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"The U.S.-Africa Leaders Summit Seven Months Later:
Progress and Setbacks" Hearing
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Good morning, Chairman Flake, Ranking Member Markey and distinguished members of the Africa and Global Health Policy Subcommittee. Thank you for the opportunity to speak with you today and share IBM's views on the opportunities and challenges we see as we aggressively expand our business in Africa.

IBM does business in over 170 countries but several years ago, IBM took a fresh, hard look at what was happening in Africa, beyond the media headlines; and ultimately made a decision to significantly expand our investments across the continent. Ginni Rometty, IBM's Chairman, President and CEO was one of a select few U.S. CEOs to speak at the U.S.-Africa Business Forum, a major component of the Leaders Summit, where she shared IBM's enthusiasm and optimism about the potential for the African economies. We see Africa as a key emerging market of the current economic era, offering major opportunities for growth and transformation across multiple industry sectors.

<u>**IBM in Africa**</u>

After nearly a century of playing a vital role in Africa's development, IBM is now a part of the continent's technological fabric, business and community. As a technology leader, IBM is helping boost the capabilities of the African people and its institutions – including skills, technology infrastructure, governance and scientific research.

IBM has operated in Africa since 1920 and has had a direct presence since 1939.
In 2006 we had offices in 4 African countries. IBM has increased its direct presence to 24 countries: South Africa, Nigeria, Mauritius, Ghana, Senegal, Kenya, Tanzania, Morocco, Egypt, Tunisia, Angola, Uganda, Zambia, DR Congo, Sierra Leone, Namibia, Seychelles, Algeria, Malawi, Gabon, Chad, Niger and Madagascar.

IBM launched its first African Research Laboratory in 2013 (12th globally) where researchers are focused on finding solutions to Africa's most pressing challenges across healthcare, education, water and sanitation, human mobility and agriculture. We're working closely with Africans to identify solutions that are relevant for Africa.

Information and Communications Technology (ICT) Opportunities

It's important to remember that Information and Communications Technology (ICT) is a transformative core-enabler that benefits ALL sectors of the economy – from transportation to healthcare; energy to education; water to public safety; infrastructure to government, etc. There is ample cause for optimism that modern technologies and market-based systems will help to provide the boost that African countries need to participate fully and successfully in the global community. Key opportunity areas include:

Banking and Financial Services - Nearly every bank in Africa now operates some form of online or mobile banking and with the right solutions, more than 60 percent of Africans could have access to banking services by 2025.

Ghana's Fidelity Bank chose IBM to drive its transformation agenda. IBM is helping bank the unbanked in the Democratic Republic of Congo. Nedbank, based in South Africa, tapped into IBM's Analytics to improve customer experience by leveraging social insights.

Telecommunications - There were 650 million mobile subscribers in Africa as of 2012, more than Europe or the United States, with many quickly converting to become connected smartphone users.

IBM's African expansion program was accelerated by a deal with Bharti Airtel to create an integrated telecommunications infrastructure throughout 17 countries in sub-Saharan Africa. Surfline Communications in Ghana selected IBM's Cloud solutions to expand its business across West Africa.

Energy and Utilities - Utilities companies are embarking on large-scale upgrades of aging network infrastructure. From field, to finance, to call centers, IT systems will be integrated for smarter utility operations.

IBM is providing automated systems offering real time status of all business processes for Kenya Power.

Healthcare - $25-$30 billion is expected to be invested in Africa's Healthcare Infrastructure by the end of 2016. Building sustainable healthcare systems is one of Africa's greatest health challenges – in some areas, more than 50% of the population does not have access to healthcare.

IBM is working with South Africa's Metropolitan Health to launch the first commercial application of IBM's 'Watson' cognitive computing technology in Africa to provide personalized patient care. The Zambian government and IBM are providing improved access to life saving drugs. Supported by the World Bank, the Department for International Development, UNICEF and London Business School, Zambia's Medical Stores Limited (MSL) will deploy a new medical supply chain pilot project using analytics and mobile technologies to better manage medicine inventory and delivery.

Government - Significant investments are being made in e-government initiatives (e.g., citizen ids, personal security, and citizen engagement) and modernization of core systems such as taxation and Customs.

South Africa's Gauteng Fire and Disaster Management Center, a provincial public safety authority, has reduced emergency response time from days to hours and gained a comprehensive picture of disaster situations by using IBM's disaster management solutions. IBM and UNICEF in Uganda on U-report, a free SMS-based reporting tool that allows the Ugandan youth to communicate with their government and community leaders using their cell phones.

Agriculture – Africa has 60% of the world's uncultivated arable land, making it a huge potential food source.

With "Project Lucy", IBM researchers in Africa, together with their business and academic partners, are using IBM's 'Watson' and related cognitive technologies to learn and discover insights from Big Data to develop commercially viable solutions to Africa's grand challenges in agriculture, as well as healthcare, education, water and sanitation and human mobility. Lucy is the name given to the earliest known human descendant, whose remains were discovered in Africa 400 years ago.

Retail - 90% of commerce in Africa is at traditional, informal retailers while malls are limited to a handful of urban areas. Supply chain remains a challenge in Africa, but low rates of formal retail and increasing urbanization demonstrates room for growth.

Kenya's Bidco, a manufacturer and marketer of consumer products, selected an IBM IT solution and services to drive its Africa growth strategy.

Technology Sector and ICT Development - Africa has a fast-growing information technology market, which according to the World Bank is expected to grow to $150 billion by 2016.

Building Skills & Capabilities in Africa

IBM is keenly focused on building the capacities of Africa's people and institutions - including knowledge, technology infrastructure, business sophistication and governance. IBM has many ambitious initiatives that are collaborative across academia, government and enterprise; and built into the fabric of the communities and organizations in which we do business. Having a talented and skilled workforce is essential for business because employees are a company's greatest asset.

- The Administration's important program, the Young African Leaders Initiative (YALI) Network was also part of the U.S.-Africa Leaders Summit. IBM is partnering with the U.S. government and working closely with Notre Dame and Yale, where IBM Fellows are engaging YALI participants on topics ranging from creativity and leadership, to business strategy, social technologies and financing.
- IBM has formed partnerships with several leading University's across Africa in South Africa, Kenya, Mauritius, Ghana and Nigeria.

- IBM's Leadership Education and Development (LEAD) program brings together MBA students from Africa with faculty and students from leading U.S. universities and IBM executive training.
- IBM runs programs in Africa that help nurture young talent:
    - Accelerating Critical Expertise (ACE), a program designed to accelerate expertise of critical job role pipeline so future leaders are better prepared.
    - Elevate, which is designed to accelerate the professional growth of high-potential women by developing their leadership skills through a customized and tailored learning plan.
    - Leadership Development Roadmap, which helps manager-identified junior talent grow their leadership skills through different learning opportunities.
- IBM developed the Africa Technical Academy program across Africa, which is open to academia, IT specialists and IBM clients. It helps them identify technology solutions to problems facing businesses and the public sector.

IBM's Corporate Social Programs in Africa

Corporate Social Responsibility remains a priority for IBM and we've undertaken a number of initiatives across Africa focused on education and skills development, technology solutions, and awarding Smarter Cities Challenge grants to help cities identify solutions to make cities "smarter" and more effective. One of IBM's unique programs is the **IBM Corporate Service Corps (CSC)** or a corporate version of the "Peace Corps". Through the Corporate Service Corps (CSC), IBM blends social responsibility and business expertise to produce a triple benefit: pro bono problem solving for governments and communities, leadership development for IBM employees, and a greater understanding of new markets for IBM. By the end of 2015, IBM Corporate Service Corps will have dispatched approximately 2,800 IBM employees originating from over 60 countries on engagements to 38 countries. Africa is one of the focal points of the program and to date, the CSC has deployed approximately 800 IBM employees for projects in South Africa, Ethiopia, Angola, Senegal, Tanzania, Nigeria, Ghana, Kenya, Morocco, and Egypt.

IBM's Efforts to Help Fight Ebola

IBM launched several initiatives to help curb the spread of Ebola in West Africa. They include a citizen engagement and analytics system in Sierra Leone that enables communities affected by Ebola to communicate their issues and concerns directly to the government; a donation of IBM Connections technology in Nigeria to strengthen the Lagos State government's preparedness for future disease outbreaks; and a global platform for sharing Ebola-related open data.

The efforts combine expertise from IBM's global network of research labs with the company's years of experience in humanitarian disaster response by applying mobile technology, data analytics and cloud computing to help governments and relief agencies as they seek to contain the deadly disease.

The work benefits from contributions from a number of partners including Sierra Leone's Open Government Initiative, Cambridge University's Africa's Voices project, Airtel and Kenya's Echo Mobile.

U.S. Government's Critical Role

The US-Africa Leaders Summit sent a strong message to the African Leaders of the importance of Africa to the U.S. and U.S. companies; but we need sustained focus and engagement in order to see real results. Africa is growing rapidly but doing business in Africa comes with a unique set of challenges. It's a continent of 54 countries; each with its own political, economic and cultural dynamics – and its own pace of development. The U.S. government can and should continue to play a role in helping open these markets.

USG Economic Support – Leveraging all of our tools

We face strong competition across the continent from our foreign competitors whose governments are playing a very active role in providing financial support and strong advocacy to their businesses. The U.S. government has a different set of tools that they bring to the table, including, EXIM, OPIC, USTDA, USAID and the Millennium Challenge Corporation (MCC). Businesses, clients and governments want and need certainty and predictability to grow their businesses; and these USG assets need to be reauthorized, funded, expanded and updated to respond to the needs of today's global economy.

The U.S. government's focus on helping companies navigate the complexities of doing business in Africa has been invaluable. Budget constraints are a reality but companies of all sizes are benefitting from the advice, guidance, market insights, and help in connecting companies to potential partners and/or appropriate government officials. Moreover, increasingly, companies are looking for assistance to help resolve business issues and/or policy advocacy. As a result, we were very pleased about the Department of Commerce's announcement at the Summit that they were opening new offices in Angola, Tanzania, Ethiopia and Mozambique, while expanding operations in Ghana and re-establishing a position at the Africa Development Bank.

East Africa Community (EAC) Trade Facilitation

One of the key initiatives resulting from the U.S.-Africa Leaders Summit is the trade facilitation effort underway with the East African Community, i.e., Kenya, Tanzania, Rwanda, Uganda and Burundi. The U.S. and EAC business communities are very engaged and supportive of this effort to remove barriers to trade and more fully integrate the region. Success with the EAC could lead to other regional initiatives that would eliminate barriers and harmonize processes among African nations, ultimately making it easier for U.S. companies to do business. Last month, the U.S. Department of Commerce hosted a U.S.-East Africa Community Trade Ministerial with the EAC Trade Ministers. IBM was one of the three U.S. companies representing the business community during the U.S.-EAC Commercial Dialogue Roundtable where we discussed areas of needed focus and next steps. Progress is being made in some areas such as Customs and agreement was reached to expand the focus to include "Digital Trade" facilitation, among others.

Policy Engagement and Advocacy

We need your help.

As Africa is becoming more fully integrated into the global economy, governments are wrestling with many of the same policy issues as other governments around the world. How to attract investment? How to grow domestic industry and increase exports in order to be globally competitive? How to improve the skills and talent of the local workforce? What are the right policies for dealing with issues such as privacy and cybersecurity?

Governments are looking for models to follow but we are concerned about a growing trend towards embracing protectionist models, particularly in the area of forced localization or local content requirements. In essence, supporting local industries by discriminating against foreign companies. These policies come in a variety of flavors: from requiring local ownership and management of operations, local employment requirements, mandated technology transfer, local manufacturing and production of inputs and materials – **AND restrictions on movement of data across borders**. Forced localization policies are not unique to Africa but we are seeing a growing trend in countries like Nigeria, South Africa, Kenya, and most recently in Ghana.

Digital Trade or Cross-Border Data Flow Restrictions

The global economy cannot function without constant streams of data or information moving across borders. Data is a vital source of innovation and competitive advantage and restrictions can have a negative impact on companies of every size. The Internet facilitates exports of goods and services and enables companies, including small and medium sized enterprises (SMEs) to have access to global supply chains, innovative services at competitive prices and participate in the global economy. Moreover, a wide range of services, including education, financial, business, news and health, are increasingly being delivered via the Internet, leading to a growth in "Digital Trade". Requirements for in-country processing and storage of data or placing onerous restrictions on transfers of data out of the country are impediments to doing business.

The U.S. government has begun to engage on this issue but increased focus and attention is needed lest these protectionist policies spread. The goal of growing domestic industries is valid but forced localization is the wrong approach that could ultimately discourage foreign investment, which is also key to economic growth.

Conclusion

In summary, the U.S.-Africa Leaders Summit provided a valuable and critical opportunity to reinforce the importance of Africa to the U.S. government and U.S. companies. There are tremendous potential market opportunities but much progress still needs to be made to improve the ease of doing in a challenging environment. Capitalizing on the momentum created by the Summit will require a sustained effort and focus, which makes this hearing both timely and important.

In order for U.S. companies to remain competitive, we need the active support and engagement of the U.S. government; leveraging all of the tools and assets they bring to the table and working to find new ways of providing assistance.

Market opening initiatives such as the trade facilitation focus of the U.S.-EAC Cooperation Agreement can greatly improve the ease of doing business. The realization of a common market that enables cross-border trade and implements a common set of regulations, procedures and documentation requirements will create a more transparent and predictable environment – that ultimately will attract more investment.

Finally, as these markets are maturing an increased focus and engagement on policy-related advocacy is essential. Forced localization is on the rise around the world and is spreading to the African continent. In particular, we need to encourage governments to embrace policies that facilitate Digital Trade or cross-border data flows across the Internet and reject "digital protectionism". Data localization requirements could ultimately discourage investment and job creation, stifle innovation and make the local economies less competitive – which is the opposite of the goal.

Thank you again for this opportunity to share IBM's views.