



AGCI COMPONENT 2 – KSA BRIEF – December 2007

IMPROVING THE MARKET KNOWLEDGE, SKILLS, AND ABILITIES OF PRIVATE SECTOR ENTERPRISES TO TRADE

The target of this African Global Competitiveness Initiative (AGCI) component is to increase the value of non-petroleum trade and exports within targeted sectors by overcoming business and market constraints.

DEVELOPMENT CHALLENGE

Doing business in Africa is not easy. While performance is mixed, at the firm level on-the-ground constraints that businesses face include poor bureaucratic performance that hinders growth and trade, capital constraints, and supply chain inefficiencies. At the macro level, many African countries have faced disruptive civil disturbances and war, disease, and poor physical infrastructure while maintaining relatively closed trading regimes and restricting private investment in favor of inefficient state-owned enterprises. However, “supply side” difficulties more than tariff barriers and market access considerations constrain Africa’s export capacity.

The development challenge is to enable African businesses, especially SMEs (small and medium size enterprises), to take advantage of trade opportunities within Africa, the United States under AGOA, and the rest of the world. Africa needs to increase both the quantity and quality of its outputs as well as diversifying from traditional exports such as raw commodities. This means more investment on the factory floor and measures to increase Africa’s capacity to trade, such as efforts to improve transport infrastructure and assistance with marketing and with meeting sanitary, labeling, and

This KSA-AGCI Brief was produced for review by the United States Agency for International Development. It was prepared by SEGURA IP3 Partners, LLP.

AGCI IMPLEMENTATION

AGCI’s enterprise development component objectives will be achieved using the most effective tools available, tailored to suit country-specific challenges. In all cases, AGCI seeks to engage local partners, including African government agencies, the private sector, other donors, and regional institutions to ensure sufficient “buy in” and support for component initiatives. Some tools to be considered include:

1. Leveraging new or existing USAID contracts to achieve component results.
2. Drawing on USAID and other U.S. Government (USG) staff and technical expertise, where appropriate.
3. Cooperating with other bi- and multilateral donor agencies to leverage impact, including in accordance with the Paris Declaration.
4. Coordinating with other stakeholders, including national and regional business associations and research institutions, to broaden support for component activities.

packaging standards for agricultural products.

Technical assistance will encourage and promote export diversification away from dependence on low-value natural resource trade and toward trade in higher value agricultural and manufactured goods. This will be done by helping African firms understand and access global markets, and meet the

necessary international market and regulatory requirements. The challenge also includes placing greater emphasis on information communications and technology (ICT) to improve understanding of potential export opportunities and increase efficiency in supply chain logistics management.

Many SMEs lack technical skills to comply with international market requirements and this hurts their competitiveness when they evaluate and enter new markets. Poor capacity and skills in product development, business planning, fund management, procurement of products and services, formulation of export plans, and bankable projects (access to credit) impede success in the export market. Many SMEs do not consider critical items such as laboratory analysis, quality certifications for organic products, knowledge of consumer tastes and preferences, and other marketing and international trade practices when evaluating new markets and planning entry into those markets.

African companies need to use market information and business contacts more effectively to improve product design and packaging, develop marketing strategies, and respond to market demand. Capacity to conduct market analysis and data collection as well as using analytical trade tools will be built through regional and local institutions. In key countries, missions will support the development of export sector roadmaps. Mission programs can support the development of databases on price, transport, tariff, and regulatory information to understand market requirements.

DEVELOPMENT HYPOTHESIS AND PROPOSED PROGRAM

The African Global Competitiveness Initiative (AGCI) is a presidential initiative targeting sub-Saharan Africa (SSA) implemented by the USAID Africa Bureau, designed to support programs, policies, and stakeholders that can have a beneficial impact on Africa's trade competitiveness. AGCI seeks to consolidate previous gains in trade development and related areas of economic performance by leveraging new resources to support successful interventions that can improve trade competitiveness.

The primary outcome of the Enterprise Development Component of the African Global Competitiveness Initiative (AGCI) is an increase in the value of trade and investment in the region and with selected markets, including the United States. This component, in combination with other AGCI program components, will contribute to an increase in Africa's share of world trade.

The program builds on USAID work begun under the Presidential Initiative TRADE (Trade for African Development and Enterprise), which was implemented by regional missions through the competitiveness hubs and support to bilateral missions. Enterprise development and business links are continuing under AGCI; however, bilateral missions are the primary lead for this work, with support from the competitiveness hubs, which already provide limited assistance in non-presence countries.

The Enterprise Development Component focuses on developing industry-level organizations and associations that can use information about sector competitiveness to improve standards and market knowledge among members, advocate for a more business-friendly environment, and link with activities in other AGCI program components.

Work under this component also addresses African export constraints including enhancing the voice of the private sector in public-private dialogue and complementing other AGCI components such as finance, policy and governance, and infrastructure.

While USAID's resources for AGCI focus primarily on technical assistance in business development, marketing, sales of products, and forming long-term business relationships, the program also works to leverage private sector opportunities through USAID's Global Development Alliances (GDA) group.

The programs under the Enterprise Development Component provide assistance to help trade and business associations and entrepreneurs identify products with export potential and to expand exports. Activities funded by USAID's regional and bilateral missions target specific export constraints faced by SMEs in regional and international markets.

Specifically, program activities emphasize the importance of real-time market information on pricing and consumer preferences, the ability to identify competitive products, which can be sold profitably in highly developed markets, and becoming export-ready. In all program activities ICT is used, where practical, to strengthen the impact of services offered and to increase the efficiency and reach of service delivery.

Technical assistance, training, and development of private sector alliances are provided to achieve the following objectives:

More Competitive Business Practices and Adoption of Trading Requirements.

AGCI will provide support in the following key areas:

- *Marketing:* Market research, targeting marketing efforts, branding, marketing materials, trade show preparation, booth presentation, advertising, Web sites, and labeling.
- *Sales Management:* Understanding international business practices, long distance relationship management, forecasting, and terms and contract negotiations.
- *Financial Analysis and Management:* Pricing, discounting, cost management, investment decisions, purchase analysis, bank relations, loan management, audits, and budgeting.
- *Product Development:* Understanding trends and markets, product design, developing viable product lines, packaging, and branding for export.
- *Production and Quality Managements:* Planning and monitoring production, productivity analysis, measuring, quality, international standards including application of Hazard Analysis and Critical Control Point (HACCP) or Worldwide Responsible Apparel Production (WRAP) standards, consistency, certification, Sanitary and Phytosanitary (SPS) requirements, and testing.
- *Bankable Loan Applications:* Since SME access to credit and other financial services is still very

limited, training may be provided for improving loan applications for commercial bank financing of export activities. This assistance will be closely coordinated with the planned assistance to the AGCI Financial Services Component.

Ability to Analyze Market Information and Make Changes to Product Development and Marketing as Needed.

An important element of this component is improving the understanding of AGOA requirements and opportunities in the U.S. market. USAID and other USG agencies will coordinate technical assistance and training through workshops on rules of origin, Category 4 certification, textile visas, Animal Pest Health Inspection Services (APHIS) requirements, and general information requests and analysis on the impact of U.S. policy decisions on trade.

Stronger Links in Value Chains and Establishment of New Business Links.

This approach targets interventions specific to those points along the value-chain (e.g., factor/input procurement, production, marketing, distribution) where technical assistance can be a key factor in improving the competitiveness of the product.

AGCI will help promote African producers and help them earn a place on the value chain. They will help those producers maintain their position and publicize the contribution of African suppliers in the chain by creating relationships between suppliers, producers, wholesale distributors, and retailers. This will strengthen chains and clusters, develop business acumen products, and foment new business alliances.

SUSTAINABILITY OF IMPACT

The countries and activities AGCI focuses on will ensure that in each case, sufficient resources are leveraged to achieve significant and sustainable results. At the same time, through the KSA project, best practices, lessons learned, and replicable program models will be widely disseminated in order to provide a foundation for reforms not directly supported by AGCI. ❖