private companies that link suppliers to business opportunities. One of these, Datamatix, Inc. has special expertise in the uses of electronic commerce in the procurement process. Datamatix helps its clients use electronic means to find new customers, sell to them more efficiently and

make better pricing and bidding decisions. Datamatix receives buying opportunities from a number of different federal, state and business sources, matches them against a client's profile, and distributes these leads to the client through e-mail. In addition, Datamatix provides historical information on bid opportunities, including past prices paid by the buyer, past suppliers and a detailed description of the item requested.

Services like this can be invaluable to minority entrepreneurs. As a result, Datamatix will be holding workshops through MBDA's regional offices to show businesses how to respond effectively and efficiently to procurements and other contract opportunities

Joint Ventures\Strategic Alliances

Another strategy which African-American businesses must pursue more aggressively for marketing and other purposes is the formation of strategic alliances. I want to talk briefly about one such strategic alliance. The Retired Military Officers Association (RMOA) is a group of retired military officers from all branches of the services. Of the 51 current members, 46 own their own firms and the others are executives within a firm. The smallest company has approximate annual sales of \$2.5 million; the annual sales of the larger companies are between \$65-85 million. These companies collectively have 20 lines of business; 22 companies have significant strengths in information, technology or distance learning, while others are involved in the transportation, medical, janitorial, music, research and development and manufacturing areas. In 1993, to ensure that it had capital to expand, RMOA acquired Enterprise Federal Savings Bank.

RMOA was founded to increase the individual and collective wealth of its members and to create economic opportunities and jobs in the Black community. Philosophically, members of RMOA realized that there are varied business opportunities available in both the government and the private sector, but that their members must work collectively to take full advantage of these opportunities. One of the most important things to understand about RMOA is that it was founded not to pursue any specific business ventures, but to identify business opportunities and team on those that make sense, both with other RMOA members and with outside companies, including majority-owned companies.

As an example of their strategy, 22 member companies of RMOA have formed a corporation, RMOA-IT and are actively working to obtain an IBM distributorship. As an IBM distributor, you must commit to do at least \$100 million dollars in annual sales. If successful, this will be not only a collaboration among African-American businesses, but also a partnership with a large company – IBM-, which will help increase IBM's access to government and minority markets, where RMOA has particular expertise and networks.

In addition, RMOA is exploring opportunities to locate manufacturing plants in urban areas. RMOA believes that it is imperative that African-American businesses begin to address the job shortage and corresponding social decline that has happened in urban America. They also believe that it is critical that African-Americans begin to focus on the production of products,

rather than services, as the international marketplace provides a large potential market for a variety of products.

What is most inspiring to me about RMOA is the members' long-range planning for and understanding of the importance of strategic alliances – not just for the development of their personal wealth but to improve the African-American community. I believe that this is a model that can be used by other companies – collaboration in the interest of doing good for the community while doing well individually. However, like RMOA, other African-American businesses must take a long-term, strategic approach to networking and exploring opportunities to joint venture and team.

At the MBDA, we also are looking to joint venture. One of these ventures is a partnership with IBM to encourage the use of technology and e-commerce among minority businesses. As a result of this partnership, IBM and MBDA have created an on-line e-commerce Website. This Website allows minority businesses that are registered with MBDA on the Phoenix database to purchase IBM products from minority-owned IBM resellers at a significant discount. These resellers have been authorized by IBM due to their registration and involvement with MBDA: many of these companies were not previously partnering with IBM. We view this as a collaboration that increases access to e-commerce and technology for minority businesses, provides retail opportunities which previously did not exist for minority companies and provides IBM greater access to minority markets.

Conclusion.

I would like to emphasize, again, that this is an historic time – we are standing on the cusp of the millenium, with opportunities to move into a new world of economic opportunity and equality. However, the future is in your hands. Just as those Black Americans who participated in sit-ins in Greensboro, North Carolina and voter registration in Canton, Mississippi took their destinies into their own hands and changed America as a result, you must take your economic empowerment into your hands. Just as this country did not provide African-Americans access to voting and public accommodations without our creative, collaborative, and strategic actions, this country will not provide African-American businesses access to real accumulation of wealth unless you take action to obtain the necessary information, develop the skills and work collectively to expand within the global economy.

The necessary tools for business success in the 21st century are at your disposal – the availability of technology and electronic commerce, access to information on new technologies and competitive business practices, and the changing domestic and international marketplaces. However, as a civil rights veteran, I'll give you one last analogy. The gains of the Civil Rights Movement were not, and could not, have been won by one organization working alone but only through the joint efforts of SCLC, SNCC, the NAACP, CORE, and many others, strategizing and working together, counterbalancing each other, bringing their individual strengths and collective resources to the struggle. For you, I believe that only through working and partnering with other African-American businesses will you achieve,

economically, the promises of the 21st century, and will we, as a people, achieve true self-determination.

In conclusion, I'd like you to get more information on MBDA and to register with the Phoenix database by going to www.mbda.gov. I'd also like to invite all of you to attend MED WEEK'98, in Washington D.C., on September 20th-23rd. Further information on MED WEEK can be found in the brochures at your tables.

Thank you very much.

BOSTON MBDA'S MINORITY ECONOMIC DEVELOPMENT

WEEK CONFERENCE

MONDAY, SEPTEMBER 14, 1998

BOSTON, MASSACHUSETTS

Good afternoon. Thank you, Shelly, for the wonderful introduction. It is a real pleasure for me to be here today to talk to a group of minority entrepreneurs, and companies doing business with these entrepreneurs, about the changes in the global markets. My message today is that we must use these changes to strengthen and empower minority businesses.

This is an historic and exciting time for minority businesses. It is historic because of the structural changes that are occurring in the marketplace – our businesses are now expanding, in ever increasing numbers, beyond neighborhood retail and services industries into modern hi-tech and manufacturing. The time is exciting because of the arrival of the digital age, the exploding use of electronic commerce, and the ever-increasing globalization of the economy.

Equally as significant are the changes in U.S. demographics. The Commerce Department's Census Bureau tells us that by the year 2050, the U.S. population will have increased by 120 million. Of this 120 million, 90% of the growth is projected to be in the minority community. The Hispanic and Asian-Pacific Islander populations are expected to both triple. Hispanics will grow from 30 million to 97 million and Asian Pacific Islanders will increase

from 10 million to over 30 million. The Black population is projected to nearly double, from 33 million to 54 million.

Within the lifetime of your children, minorities will constitute 47.5% of the U.S. population. Within the lifetime of most of us in this room, almost one in three Americans will be minorities. As a result of this demographic reality, companies are beginning to look at minority communities as powerful consumers. As entrepreneurs, you have the opportunity to leverage your knowledge and networks to target these markets that are going to be increasingly important to the U.S. and global economy.

A recent study by the Initiative for a Competitive Inner City, based here in Boston, confirms the importance of retail markets in the minority community. This study, which focuses on inner city markets, estimates that consumers in American inner cities possess \$85 billion in annual retail spending power – far more than Mexico. Inner city consumers account for 7% of all retail spending in this country. Yet inner city retail needs are largely unmet; these unmet needs are projected to be between 25% and 65% in communities nationwide. This is a large under-served market and huge business opportunity, and the country's biggest companies are developing strategies to take advantage of this. Unfortunately, most in the minority business community are not.

We must begin to realize and tap into the growing economic power of minority communities. To do so, we must begin to work collaboratively across ethnic lines - to develop strategic alliances, joint ventures and partnerships outside of our communities. There will be a world of opportunity in both

domestic and international markets. However, we cannot be insular: we must be creative and think "outside the box" –look outside of our comfort zone, of our neighborhoods, of only the people we know.

The victory can truly be won for minority communities – whether Native-American, African-American, Latino, or Asian-Pacific Islander – in the next century. But to do so, we must acknowledge and embrace both our own power and the power of other groups, and work together for our common good.

As the world continues to grow smaller, we must develop the economic resources to compete effectively in the global marketplace. I'd like to talk generally about the business environment in which minority businesses are currently operating, the challenges and opportunities that we face and some strategies to achieve continued growth and success.

Judicial Trends.

In the last few years, we have witnessed a period of unprecedented assault on affirmative action and a hard-nosed retrenchment in the judicial system with respect to minority businesses, as evidenced most particularly in the Adarand and Croson cases. As the courts continue to limit affirmative action programs, federal contract opportunities available to minorities will continue to shrink. As a result, this sector will no longer be a vehicle for the rapid growth that has benefited some minority businesses in the past.

Bundling and Benchmarking.

In addition to cutbacks in affirmative action programs, business practices such as bundling have resulted in the loss of business by minority firms to larger mainstream competitors. In the past, government agencies frequently earmarked contracts for minority firms through the Small Business Administration's Section 8(a) program. However, for greater efficiency, federal agencies are bundling contracts into deals that are too large for small businesses to bid on. The result, as reported in a recent Washington Post story entitled "Minority Firms Lose Ground", is that minority contractors are receiving less from federal government purchases.

As a consequence of Adarand, federal agencies are developing limits in minority participation, called "benchmarks", for each industry where there is government contracting. Benchmarking is likely to decrease minority contracting in certain sectors of the federal markets, such as facilities management, janitorial and construction, where minority businesses are concentrated and can be considered "overrepresented".

However, while opportunities are shrinking in the public sector, the country is changing the way it does business, primarily as a result of technology and changing marketplace demographics. These changes are opening up new business and retail markets to all companies, and, as a result, minority businesses are well-positioned to grow and develop.

Changes in Purchasing and Procurement

The most important of these trends is the exploding use of electronic commerce by government, businesses and consumers. By presidential directive, federal procurement officers are moving aggressively to use electronic commerce for most procurements, especially those under \$100,000. Within the federal government, contract opportunities over \$25,000 are advertised once in the Commerce Business Daily. After this, information on upcoming requirements is listed on the Internet and the information will have to be downloaded to your personal computers. In addition, local governments also are moving to electronic procurements. In the future, using the Internet will be the easiest and most convenient way for you to access government contracting opportunities.

Additionally, electronic sales are growing rapidly in the private sector. By the year 2002, business to business Internet commerce is expected to have surpassed \$300 billion. In a recent speech on electronic commerce, U.S. Commerce Department Secretary William Daley noted that Dell Computers saw 1997 Internet sales increase from less than \$1 million per day in January to \$6 million per day by the following December. He indicated that Cisco Systems, a premier provider of networking products, closed 1996 with \$100 million in sales over the Internet. During the following year, Cisco's sales increased ten-fold, to over \$1 billion. In addition, companies such as General Electric are going online to find suppliers. By the year 2000, GE expects to buy \$5 billion in goods over the Internet.

Retail sales also are increasing dramatically each quarter over the Internet.

Electronic commerce is the wave of the future. Companies that are aware of this and use new technology will have a clear competitive advantage. Those that are waiting to see what will happen before they commit will be left in the dust. Like never before, the old adage applies – he who hesitates is lost.

Minority businesses clearly can benefit from this trend. However, to do so, we must reshape the way we do business.

At MBDA, we see our role as providing you relevant and easily accessible information to help you do so. MBDA's charge, in addition to providing the management and technical assistance necessary for your businesses to grow, is to provide you with the type of information which will give you a competitive advantage – on business opportunities, new markets and industries, marketing information and ways of accessing capital. I'd like to briefly discuss some of the tools that MBDA has developed to help you do so.

Electronic Commerce and Technology

First and foremost, we firmly believe that minority businesses must embrace the use of technology. For all businesses, the use of a computer and access to the Internet must be as common as the use of the telephone. As a result, many of the tools which we've developed involve use of the Internet as a way of gathering and disseminating current information as quickly and efficiently as possible.

Electronic Marketing.

Secondly, we believe it is critical that you use the Internet to market your products and services. In addition to the traditional strategies of calling or meeting with purchasing personnel and networking at trade fairs and industry meetings, electronic marketing can be an effective method of exposing your products and services to a greatly expanded audience. Given the importance of promotion efforts to your overall business success, the Minority Business Development Agency is developing two e-commerce marketing programs.

Phoenix and Opportunity Databases. The first, the Phoenix database, is an on-line system used by the federal government and private sector to locate minority business enterprises. The Phoenix database asks you for background information on your business, including a description of the services or products you provide, the North American Industry Classification System code for these services or products, maximum bonding level, and other information which would be helpful to potential purchasers. You also must provide an e-mail address or fax number so that you can be contacted about upcoming contract opportunities.

Once your business is registered in the Phoenix system, it will be matched electronically against the Opportunity database, which contains upcoming government procurements, and private sector contracts and opportunities. The Opportunity database also contains information about joint venturing or allying with other minority companies and can provide you with information on upcoming international trade missions sponsored by the Commerce

Department. As opportunities become available, your company will be matched with any opportunities where there is a fit in terms of industry, size, geographic location or other specifications. Both you and the government or private sector contact person will be notified either through e-mail or fax. You can then decide whether or not the opportunity is a good fit for your business and if you want to pursue it.

For minority businesses, we see this system as adding value to your marketing efforts in a way that requires only about 15 minutes of your time to complete the electronic form. And for large companies looking for minority suppliers, we believe that this is a quick and easy way to identify companies meeting your specifications. And the service is free of charge. However, you must register on Phoenix to participate in this and other MBDA programs. We strongly encourage each of you who have not registered your businesses or opportunities to do so today by going directly to the MBDA Website at www.mbda.gov and completing the form.

Electronic Mall. We also are in the process of developing another electronic marketing system. In the future, one of the most efficient ways of selling to other businesses or the government will be through electronic malls, where you can display your company's products or services in a central location and purchasers can browse and shop electronically. While business-to-business malls are still developing, there are at least 13 government e-malls, including those sponsored by the Defense Logistics Agency, the Air Force and the General Services Administration. On the DLA e-mail, buyers at military bases around the world can go to a single Web site to buy more than 12

million parts from multiple vendors and sources. It is quick, convenient and greatly simplifies the procurement process for purchasing officials.

To assist minority businesses, the MBDA is considering creating an electronic catalogue or on-line mall, either through MBDA information systems or in conjunction with a private partner. This on-line mall would provide minority business owners a venue to display and sell their products and services. The mall would target federal procurement officers, especially those making purchases under \$100,000, and purchasing personnel at corporations and non-profits. However, it would also be available to private sector purchasers who are seeking minority business suppliers.

Private Business-to-Business Matchmakers. We also have identified and are working with private companies that link suppliers to business opportunities. One of these, Datamatix, Inc. has special expertise in the uses of electronic commerce in the procurement process. Datamatix helps its clients use electronic means to find new customers, sell to them more efficiently and make better pricing and bidding decisions. Datamatix receives buying opportunities from a number of different federal, state and business sources, matches them against a client's profile, and distributes these leads to the client through e-mail. In addition, Datamatix provides historical information on bid opportunities, including past prices paid by the buyer, past suppliers and a detailed description of the item requested.

Services like this can be invaluable to minority entrepreneurs. As a result, Datamatix will be holding workshops through MBDA's regional offices to

show businesses how to respond effectively and efficiently to procurements and other contract opportunities.

We also have developed several other electronic tools.

One-Stop Centers. We currently are developing industry-specific Websites, that we call One-Stop Centers. These One-Stop Centers contain practical and up-to-date information on particular industries, including a step-by-step process detailing how to get into that industry. Our current One-Stops, which we anticipate will be on the Internet before November, are on franchising and aquaculture (or fish farming, which is the fastest growing area in agriculture). Over the coming year, we will complete sites on telecommunications, international trade and access to capital. The goal of these sites is to make information available to minority entrepreneurs on industries where minorities are under-represented, or, in some cases, not represented at all.

Geographic Resource System. In addition, we are developing an online geographic business resource system. This system will be used to help you identify and locate business resources in your local community. While some of the information will address programs geared towards minorities, much of the site will contain that information that any entrepreneur would like to have about the programs and resources available in their city. To the best of our knowledge, no system like this currently exists and we hope that it will be very useful as you assess how to start or grow your businesses.

Conclusion.

As you can see, the world will change drastically over the next few years and minority businesses must be positioned to benefit from these changes. Whether looking for new industries, businesses or markets, MBDA hopes to be a partner in this process – a way for you, whether you are a minority business or not, to get information for and about the minority business community. We hope that MBDA will be the first stop for anyone who cares about – or professes to care about minority business. Through use of electronic commerce and technology, we are striving to serve as many customers as possible, in the most efficient way possible.

Just as we are proponents of partnerships among minority businesses, we will be working with as many organizations as possible to provide you access to new and innovative markets. We cannot do this alone – it is an effort that can only be accomplished by collaborating with government, private companies, the not-for-profit community, minority businesses and any organizations committed to the empowerment of these businesses. I firmly believe that the growth of a solid and growing business community is critical to the continued well-being of our communities. As such, we welcome working with those of you who are serious about this effort.

In closing, we know that many minority businesses have to make payroll, serve customers and deal with the day-to-day hassles of running a business. However, if there is anything that you take away from this conference, please remember this. You must take time to think strategically, to know and understand the industry trends of the next century, to identify where new

markets will be. This is the only way minority businesses can become as powerful as we have the potential to be. Quite simply, minority business cannot continue to use the strategies of the 20th century and expect to prosper in the 21st.

Thank you.