



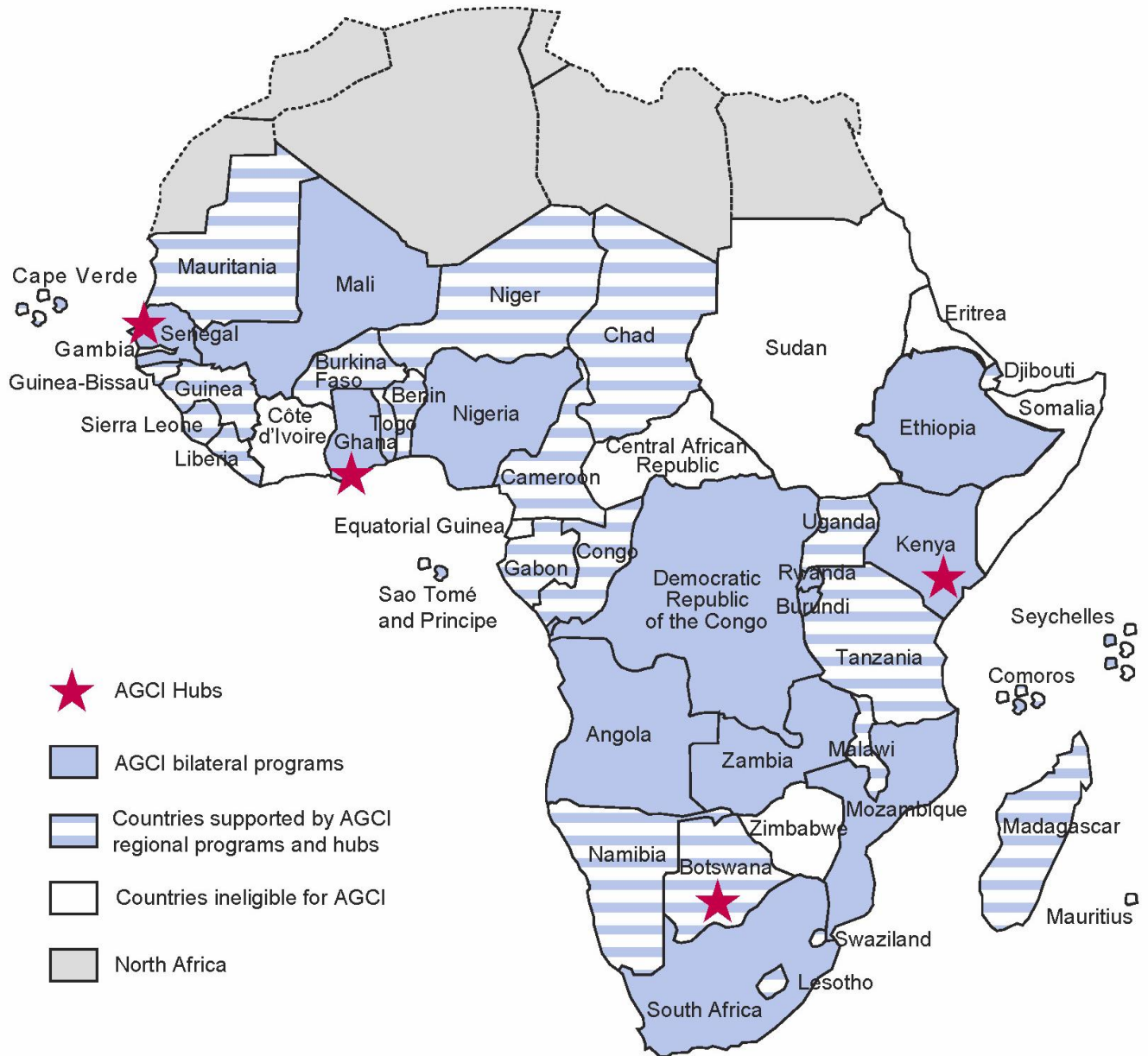
USAID
FROM THE AMERICAN PEOPLE

AFRICA'S GROWTH AND COMPETITIVENESS IN 2007

AFRICAN GLOBAL COMPETITIVENESS INITIATIVE



AGOA-ELIGIBLE COUNTRIES, 2007



Cover photo: Orders for basic items, such as t-shirts, have resulted in increased employment opportunities at Hippo Knitting after USAID sponsored the Maseru-based company to participate in the Material World Trade Show in New York.

Photo: Southern Africa Global Competitiveness Hub, Botswana

MESSAGE FROM ADMINISTRATOR HENRIETTA H. FORE



Henrietta H. Fore,
Director, United States Foreign
Assistance and Administrator,
U.S. Agency for International
Development

The past year has been an exciting one for African trade competitiveness and economic growth. FY 2007 saw significant progress in improving the business environments of African countries, helping African entrepreneurs reach their potential on the global stage, increasing access to finance, and overcoming infrastructure constraints. The African Global Competitiveness Initiative (AGCI) has played a key role in this progress.

AGCI supports the African Growth and Opportunity Act through assistance that helps African countries take better advantage of the opportunities offered by free and open trade. Working with partners in regional economic communities, governments, and the private sector, AGCI programs promote the creativity, energy, and hard work of Africans to solve their own problems and build the foundation for a better future.

AGCI is pivotal to the U.S. Government's approach to economic development in Africa. It gives Africans the tools they need to increase economic growth by establishing globally competitive markets. Improving the export competitiveness of enterprises and governments in Africa creates jobs, expands economic growth, and reduces poverty.

AGCI's objective remains as vital today as it was when first announced by President Bush in 2005. Economic opportunity is still limited for most. Half of our fellow human beings live on less than \$2 a day. But we know what works: when nations embrace free markets and free trade, govern justly and invest in their people, they create a prosperity of their own. When they form public-private partnerships to solve common problems, they create sustainable solutions to everyday challenges. This supports economic governance and pays for critical government services such as water, education, and health care. In particular, small- and medium-sized enterprises create employment and are the driving force of economic growth. It is through them—with support from friends like USAID—that Africa's prosperity and a brighter future will be secured.

The U.S. Government continues to be a strong partner for Africa in trade and investment, and we value our collaboration with the African Union, regional economic communities, government leaders, and the men and women in the private sector who are creating economic opportunities for themselves and for generations to come. As the world's largest donor of foreign assistance, the United States is fully engaged in supporting Africa's future and prosperity.

ACRONYMS

AGCI	African Global Competitiveness Initiative
AGOA	African Growth and Opportunity Act
AVOIR	African Virtual Open Initiatives and Resources
CAPP	Central Africa Power Pool
CTA	Confederation of Mozambican Business Associations
DOC	Department of Commerce
DFID	Department for International Development of the United Kingdom
EAC	East African Community
ECA	East and Central Africa Global Competitiveness Hub
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
FDIC	Federal Deposit Insurance Corporation
FINA	USAID/EGAT FinA software Product Support Project
FSP	Financial Services Program
G8	Group of Eight
GDP	gross domestic product
HACCP	Hazard Analysis and Critical Control Point
ICT	information and communication technology
IEHA	Initiative to End Hunger in Africa
IPR	intellectual property rights
KHDP	Kenya Horticulture Development Program
MATEP	Market Access, Trade and Enabling Policies Project
PROFIT	Production, Finance and Technology Program
RADDEX	Revenue Authorities Digital Data Exchange (electronic customs interface)
RATES	Regional Agricultural Trade Expansion Support
REFORMS	Restructured Economic Framework for Openness, Reform and Macroeconomic Stability
SADC	Southern African Development Community
SAGIC	Senegal Accelerated Growth and Increased Competitiveness
SAIBL	South African International Business Linkages
SEC	U.S. Securities and Exchange Commission
SME	small- and medium-sized enterprise
SPS	sanitary and phytosanitary
TDA	U.S. Trade and Development Agency
TIPCEE	Trade and Investment Program for a Competitive Export Economy
TIPMOZ	Trade and Investment Program
UEMOA	Union économique et monétaire ouest-africaine (West African Economic and Monetary Union)
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
WAPP	West African Power Pool
WTO	World Trade Organization

CONTENTS

	Page
Message from Administrator Henrietta Fore	i
Acronyms.....	ii
About This Publication	iv
Introduction to AGCI	1
AGCI Implementation.....	2
Enabling Environment.....	2
<i>Regional Mission and Hub Activities and Results.....</i>	<i>3</i>
<i>Selected Bilateral Mission Activities and Results.....</i>	<i>4</i>
<i>USG Partner Agency Activities and Results</i>	<i>4</i>
Enterprise Development	6
<i>Regional Mission and Hub Activities and Results.....</i>	<i>6</i>
<i>Selected Bilateral Mission Activities and Results.....</i>	<i>8</i>
Access to Finance	8
<i>USAID/Washington Activities and Results.....</i>	<i>9</i>
<i>Selected Bilateral Mission Activities and Results.....</i>	<i>10</i>
Infrastructure.....	10
<i>USAID/Washington Activities and Results.....</i>	<i>10</i>
<i>Regional Mission and Hub Activities and Results.....</i>	<i>12</i>
Conclusion.....	13

ABOUT THIS PUBLICATION

This report summarizes the achievements of the African Global Competitiveness Initiative (AGCI) in fiscal year 2007, drawing on examples from the major implementing partners. Organized by the four components of AGCI—enabling environment policy reform, enterprise development, finance, and infrastructure—the report presents a year in review of USAID's trade competitiveness programs in sub-Saharan Africa. It provides examples of the activities undertaken and the results achieved.

AGCI is broad in scope, funding activities that have an impact in all 40 countries eligible to trade under the African Growth and Opportunity Act (AGOA). Given the breadth of AGCI, this report necessarily omits reference to every activity in every country. Rather, it describes the major activities and results achieved in each of AGCI's four components and describes how the four types of organizations that implement AGCI programs—USAID/Washington, regional USAID missions, bilateral USAID missions and U.S. Government (USG) partner agencies—advance AGCI's overarching goals.

AGCI has achieved success in a broad range of African countries. For this report, we highlight examples from three of AGCI's bilateral programs in very different countries to illustrate the type of work undertaken and results achieved:

- **Ethiopia**, which has programs in enabling environment policy reform and enterprise development
- **Mozambique**, which uses AGCI funds for enabling environment and finance programs
- **Senegal**, which is focused on the enabling environment and enterprise development

INTRODUCTION TO AGCI

“This is a hopeful moment in the history of Africa. The governments of many African nations are being transformed. Many African economies are vibrant and growing... Africa is a continent of promise and talent and opportunity—and together we will help the people of Africa realize the bright future they deserve.”

– President George W. Bush, AGCI Launch Announcement

The Africa Global Competitiveness Initiative, announced by President George W. Bush on July 18, 2005, at the Fourth AGOA Forum in Dakar, Senegal, is an important part of USAID’s contribution to sub-Saharan Africa’s economic development. Supporting AGOA—the landmark trade legislation that grants duty-free access to the U.S. market for more than 6,000 products from 40 qualifying sub-Saharan African countries—AGCI provides a range of technical assistance services that help African countries improve their trade competitiveness, thereby increasing their ability to take advantage of the opportunities offered by free and open trade. As such, AGCI offers demand-driven support to address the major constraints to expanded trade: improving government capacity to formulate and implement trade-friendly policies, helping African enterprises become more competitive, increasing access to finance, and reducing costs resulting from inadequate infrastructure.

Funded at \$200 million over five years, AGCI’s overall objective is to create jobs, boost economic growth, and contribute to the reduction of poverty. Improving the export competitiveness of enterprises and governments in sub-Saharan Africa is critical to this goal. AGCI’s activities are organized into four components, each of which includes an end-of-initiative performance target:

- **Enabling Environment.** Improve the enabling environment for business and increase exports through: reduced time and cost to establish a business and comply with business regulations; reduced time and cost of regional trade; improved compliance with intellectual property rights; and increased capacity of sub-Saharan Africa to adopt international sanitary, phytosanitary, and food safety standards.
- **Enterprise Development.** Strengthen the knowledge and skills of the African private sector to take advantage of market opportunities and increase non-petroleum exports by \$500 million.
- **Finance.** Increase access to finance for trade and investment by 1 percent of gross domestic product (GDP) in six countries.
- **Infrastructure.** Facilitate at least \$1 billion in investments in infrastructure.

AGCI IMPLEMENTATION

AGCI has achieved a broad impact across sub-Saharan Africa, obligating \$35 million in FY 2007. AGCI is implemented by four types of entities: USAID/Washington, USAID regional missions, USAID bilateral missions, and other USG partner agencies. Strategic direction for the enabling environment and enterprise development components rests with the regional and bilateral missions and USG partner agencies, whereas USAID/Washington plays a leadership role for the finance and infrastructure components. The majority of funds are programmed to be used by the three regional missions, which support the four African Global Competitiveness Hubs in **Botswana, Ghana, Kenya, and Senegal**, as well as the bilateral programs in the 13 countries noted in the table below.

Bilateral Partner Activities by AGCI Component

Country: Project	Enabling Environment	Enterprise Development	Finance	Infrastructure
Angola: <i>FSP</i>			✓	
Burundi: <i>Agribusiness</i>	✓	✓		
Congo, DR: <i>CAPP</i>				✓
Ethiopia: <i>AGOA+</i>	✓	✓		
Ethiopia: <i>WTO</i>	✓			
Ghana: <i>TIPCEE</i>	✓	✓		✓
Kenya: <i>Horticulture</i>	✓	✓		
Mali: <i>EG Initiative</i>	✓	✓	✓	
Mozambique: <i>TIPMOZ</i>	✓	✓	✓	✓
Mozambique: <i>CTA</i>	✓			
Nigeria: <i>REFORMS</i>			✓	
Rwanda: <i>FinA</i>			✓	
Senegal: <i>SAGIC</i>	✓	✓	✓	✓
South Africa: <i>FSP</i>			✓	
South Africa: <i>SAIBL</i>		✓		
Zambia: <i>MATEP</i>		✓		
Zambia: <i>PROFIT</i>		✓	✓	

Source: Mission data reports

By making sub-Saharan African firms more competitive in the global marketplace, AGCI's work complements other USAID programs and amplifies the USG's overall achievements in expanding Africa's economic growth and prosperity. For example, AGCI is active in all eight countries in which the President's Initiative to End Hunger in Africa (IEHA) works bilaterally: Ghana, Kenya, Malawi, Mali, Mozambique, Niger, Uganda, and Zambia. The combined efforts of IEHA and AGCI have spawned a massive increase in agricultural trade, with exports from participating countries reaching over \$1 billion in FY 2007. Cotton, vegetables, coffee, cashews, paprika, and pineapple are among the major products exported to international markets.

ENABLING ENVIRONMENT

The primary implementers of AGCI's enabling environment activities are the regional missions and their Global Competitiveness Hubs, bilateral missions, and USG partners at the Department of Agriculture (USDA) and Department of Commerce (DOC).

REGIONAL MISSION AND HUB ACTIVITIES AND RESULTS

In FY 2007, AGCI's African Global Competitiveness Hubs reduced the cost and time of regional trade by streamlining paperwork and procedures, improving efficiency within customs departments, and reducing corruption. Successes include increased harmonization of customs standards and procedures for trading in Africa, implementation of legal regulatory and institutional reforms related to transportation across regional trade corridors in 15 countries, and an increase in the value of intra-African trade. Examples of this work in each Hub are noted in the box below.

IMPROVING THE ENABLING ENVIRONMENT FOR TRADE

Committed to the idea that efficient transport leads to more trade, the **West Africa Hubs** are working with the Economic Community of West African States (ECOWAS), *Union économique et monétaire ouest-africaine* (UEMOA), local associations, and individuals to document corruption on major transport corridors. Based on this information, ECOWAS and UEMOA, in collaboration with the Hub, have released reports identifying checkpoints and quantifying bribes and delays on the three major road corridors. "We send these reports to ministers, and we know they are getting read," said Augustin Karanga, a transport specialist at UEMOA. "We have ministers of transport calling us to get the most recent data. They are feeling pressure to end road corruption from above." In November 2007, six nations signed on to the Ouagadougou Declaration against road corruption, and drivers report that police in Mali have recently removed a few notorious checkpoints.

With assistance from the **East Africa Hub**, the Ugandan and Kenyan revenue authorities are involved in a project that will transform the major trade corridor between the two countries. The project will enable information about declared goods to be transmitted electronically from the point of commencement to border points along the corridor so that customs officials can make the necessary arrangements to clear and verify them. "The idea is to do everything on one side of the border," said Hub consultant Michael Smith. "We need to manage the flow of information from customs declarations and in the end we will lower the cost of goods and increase East Africa's competitiveness." In October 2007, the electronic customs interface—known as RADDEx—was launched. This data exchange greatly reduces customs clearance time and overall transport time, and is directly valuable not only to Kenya and Uganda but also eventually to the entire region with benefits accruing to the private sector and revenue authorities alike.

In FY 2007, the **Southern Africa Hub** continued its support to the Southern African Development Community (SADC), promoting regional harmonization and integration to capture economies of scale. The SADC Protocol on Trade detailed a tariff phase-down designed to result in a World Trade Organization (WTO)-compliant free trade area by January 2008. In FY 2007, the Hub assessed the status of implementation of the Protocol on Trade. In direct response to the first presentation of results in July 2007, three of the four member states found to be lagging complied with the tariff reductions in time for the August summit meeting. The Hub is currently responding to requests for technical assistance from countries to help meet their remaining obligations by the end of 2008. Successful Hub efforts to facilitate the harmonization and liberalization of trade rules and reduce transaction costs will contribute to key SADC goals: a free trade area by 2008, a customs union by 2012, and a common market by 2015.

SELECTED BILATERAL MISSION ACTIVITIES AND RESULTS

In support of the Government of **Ethiopia's** decision to move forward with WTO accession, AGCI recently concluded Phase I of the Ethiopia WTO Accession Program that partnered with the government through the rigorous legal, regulatory, and institutional reform process required. The submission of Ethiopia's Memorandum of Foreign Trade Regime—a pivotal document that lays out the major actions required for Ethiopia to join the WTO—was a major accomplishment of the WTO Accession Program in 2007.

With the support of President Armando Guebuza, who endorses the goal of making **Mozambique** the highest-ranked SADC country in the World Bank's Doing Business indicators by 2015, USAID has made strides in improving the enabling environment for trade and investment. AGCI assistance through the Mozambique Trade and Investment Project and Confederation of Mozambican Business Associations (CTA) Project was the primary contributor to the three areas where major improvements were achieved: the preparation of a new, more flexible labor law, a dramatic reduction in the number of days to start a business, and a much shorter amount of time required to export.

FY 2007 Mozambique Enabling Environment Reform Achievements

	Time to Export (days)	Ease of starting a business rank	Number of days to start a business	Overall Doing Business ranking
2007	40	157	113	140
2008	27	125	29	134

Source: Doing Business 2008

Similarly, in support of **Senegal's** commitment to achieve sustained economic growth rates of 7.5 percent a year, AGCI funds have been used for policy reforms that foster improvements in the business environment. USAID/Senegal leads a Private Sector Working Group that shares information and lessons learned, explores new opportunities for collaboration, and maintains a consistent policy dialogue with the Government of Senegal on improving the enabling environment. Through this group and targeted technical assistance, the Senegal Accelerated Growth and Increased Competitiveness (SAGIC) project supported several significant policy reforms that have improved the enabling environment. Results in FY 2007 include:

- The time required to start a business was reduced from 58 to two days;
- The number of business startup procedures was reduced from 10 to seven;
- The cost of starting a business, as a percentage of income per capita, declined by 20 percent; and
- More than 400 new enterprises were registered under the new procedures.

USG PARTNER AGENCY ACTIVITIES AND RESULTS

USAID partners with other USG agencies to play a substantive role in implementing AGCI's efforts in enabling environment policy reform. Examples of interagency implementation include an effort led by the U.S. Department of Agriculture to improve sanitary and phytosanitary (SPS) systems and the Department of Commerce to enhance compliance with intellectual property rights laws and regulations.

USAID and USDA have initiated the **AGOA SPS Capacity-Building Program** under AGCI to strengthen the SPS systems of African countries. The program is designed to improve animal health, plant health, and food safety systems to increase the number of African products that meet U.S. import standards and expand African exports to the United States. The program focuses on improving the regulatory and policy regime for agricultural exports and building institutional capacity. In FY 2007, regulators and agricultural producers in 15 countries received assistance.

The program provides assistance to exporters that helps their products comply with export certification procedures, country-level advice on improving quality control, government-to-government capacity building on adopting improved standards, and training in technical inspection and quality assurance skills. Most capacity-building efforts achieve results over the long term, and milestones in FY 2007 include:

- Six commodities from three countries were the first to go through the USDA's streamlined export approval process, preparing the way for increased exports into the U.S. market;
- AGCI-funded experts from the USDA-assisted countries in introducing new products to the U.S. market. The experts advised on measures that would enable Namibian meat to be exported to the United States, helped improve pest mitigation and packing in Senegal, and evaluated options for field and pack-house procedures and the potential use of irradiation in Kenya;
- With USDA guidance, three African countries signed the International Plant Protection Convention, improving conformance to international phytosanitary standards. Chemists from several countries improved their skills in residue analysis through laboratory training developed by USDA and tested by the U.S. Food and Drug Administration; and
- The program conducted numerous trainings in FY 2007. One three-part session trained West African government officials and export-ready firms from six countries on the Hazard Analysis and Critical Control Point (HACCP) system, an international food safety management regime. As a result, 10 companies began implementing comprehensive HACCP programs that are expected to increase their ability to export. Training also enabled seven participants from the African Phytosanitary Faculty Exchange Program to upgrade their technical knowledge in their fields of specialization. With AGCI support, regulators from five countries participated in an intensive 14-day International Plant Diagnostic Network training in plant disease diagnostics.

One of AGCI's newest programs is the **Intellectual Property Rights (IPR) program**, managed by the DOC. The goal of this program is to assist countries in improving compliance with international IPR rules and regulations so that they can diversify their economies and take advantage of AGOA preferences for exports to the United States. This program relies on supporting legal and regulatory change as well as engaging in public-private dialogue to build support for enforcement of IPR regulations. FY 2007 activities and results include:

- Helping to draft new trademark legislation in Nigeria that reduces IPR infringement through criminal enforcement of trademark and service mark laws;
- Developing a foundational IPR manual with a training component to be customized by individual countries; and

- Conducting an assessment of IPR enforcement barriers in Ghana, Mali, and Nigeria.

ENTERPRISE DEVELOPMENT

The regional missions, through the Hubs, and several bilateral missions implement the enterprise development component of AGCI. It is critical to increasing both export volumes and product quality. Below is a snapshot of results from regional missions and their Global Competitiveness Hubs, and selected bilateral missions. In FY 2007, AGOA exports increased by \$35 million as a result of AGCI assistance implemented by the four Hubs and three bilateral missions highlighted in this report.

REGIONAL MISSION AND HUB ACTIVITIES AND RESULTS

In FY 2007 the Hubs continued to increase U.S.-African trade by helping African firms improve their export competitiveness. The Hubs helped facilitate \$24.9 million in new AGOA exports by providing technical assistance to increase the capacity and quality of African enterprises, improve the efficiency of value chains, and support the attendance of export-ready firms at major world trade shows and business-to-business events in the United States and Africa. Supporting this achievement, the Hubs' technical assistance affected several firms in different ways, including:

- Helping buyers and sellers make more than 1,800 new business contacts;
- Supporting the attendance of dozens of African companies at major U.S. trade shows. The Source Africa pavilion won "Best in Show" at the MAGIC textile and apparel show and "Best Stand Design" at the World Floral Expo;
- Providing specialized training and informational assistance to more than 2,200 individuals and firms on product development and quality, export logistics, exporting to the United States, and trade requirements under AGOA; and
- Facilitating the creation of thousands of new jobs, mostly for women, many of whom entered the formal employment sector for the first time.

The next box highlights individual success stories achieved by the Hubs in enterprise development.

SUCCESS STORIES IN ENTERPRISE DEVELOPMENT

As a result of the East and Central Africa Hub's support for Kenya's participation in the World Floral Expo in Miami, the country has begun selling large quantities of flowers to the United States, the world's second largest market after the European Union. Companies from Burundi, Ethiopia, and Tanzania, with support from the Hub, have also been able to make new contacts and negotiate deals with U.S. flower importers. The direct entry of Kenya's flowers into the U.S. market came just a few months after the USDA Animal and Plant Health Inspection Service certified Kenyan baby corn, baby carrots, and shelled peas for sale in the United States. A total of 10 new Kenyan products are expected to hit the U.S. market in 2008.

Mud cloth, or bogolan, handbags made by Malian artisans are part of the (PRODUCT) RED line launched in April by Hallmark, selling in more than 3,000 of its Gold Crown stores across the United States. The West Africa Hubs helped two Malian producers fill one of the largest handcraft orders ever placed in Mali, with 500 tailors and dyers creating handbags while earning two or three times the national minimum wage. The sheer size of the order—it included bags and bead strands for greeting cards, shipped weekly—makes it one of the largest single handcraft purchases ever made in Mali.

However, this order is groundbreaking in other ways too. It was the first export Mali shipped under a provision of AGOA aimed at handmade textiles and the first time Hallmark has done business in Africa. "Without the technical assistance and on-the-ground support, this project would not have been possible," said Frank Masterson, capacity resource manager for Hallmark. "It was important to us to find an authentic item to sell, to not only give money back from our other items but help in economic development along the way."

The Southern Africa Hub recently began working with a Botswana-based contemporary furniture design and manufacturing company to export its new furniture line for the North American market. The company has manufactured furniture for the corporate sector and the domestic retail market in the region since 1995, but successfully reaching non-African export markets is a new achievement. The Hub co-sponsored the firm's showcasing of its new collection at the 2007 International Contemporary Furniture Fair in New York. The company's collection received recognition from Newsweek, The New York Times, Elle Décor, New York's City Magazine, and the Toronto Star, culminating in a deal with premium furniture retailer Design Within Reach to stock a style of its chair in more than 70 studios across the United States and for online sale.

In Swaziland, two Hub-assisted firms have significantly expanded exports of processed agricultural products to the United States. One firm increased its production capacity by over 17 percent and created more than 200 new jobs. The second firm tripled its production and hired more than 200 new workers. The firms buy the bulk of their fruit from local growers with the balance imported from Mozambique and South Africa, providing additional employment and expansion regionally in the agriculture sector.

SELECTED BILATERAL MISSION ACTIVITIES AND RESULTS

Whereas regional missions achieve success across countries, AGCI's bilateral programs are making strides to strengthen enterprise development within them. For example, USAID/**Ethiopia** has used AGCI funds to support an innovative and highly successful program, AGOA+, to boost export performance by improving the ability of domestic firms to take advantage of AGOA opportunities. AGOA+ has contributed to an increase in Ethiopia's exports and provided vital support to export-ready firms that have made sales under AGOA. More than 50 small- and medium-sized enterprises were trained on basic export requirements and the opportunities to trade under AGOA, which further mainstreamed AGOA market access requirements in the business community. AGOA+ results in FY 2007 were:

- Total Ethiopian exports rose 30 percent from \$61 million in 2005 to \$88 million in 2007. AGOA exports rose by 20 percent from 2006 to 2007 to nearly \$9 million;
- Thirteen Ethiopian textile, garment, and flower companies attended the premier textile and apparel MAGIC Trade Show in Las Vegas and the World Floral Expo with AGOA+ support, establishing Ethiopia as a player in these sectors and establishing relationships that are expected to lead to sales; and
- The sourcing trips of 10 major U.S. buyers in the textiles, apparel and handcraft sectors were facilitated, leading to initial FY 2007 sales of \$250,000 among 10 Ethiopian firms, the majority of which are owned by women.

In FY 2007, AGCI assistance produced similar results on the export competitiveness of enterprises in **Senegal** to expand trade with the United States and the rest of the world. Using a value chain approach, SAGIC strengthened the knowledge and business skills of Senegalese enterprises by improving their access to new technologies and the latest business management tools and techniques. SAGIC also collaborated with the West African Cotton Improvement Program to amplify its impact. In FY 2007, the results were:

- 1,715 full-time jobs were created in targeted sectors, 436 of which were filled by women;
- 1,788 people increased their knowledge in marketing and production strategies;
- 437 enterprises improved their management practices as a result of SAGIC-sponsored technical assistance; and
- Senegal increased exports by \$2 million in FY 2007, and revenues rose 56 percent over 2006 to \$760,000 among local enterprises in targeted non-traditional export sectors.

ACCESS TO FINANCE

Largely owing to the availability of technical expertise, USAID/Washington manages activities under AGCI's finance component in concert with regional and bilateral missions and in partnership with other USG agencies.

USAID/WASHINGTON ACTIVITIES AND RESULTS

The objective of AGCI's financial sector component is to support trade by expanding access to finance. This is measured by the level of credit available to the private sector as a percentage of GDP and reductions in the financial intermediation margin, which reflect improvements in the efficiency and cost of borrowing. AGCI's financial sector work is being closely coordinated with other donors to leverage impact. For example, USAID has actively supported and collaborated with the Partnership for Making Finance Work for Africa within the G8 process and in discussions with leading donor agencies and African leadership. AGCI has also successfully leveraged partnerships with specialized USG regulators, particularly the Securities and Exchange Commission (SEC) and Federal Deposit Insurance Corporation (FDIC), enabling peer-to-peer exchanges and training to strengthen financial sector regulators in Africa.

Financial sector reform is long-term in nature, but activities in FY 2007 will have a lasting impact on the efficiency and accessibility of domestic financial services in four of six countries to be targeted by the end of AGCI, as well as in regional financial institutions and structures in West, East, and Southern Africa. Examples of FY 2007 successes in the AGCI financial sector component include:

- Enabling the Banco Nacional de Angola to access external funding for development of a national credit bureau, leveraging U.S. technical assistance to the bank;
- Completing an in-depth analysis of financial sector reform options in Angola, including developing the legal and regulatory framework for leasing, which will open up secured lending;
- Automating financial market surveillance within the National Bank of Rwanda and setting up a program to support the regulatory reporting capacity of the Central Bank of Nigeria;
- Initiating work in Angola, Rwanda, and South Africa to increase the use of real estate as collateral for lending, which will increase the ability of borrowers to access finance;
- Establishing a program through USAID/West Africa to develop a common legal and regulatory framework for cell phone–based mobile banking across the region. This program will lower the cost of financing trade transactions and improve the personal safety of traders by enabling them to transfer funds via cell phones rather than carrying large amounts of cash. This will also open the market to accelerated private sector investment while providing appropriate market discipline and consumer protection;
- Establishing a similar program in East Africa in partnership with the East African Community (EAC) being led by the Central Bank of Kenya;
- Fielding SEC experts to advise capital markets regulators on how to encourage harmonization of regulatory procedures and consolidate regional exchanges, which resulted in a decision by the EAC to agree on a single shared regulator and focus on the Nairobi stock exchange;
- Enabling the FDIC to train bank supervisors and engaging with the South African Reserve Bank to improve regulatory capacity; and

- Engaging with the International Federation of Accountants to support a regional program for training and certifying accounting professionals, targeting financial managers of small- and medium-sized enterprises.

SELECTED BILATERAL MISSION ACTIVITIES AND RESULTS

A limited number of bilateral AGCI programs address constraints to finance. One example is in **Mozambique**, where the Trade and Investment Program (TIPMOZ) project prepared a comprehensive study of the financial sector that examined key limitations to the development of the domestic private sector, focusing primarily on the high cost and low availability of credit. Outlining more than 60 recommendations for overcoming these roadblocks, the study created a blueprint for lasting change that can improve access to finance in Mozambique. With input from USAID, Mozambique rescinded a particularly cumbersome regulation that required all trade be covered by letters of credit.

INFRASTRUCTURE

Like the finance component, USAID/Washington manages infrastructure funds under AGCI though programs are implemented by the three regional missions, the Hubs in some cases, and select USAID bilateral missions. Funding for infrastructure encompasses energy, transportation, and the information and communications technology (ICT) sub-sectors.

USAID/WASHINGTON ACTIVITIES AND RESULTS

AGCI underwrites important analytic, transaction, and advisory support for regional African stakeholders to improve regulatory capacity and advance investment in infrastructure projects. Even though facilitating investment in infrastructure can be a long-term prospect, as projects often develop over a period of years, in FY 2007 the infrastructure component has already yielded a total of \$572 million in new investment in the energy, ICT, and transport sectors against its end-of-initiative goal to leverage \$1 billion in investment in infrastructure services.

- AGCI's Central Africa Power Pool (CAPP) technical assistance project leveraged a total of \$547 million in modern energy services.
- AGCI's ICT project leveraged \$15.5 million in public and private investment in several ICT infrastructure and services projects.
- The African Global Competitiveness Hubs leveraged \$8.5 million in transport-related infrastructure and \$500,000 in funds to support the operations of important regional transport organizations.

In FY 2007, AGCI's **Central Africa Power Pool (CAPP) technical assistance project** focused on four activities designed to create a viable regional energy market that will interest investors and provide increased power across national borders. The combined efforts of the CAPP project to foster reform in regional energy institutions and develop a viable power pool led to an investment of \$547 million from the World Bank to the Government of the Democratic Republic of Congo to build needed infrastructure.

Major activities included completing a plan and timeline, which were accepted for implementation by CAPP, for developing the regional Central African Electricity Market. AGCI assistance was used to prepare a revised Regional Electricity Code for the Economic Community of Central African States (ECCAS) that establishes principles for the protection of private capital investment in the regional electric system and solidifies the creation and management of an integrated regional electricity market in the ECCAS region. Vetted by stakeholders at workshops in Cameroon and Chad, the next step is for the ECCAS Council of Presidents to approve the code.

As part of capacity-building efforts, USAID is helping CAPP establish a computerized management, accounting and information system that will enhance management efficiency of the power pool. AGCI assistance also helped improve CAPP's governance system and its organizational structure, as seen in the preparation of two foundational documents: the Inter-Governmental and the Inter-Utility Memoranda of Understanding. Responding to a request from Council of Ministers, CAPP's senior governing body, these documents will streamline and improve both organizational structure and governance.

Finally, work will soon begin on background and feasibility studies for the CAPP cross-border electrification from the western Democratic Republic of Congo into Angola.

USAID is undertaking several other activities intended to expand infrastructure services and attract investment in sub-Saharan Africa's energy market. Through AGCI, USAID is currently supporting the Government of Botswana in its late-stage negotiations with a private developer to facilitate the construction of a 2,400-megawatt power plant that could result in \$3.5 billion in new investment.

Utilizing AGCI funds, USAID provided grants to the **U.S. Trade and Development Agency** (TDA) for two technical assistance projects designed to improve institutional capacity of regulatory agencies in FY 2007. In Namibia, work began in FY 2007 to strengthen the Namibian Electricity Control Board's capacity to effectively review independent power producer license applications and monitor their performance. This assistance paves the way for new private investment in the Namibian energy sector. In Malawi, TDA is supporting the Malawi Department of Civil Aviation to improve its capacity to attract and regulate private participation in the air transport sector. TDA's efforts include conducting an institutional needs assessment to convert the department into an autonomous agency, improving procedures for certification, safety and accident investigation, and creating a strategic framework for private sector participation in aviation.

In ICT, AGCI seeks to expand access to modern technology and leverage new investment in sub-Saharan Africa through its **Information and Communications Technology Project**. USAID advises ICT service providers, facilitates direct investment from international ICT companies, and improves regulatory and policy capacity to encourage the growth of the sector. To maximize impact, the ICT program seeks to forge partnerships with other donors, private U.S. technology companies, and regional economic and regulatory organizations.

Highlights of the ICT program's activities in FY 2007 include designing a scalable, replicable, low-cost approach to ICT-enabled animal disease surveillance and reporting, which focuses on tracking animal diseases that are significant to international trade, such as foot and mouth disease, Rift Valley fever, and avian influenza. At the regional level, AGCI launched a telecommunications policy and regulatory capacity building program in West Africa, focusing particularly on country-level adoption of a common

West African telecommunications market and harmonizing legal and regulatory procedures. Other results in FY 2007 include:

- AGCI provided technical assistance and business planning to a network of software engineering centers located at 12 universities across sub-Saharan Africa, called the African Virtual Open Initiatives and Resources (AVOIR) network. AVOIR and Sun Microsystems formalized an alliance to further strengthen the network's software engineering capacity and develop its business strategy and execution, leveraging \$3.5 million in new investment.
- Working closely with ECOWAS and the West African Telecommunications Regulators' Assembly, USAID partners conducted and presented an in-depth analysis on the challenges and opportunities for investment in transnational telecommunications infrastructure and services in West Africa, leading to an investment of \$6 million by a Nigerian firm.
- USAID sponsored a strategy session that brought together regional and international telecommunications and ICT firms with the ministers of telecommunications of Uganda, Kenya, Rwanda, and Tanzania to examine viable strategies for financing, constructing, and operating submarine cable landing stations and regional transmission networks for telecommunications. The first 300 kilometers of network represent an investment of \$6 million.

REGIONAL MISSION AND HUB ACTIVITIES AND RESULTS

Funds from USAID/East Africa and USAID/West Africa have been used to fund technical advisors who provide critical institutional, policy, and capacity-building support to the West African and the East African Power Pools. The West, East, and Southern Africa missions are supporting regional transportation initiatives designed to expedite and facilitate the transportation of goods and services across transnational boundaries.

USAID is working with the African Development Bank to co-fund key environmental impact studies in support of potential investments that would connect Ghana's electricity grid to Burkina Faso and Mali. In Southern Africa, USAID is providing energy-related technical assistance to the Regional Energy Regulators Association of Southern Africa, facilitating the harmonization of regulatory policies, legislation, standards, and practices and creating a platform for effective cooperation among energy regulators within the SADC region. USAID also supported the drafting and signing of a framework agreement on the Moatize Coal-Fired Power Plant for the Government of Mozambique and a U.S. independent power producer. Hub assistance also contributed to the signing of an agreement between Mozambican authorities and a private developer of the Mpanda Nkuwa Hydro Power Plant.

Using AGCI funds, the Global Competitiveness Hubs continued to work on making improvements in transport infrastructure. In FY 2007, the East Africa Hub focused on implementing the supporting procedural and ICT infrastructure, including RADDEX, to make its regional customs bond guarantee scheme and unified Kenyan-Ugandan border post fully operational. The Southern Africa Hub provided advisory and technical assistance to the three regional transport organizations—the Trans-Kalahari Corridor Management Committee, Trans-Kalahari Railway Line, and Mpumalanga Freight Logistics Forum—to improve regional coordination and remove cross-border bottlenecks. The West Africa Hub focused on enabling environment reforms related to trade, including marshalling the political will to

remove illicit checkpoints on major regional trade corridors. Other results from the Hubs in FY 2007 include:

- Through the East Africa Hub, \$8.5 million was leveraged from other donors mainly for transport service-related infrastructure development.
- The Southern Africa Hub facilitated pledges of more than \$500,000 in public funds to finance the operations of regional transport organizations, including the Trans-Kalahari Corridor Interim Secretariat and Mpumalanga Freight Logistics Forum.

CONCLUSION

With a 12.5-percent budget increase to \$40 million, in FY 2008 AGCI will build on its past successes and broaden its scope. USAID anticipates that some of the early investments in enabling environment reform will begin to yield results in an increasing number of countries in areas such as improving the time and cost of doing business and trading. As more and more firms receive AGCI's technical assistance in enterprise development, USAID anticipates that exports from sub-Saharan Africa will continue to expand in volume, type, and destination. In FY 2008, longer-term investments in the regulatory frameworks and institutions that determine the availability of finance for African entrepreneurs will increasingly expand access to trade and investment capital. In addition, AGCI's specialized technical assistance devoted to overcoming infrastructure constraints is well on the way to leveraging investment and improving service delivery.

USAID anticipates improvements in FY 2008 to include new infrastructure programs that will overcome critical bottlenecks to competitiveness from inadequate power supply. USAID/Washington will introduce improved performance monitoring capacity across AGCI, enabling implementers and stakeholders to quickly and thoroughly analyze activities and results. Using new knowledge management tools, AGCI will help implementers enhance information exchange on lessons learned and best practices. Finally, AGCI will expand its cooperation with other key USG initiatives and other donor programs in Africa. Building on the successes already achieved, USAID looks forward to continuing its support for improving African trade competitiveness in 2008.

U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20053

Tel: (202) 712-0000

Fax: (202) 216-3524

<http://www.usaid.gov/>

Keyword: AGCI