Testimony of
Farad Ali
President and Chief Executive Officer, Asociar LLC
Before the
House Financial Services Diversity and Inclusion Subcommittee
Hearing on
Building Opportunity: Addressing the Financial Barriers to Minority and Women-Owned Businesses' Involvement in Infrastructure Projects
February 3, 2022

Good morning Chairwoman Beatty, Ranking Member Wagner, and Members of the Diversity and Inclusion Subcommittee. My name is Farad Ali, President and Chief Executive Officer of Asociar. Additionally, I serve as the Co-Chair of the U.S. Black Chambers President's Circle and the Chairman of the Government Affairs Committee for the Airport Minority Advisory Council (AMAC). On behalf of Asociar, and Black businesses everywhere, I am honored to share my testimony with members of the Subcommittee today on the myriad of barriers that Black, women, and minority-owned businesses face when accessing government contracts in infrastructure projects. Thank you for providing me with the opportunity to participate in the Committee's hearing today.

Asociar was founded in 2012 and established valued strategic partnerships to provide business and technology solutions through the delivery of integrated technology solutions, services and IT equipment. For the past 10 years, we have implemented growth strategies in our service delivery to provide supply chain solutions as a value-added reseller, channel partnerships, digital workplace, cyber defense, and deploying and managing technology solutions.

As a certified minority owned business by National Minority Supplier Development Council, a certified black owned business by the U.S. Black Chambers, and a certified Historically Underutilized Business in Texas and North Carolina, we still face challenges to access to opportunities for growth in the public and private marketplace.

Federal procurement has provided many Americans with opportunities to grow a business, hire employees, building wealth and strengthen the economy in their communities. The Infrastructure Investment and Jobs Act (IIJA) is a once in a generation opportunity to invest in critical projects throughout the nation. However, if we are to realize the long-term return on those investments, we must also understand that who is hired to do these projects is just as important as where these projects are performed and delivered. This will require coordination between the business community, financial services industry, and strong, transparent oversight from Congress to address two key financial barriers: access to capital and access to contracts.

First, whether its pouring concrete, replacing outdated pipes, or installing next-gen broadband and electric charging stations, many minority-owned firms will be blocked from bidding on these contracts because of a lack of capital, not lack of capability. To address the barrier of capital access, financial institutions should be incentivized to create lending products that align with federal procurement contract terms. This will improve cash flow management and alleviate credit risk. Additionally, Congress should expand and increase funding to the Emergency Capital Investment Program (ECIP) through the U.S. Department of Treasury. The ECIP currently sends approximately $9B to Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) to invest in underserved communities. While the significant return on investment that these programs provide cannot be denied, neither can the disproportionate size of the need. Increasing funding to these programs will direct capital where it is needed the most and can leverage the efficiency and effectiveness of the financial institutions that participate.

Second, to ensure that the Federal and State agencies awarding the contracts are able to identify qualified, capable firms of various sizes, there needs to be a formal alignment between those agencies and minority business organizations like the U.S Black Chambers, National Minority Supplier Development Council, Airport Minority Advisory Council and Conference of Minority Transportation Officials. For decades, these organizations have served as facilitators for increasing the capacity of thousands of diverse firms. They can also serve as a clearinghouse of qualified companies that can meet the immediate and long-term needs of “shovel ready” projects at the Federal, State, and municipal levels.

Third, to build marketplace capacity, Congress must strengthen policies that facilitate, measure, and report mentoring partnerships between larger government contractors and minority and women owned business that execute IIJA funded projects. Historically underutilized businesses risk falling into a cycle of underutilization. For example, to get contracts you must show past performance, but why would a buyer choose a vendor with less experience than one of its competitors? If the IIJA is going to meet its economic growth objectives, larger minority businesses must be able to compete for prime contracts and the smaller ones be given access and treated fairly as subcontractors – affording that valuable past performance. Building alliances through strengthened mentor/protégé and subcontracting plans, connecting contract awards to capital access and business partnerships, and expanding incentives for mentorships and sponsorships would drive better outcomes for all those delivering on IIJA projects.

While all businesses, in theory, could attempt to access opportunities within IIJA, majority businesses who may have more significant access to capital and strong business relationships are well-positioned to win contracts when compared to smaller (even relatively) minority-owned firms. The current landscape does not address the inequities of connectedness in business relationships:

- What is the opportunity?
- Where is the opportunity?
- How big is the opportunity?
- What is your access to the opportunity?

These are all questions that "smaller" minority firms are at a disadvantage. Many white-owned firms are on the 20-yard line from scoring an opportunity. Being placed in the proverbial football term "red-zone", due to more connectedness and more access to capital. This is an advantage and provides an easy solution due to privilege. While many minority businesses are not even at the 50 yard-line.

When it comes to utilization of minority, woman, and economically disadvantage business, this strategy will eliminate post-IIJA questions of:

- What happened?
- Why did it happen?
- What will happen; and
- What should we have done?

In this historic moment, you have the opportunity to capitalize on strengthening America's physical and human infrastructure leveraging partnership in procurement and assuring shared prosperity. Policies influence resource utilization, definitions of issues, priority in addressing these issues and oversight procedures to ensure desired results are obtained. Most importantly, history has shown simply creating a program or initiative goes nowhere without the continued application of resources and persistent oversight to imbue them into the culture of the environment.

The objectives of the IIJA went beyond simple infrastructure to include investing in underserved communities and stimulating job growth. This can be best accomplished by utilizing minority and women owned firms to the maximum extent practicable. According to research conducted by McKinsey & Company, "the racial wealth gap … constrains the US economy as a whole. It is estimated that its dampening effect on consumption and investment will cost the U.S. economy between $1 trillion and $1.5 trillion between 2019 and 2028." Madam Chair, this is an issue for all of America, because disparity effects our WHOLE economy and nation, not just minority communities. By closing the racial wealth gap, the McKinsey research shows the U.S. GDP would automatically increase 4-6 percent. That makes racial disparity and racial wealth gap reduction an economic imperative which benefits everyone, not just a social benefit directed to a select population.

It is critical to highlight business solutions that can assure utilization of minority and women-owned business involvement in the execution on the Infrastructure Investment and Jobs Act:

- promote lending products that align with federal procurement contract terms and expand the programs that directly reduce barriers to capital such as the Emergency Capital Investment Program;
- incentivize coordination between IJAA executing agencies and national minority business organizations that can serve as facilitators for diverse business participation; and
- incentivize, measure and report subcontracting and mentoring partnerships between large contractors and minority and women owned business executing on IIJA funded projects.

Businesses build communities, and policies set the foundation for the growth and sustainability of business and community prosperity for everyone. If executed correctly, the Infrastructure Investment and Jobs Act can help transform minority businesses and communities and accelerate the nation towards long-term success. Thank you for the opportunity to testify and I look forward to answering any questions you may have.