



## **The African Growth and Opportunity Act: Achieving Success through the African Global Competitiveness Initiative**

June 2006

### ***PROMOTING ECONOMIC POLICY REFORM***

*A better policy and regulatory environment that more efficiently supports the growth of enterprises will both improve exports and stimulate domestic growth and foreign investment*

**Strengthening the Beef and Cattle Sector in Botswana:** The Botswana Meat Commission (BMC) increased the prices that it pays to producers by an average of 40 percent in December 2005. In addition, the government is currently considering additional policy amendments that will further stimulate growth and increase exports in the sector. These developments are a direct result of the Southern Africa Global Competitiveness Hub's policy work, technical assistance and continued support to cattle producers in lobbying for changes to Botswana's beef export policies. This support included the preparation of a study, published in 2005, which identified the low prices paid by the state-owned BMC as one of the main impediments to the economic viability and expansion of the sector. The cattle sector is the mainstay of Botswana's rural economy, with an estimated 20-25 percent of households involved in cattle rearing as owners or employees. The price increase comes at a time when the Botswana cattle sector is facing significant difficulties due to declining exports. Revenue from beef exports also reached a record low in 2003 with only \$30 million, down from \$63 million in 1998.

**Uganda Benefits from U.S. Interagency Cooperation on Pest Regulations:** The U.S. Department of Agriculture's (USDA) Animal and Plant Health Inspection Service (APHIS) strengthens export regulatory systems by training regulatory officials both in Africa and in the U.S. APHIS also has two pest risk advisors in Africa to conduct pest evaluations and recommend control methods for produce exports.

APHIS recently focused their attention on Uganda, Africa's fifth largest flower exporter. APHIS and USAID's SCOPE (Strengthening the Competitiveness of Private Enterprise) project provides assistance to Ugandan flower exporters on U.S. entry regulations, export documentation, and the preparation of certificates of origin. SCOPE also helped the Uganda Flower Exporters Association draft a business competitiveness plan for the entire industry.

### **Policy Reform Integrates Southern Africa**

**Standardizing Customs in Southern Africa:** More than a dozen customs forms have been reduced into a single form along the Trans-Kalahari Corridor, which cuts across Namibia, Botswana, and South Africa. The form and harmonized procedures reduce the cost of moving goods along transport corridors through a single customs declaration made in the originating country. This significant step for intraregional trade was a result of a recommendation in 2004 and subsequent technical assistance from the Southern Africa Global Competitiveness Hub. With Hub technical assistance, the Single Administrative Document (SAD 500) is now being expanded to the major corridors throughout the region, starting with the Maputo Corridor which runs through South Africa and Mozambique. The Mozambican Customs Administration has finished modifying and aligning their customs forms with the SAD 500, and is in the process of implementing the SAD 500, which will speed up transit and shipping along the Maputo Corridor, reducing the cost of moving goods across international frontiers.

**Making Textiles Competitive in Southern Africa:** The impending September 2007 expiration of the Third Country Fabric Rule poses a major challenge to South African manufacturers. But as a result of assistance provided by the Southern Africa Global Competitiveness Hub, Lesotho will export \$1.2 million per year of yarn to a South African textile manufacturer, which will allow the manufacturer to continue to export to the U.S. under AGOA after September 2007. Regional sourcing is crucial in maintaining competitiveness for apparel in Southern Africa. Several other opportunities for regional sourcing in Lesotho and other regional textile and apparel manufacturers are now being promoted as part of the Hub's strategy for long-term trade competitiveness in the textile and apparel sectors.

### **HELPING THE PRIVATE SECTOR ACCESS MARKETS**

*Improvements in the business skills of enterprises and increased access to improved technologies contributes to more efficient and productive agriculture and manufacturing sectors*

### **Trade Shows Improve Market knowledge, Yield Profits for Exporters -**

*The African Global Competitiveness Hubs have provided booth space at trade shows for companies from all over sub-Saharan Africa, as well as offering technical assistance with marketing, booth displays and client negotiations. The market exposure thus far has proven invaluable for many African exporters.*

**Ghanaian clothing maker breaks into U.S. market:** When Berty Fong had the chance to meet buyers from Wal-Mart at a U.S. tradeshow, he made the most of it. As the chief executive of Belin Textiles International Ltd. in Accra, Ghana, Fong now oversees the production of specialized hunting clothing being stitched for Wal-Mart. To meet Wal-Mart's supply needs, Fong employs 107 workers to produce 10,000 pieces per month. Belin shipped six containers to the U.S. in 2005. Besides the hunting gear, it sells up to 70,000 t-shirts every month to Wal-Mart and other customers.

Since 2004, the West Africa Global Competitiveness Hub has provided booth space at trade shows for companies from Cameroon, Cape Verde, Ghana, Niger, Nigeria, Senegal, and Sierra Leone, as well as offering technical assistance with marketing, booth displays and client negotiations. Fong appreciates the importance of face-to-face contact: "We have been able to explain more clearly about our operations in Africa and the AGOA advantages and built up that confidence."

**Ethiopia doubles annual exports of garments to the US after the ASAP Show**

The Apparel Sourcing Association Pavilion (ASAP) global sourcing trade show in Las Vegas, Nevada is the world's largest and most important sourcing show, bringing together buyers and exhibitors from all over the world. USAID/Ethiopia sponsored six Ethiopian textile, garment and handicraft companies to attend the 2005 ASAP show and promoted their products in American and international markets. The participating Ethiopian companies garnered \$10 million in confirmed orders, of which approximately 50% have been delivered.

Ethiopian exports under AGOA, though still small compared with some other AGOA eligible countries, are expected to increase significantly. The U.S. and Ethiopian governments are working together, as partners, to help Ethiopian companies take greater advantage of AGOA.

**Kenana Knitters Reach Global Markets:** Until recently, Kenana Knitters in Nakuru, Kenya had produced just enough home and gift woolens to support its 80 employees. In spite of efforts to strengthen its product line and begin exporting, Kenana Knitters simply lacked the right information about marketing and export design.

Recognizing the company's potential, the East and Central Africa Global Competitiveness Hub began providing in-field technical assistance in product design and marketing, and sponsorship to attend the SOURCES trade shows in New York in 2004 and 2005.

Since the Hub's first interventions with the company, Kenana Knitters has exported products to the United States totaling \$750,000, fielded orders from buyers in Canada, Denmark, France, Italy, Japan, and the U.K, introduced a new range of products, and now employs 204 workers.

**Rwandan Coffee Makes Inroads into U.S. Specialty Coffee Market** With its wide range of altitudes and appropriate soils, Rwanda is ideal for growing some of the world's best coffee – Rwandans have been planting the high-quality Bourbon Mayaguez Arabica variety since colonial times. Yet only five years ago, Rwandans had almost stopped growing coffee altogether as it reeled from the civil war that killed more than half a million Rwandans in 1994.

With the support of USAID, the Rwandan coffee industry went from producing no specialty coffee in 2001 to producing 1,200 tons last year, yielding approximately \$3 million in sales mainly to the U.S. through buyers such as Green Mountain Coffee Roasters of Vermont, Community Coffee of Louisiana, Starbucks, Sustainable Harvest, Bull Run Coffee Roasters, Intelligentsia, Thanksgiving Coffee and others.

USAID has invested more than \$10 million to rebuild local infrastructure and developing coffee washing stations, organize cooperatives, furnish financing opportunities, and train Rwandan farmers and coffee tasters ("cuppers"). The Seattle-based Starbucks has provided coffee expertise and training to support this effort, highlighting Rwanda's award-winning "Rwanda Blue Bourbon," in 5,000 Starbucks coffee outlets during March and April of 2006.

Specialty coffee earns top prices for the coffee growers. The results from the increase in income are evident in coffee farming communities – children are going to school, homes are being repaired, schools are being built, farmers have health coverage, and people are working together for the common good of the community. An estimated 40,000 coffee farmers and their families have doubled their income because of USAID support.

Exports of specialty coffee from Rwanda are projected at \$6 million in 2006 - a more than seven-fold increase in only three years. USAID's efforts in the coffee sector have been widely acclaimed in the press, by the farmers, and by the industry. "We are not only celebrating a success story of a meaningful cooperation," said Rwandan Ambassador Zac Nsenga, "but also the dividends of reconciliation and stability in Rwanda."

### ***INCREASING ACCESS TO FINANCIAL SERVICES***

*The private sector's increased access to financing will lead to an expansion of competitive enterprises, contributing to increased trade and investment*

#### **Improving Financing in West Africa**

Financing – whether of investments or working capital – is one of the biggest obstacles businesses face in West Africa. Byzantine rules, punishing interest rates and frequent corruption often put a damper on entrepreneurial spirit. Yet through a combination of confidence, creativity and organization, enterprises

sponsored by the West Africa Global Competitiveness Hub are finding ways to fund their dreams of expanding and exporting.

**Financing Optimism in Ghana:** In 2004, Robert Ellis financed his company's biggest sale of furniture and home décor to U.S.-based Target. But with success came a painful story of high interest rates and rising debt. Reflecting on his mistakes, he said, "Sometimes we threw money away."

Yet Ellis, founder of Fritete African Works of Ghana, didn't get discouraged by his mistakes, and enlisted the help of the West Africa Global Competitiveness Hub. A Hub financial consultant based in Accra advised the company on negotiating the letter of credit terms, managing expenditures and identifying a bank that will provide a lower interest rate and faster disbursement for the enterprises' future export working-capital loans.

A year later, Ellis's company shipped a second order for Target and is now working on orders for other companies in the US, Italy and the Netherlands. Though still paying off last year's loan, he acquired additional financing this year, and with improved accounting practices will get more favorable terms in the future.

**Venture Capital in Benin:** Gilles Adamon had been financing the operations of his company, Natura Sarl of Benin for years when he attended the 2005 Natural Products Expo West tradeshow in Anaheim, California. Looking for buyers of his shea butter soaps and cosmetics, Adamon found himself with an investment partner when he met Victor Lulla, owner of California Inside & Out Inc. Lulla was looking for a partner to help him expand his range of organic products.

After several months of negotiations, Lulla bought a soap-making machine and raw materials for Natura's factory in Benin, where Adamon is add shea butter to the mix and producing 200,000 bars of soap a month for distribution under Lulla's label in California.

**Accounting Lesson in Cameroon:** When Caroline Kendem-Sack of Brodwell garments in Cameroon found an American buyer who wanted her to make medical uniforms and knit polo shirts, there was a catch – she to pay for the necessary apparel equipment. Working through a US-based bank, she borrowed 80 percent of the needed funds at 5 percent interest - *most banks in West Africa charge between 14 and 27 percent or more, plus fees.*

Still, the loan took 10 months for approval, as the international lender requires a much higher level of organization and transparency than do most local banks. Kendem-Sack learned the importance of bookkeeping the hard way. "They check each and every single line," she said. "You need to have all your audited financial statements ready. Have your accountant ready to answer questions at a moment's notice." With accounting help from the West Africa Global

Competitiveness Hub financial consultant, her financing options are rapidly improving.

### ***FACILITATING INVESTMENTS IN INFRASTRUCTURE***

*Facilitating investments in infrastructure will lead to lower costs and better access to markets, which will improve competitiveness, investment, and trade*

#### **Building the Northern Corridor**

The Northern Corridor is the main artery of transport facilities and infrastructure linking landlocked countries in the Great Lakes region of East and Central Africa to the sea port of Mombasa, Kenya. The Corridor accounts for annual cargo volumes in excess of 10 million tons and combined transit and trans-shipment traffic of more than two million tons. USAID works to address infrastructure and regulatory challenges that constrain the movement of traffic and trade along the Northern Corridor.

**Malaba – Creating a One-Stop Border Post:** Delays in cargo clearance has been cited as one of the major non-tariff barriers that affect trade in the East and Central Africa Region and the Northern Corridor. The East and Central Global Competitiveness Hub has been working with the Revenue Authorities of Uganda and Kenya to develop and adopt a “one-stop border post” at Malaba (Kenya-Uganda border) that simplifies border processes and joint customs operations to reduce transaction costs and opportunities for corruption. Phase 1, the refurbishment of the railway crossing, has been completed, and the facility is being handed over to the Kenya Railway Corporation by the US Ambassador to Kenya in May 2006. The Kenya Customs Service and Uganda Customs Service are now carrying out joint inspections on cargo entering Uganda. Delays (of up to three days have been reduced to thirty minutes for cargo released without inspection; and three hours for full inspections,) equaling a saving of \$600 per container.

**Implementation of an IT Corridor:** The development of an IT infrastructure along the Northern Corridor will greatly facilitate customs harmonization and reduce cargo clearance. The Revenue Authorities in Kenya, Rwanda, Tanzania, and Uganda are upgrading and deploying a variety of customs-focused management information systems and the East and Central Global Competitiveness Hub is working with them to ensure that standardized customs procedures are incorporated in these applications. The result is a common interface between Kenyan & Ugandan systems to share and store information that meets international standards as per World Customs Organization rules in the Revised Kyoto Convention.

Data transmission between Kenyan and Ugandan customs & revenue authorities will give advance notice of goods in transit, enable customs to assess, in advance, containers arriving which may require examination, encourage the

development of risk assessment techniques, facilitate the early discharge of customs bonds and guarantees and reduce transit delays at border crossings.

**E-Commerce in Cargo Transportation:** The East and Central Global Competitiveness Hub is facilitating the implementation of a Business to Business/Business to Government (B2B/B2G) platform to support e-commerce and develop a platform for IT-enabled licensing and accreditation of transport operators along the Northern Corridor.

**Gas Pipeline Fuels Growth in West Africa:** Cheaper, cleaner fuel has long been viewed as a fundamental component of expanding trade and investment in West Africa. For the last several years, USAID has been working with the governments of West Africa to build a gas pipeline that will soon deliver natural gas from Nigeria to Benin, Togo, and Ghana. This regional natural gas grid will supply clean and lower cost energy to growing markets, encouraging the economic integration of the region. The first pipes of the West Africa Gas Pipeline (WAGP) were laid in August 2005, and its completion is expected in December 2006.

USAID's role in the construction of the pipeline has been critical. In a partnership with the Economic Community of West African States (ECOWAS), USAID provided technical assistance to draft a single treaty and concession agreement representing the interests of all four of the West African governments, and facilitated the development of an entirely new regulatory structure for the pipeline, to be called the West Africa Gas Pipeline Authority (WAGPA). USAID also funded engineering, environmental, and regulatory expertise on retainer.

**The West African Power Pool – Pooling Resources for Results:** The West African Power Pool (WAPP) is an Economic Community of West African States (ECOWAS) project aimed at providing a reliable and competitively-priced supply of energy to stimulate regional economic growth and competitiveness. The project also aims to increase the trade in energy amongst member states and to promote foreign investment in the sector. A regional approach to meeting the demand for power could result in an estimated savings of \$3-5 billion over 20 years.

USAID has taken the lead among the donors in providing technical and financial assistance to the WAPP. A key achievement was the signing of the ECOWAS Energy Protocol by Heads of State in December, 2003. The Energy Protocol calls for the swift elimination of cross-border barriers to trade in energy, and encourages investment in the energy sector by providing investor friendly terms. USAID also provides a broad range of assistance to help address the complex technical, regulatory, and institutional requirements for maintaining an international energy grid.