



WEST AFRICA TRADE HUB

ANNUAL REPORT

October 2008 - September 2009

Axe Bamako-Guaga : un calvaire pour les transporteurs !

**LIBRE CIRCULATION DES PERSONNES ET DES BIENS
Des textes difficiles à appliquer**

Malgré les mesures, les tracasseries continuent

**Axe routier Lomé-Cinkassé :
Plus de 600 km de calvaire pour les routiers**

**La police malienne
mise en accusation**

eBizBox
connecting business

Trade Finance 2009
untapped markets

africanow
FROM ONE ACCORDION
WITH A STORY

Shea 2009
Optimizing the
Global Value Chain
March 25-27, 2009 Ouagadougou, Burkina Faso

4th Annual ACA Conference
September 1-2 September 2009
AFRICAN CASHEW ALLIANCE
VALUE & EFFICIENCY

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WEST AFRICA TRADE HUB 2 ANNUAL PROGRESS REPORT #2

WEST AFRICA GLOBAL COMPETITIVENESS HUB
PROJECT # EEM-I-00-07-00006-00

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ACRONYMS & ABBREVIATIONS

ACA	African Cashew Alliance
AGCI	African Global Competitiveness Initiative
AGOA	Africa Growth and Opportunity Act
AIMS	African Investors Management Services
ARC	AGOA Resource Center
ASEPEX	<i>l'Agence Sénégalaise de Promotion des Exportations</i>
CBC	<i>Conseil Burkinabè des Chargeurs</i>
COCOBOD	Ghana Cocoa Board
COMESA	Common Market for Eastern and Southern Africa
COP	Chief of Party
CY	calendar year
CET	Common External Tariff
DCA	Development Credit Authority
DFID	Department for International Development
DSI	<i>Département des Services Informatique</i> (Information Services Department), UEMOA
ECOWAS	Economic Community of West African States (also CEDEAO)
ED	enterprise development
EDIF	Export Development and Investment Fund
EGAT	Economic Growth, Agriculture & Trade
EPA	Economic Partnership Agreement
ESE	European Seafood Exposition
FTA	free trade area
FY	fiscal year
FP	focal point
GAMA	Ghana Apparel Manufacturers' Association
GFSR	Global Food Security Response
GSP	Generalized System of Preferences
GTZ	German Technical Corporation (<i>Gesellschaft für Technische Zusammenarbeit</i>)
HACCP	Hazard Analysis and Critical Control Point
HTS	Harmonized Tariff Schedule
IESC	International Executive Service Corps
IRTG	improved road transport governance
MCC	Millennium Challenge Corporation
MM	mobile money
MMT	mobile money transfer
MNO	mobile network operator
NGOs	nongovernmental organizations
NOAA	United States National Oceanic and Atmospheric Administration
OPA	<i>observatoire des pratiques anormales</i> (French name for IRTG initiative)
OPIC	Overseas Private Investment Corporation
RRTC	reduced road transport costs
RTIS	regional trade information system

SAGIC	Senegal Accelerated Growth and Increased Competitiveness
SIAO	<i>Salon International de l'Artisanal de Ouagadougou</i>
SIDIM	<i>Salon International du Design d'Intérieur de Montréal</i>
SME	small and medium enterprise
SOW	scope of work
SPS	Sanitary and Phyto-sanitary
TIC	trade and investment capacity
TIFA	Trade and Investment Framework Agreement
TLS	Trade Liberalization Scheme
TNC	trans-national corporation
UEMOA	<i>Union Economique et Monétaire Ouest Africaine</i> (also WAEMU)
USAID/WA	United States Agency for International Development/West Africa
USCBP	United States Customs and Border Patrol
USG	United States Government
USTR	United States Trade Representative
WACIP	West Africa Cotton Improvement Program
WAEMU	West African Economic and Monetary Union
WAMI	West Africa Monetary Institute
WAMZ	West Africa Monetary Zone
WAML	West Africa Market Links
WASSDA	West Africa Sustainable Seafood Development Alliance
WTO	World Trade Organization

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EXECUTIVE SUMMARY

The USAID West Africa Trade Hub improves the competitiveness of West African business in world markets, creating jobs and raising incomes, by increasing exports in six key value chains: apparel, home décor and fashion accessories, shea, cashew, specialty foods and sustainable fish & seafood. To build competitiveness, the Trade Hub provides technical assistance and expert consulting to a select group of “export-ready” companies in each value chain to demonstrate the impact of increasing exports and addresses key constraints to the region’s transportation and telecommunications infrastructure, access to financial services and business environment.

The African Global Competitiveness Initiative established Trade Hubs as drivers of exports under the African Growth and Opportunity Act, launched in 2001 to accord eligible African countries trade preferences on over 6,400 products. Among the various tools that the Trade Hub has utilized to improve the competitiveness of West African industries, AGOA education is one of the most prominent. To ensure that West African industries understand and take advantage of AGOA preferences, the Trade Hub added two AGOA Resource Centers to its network, bringing the total to 13 centers housed in the chambers of commerce of the region. The AGOA Services Coordinator trained 491 individuals, including customs officials and exporting companies’ managers, in AGOA procedures and assisted Burkina Faso in obtaining certification to use the Category 9 visa that applies to hand-loomed textiles.

Another critical tool that the Trade Hub employs is technical assistance to link West African producers to buyers in Western markets and vice versa. These “market linkages” activities result in real business opportunities for West African firms and have a demonstration effect, leading the way for other producers to engage in export activity. At international trade shows in the United States and Europe, the Trade Hub’s market linkages activities generated 1,367 direct contacts between West African producers and international buyers. In FY 2009, the Trade Hub achieved its key export targets across the sectors, adding 755 jobs driven by US\$20,865,358 in exports.

The Trade Hub’s work with exporters and buyers, service providers and public sector representatives in each value chain continued to inform the

“The experiment is working.

We need more Trade Hubs!”

- *Anthony Lake, former U.S. National Security Advisor*

Trade Hub’s dynamic strategic approach: Connecting producers to international markets – namely, facilitating the transfer of information from the end-market to the producer – is building their capacity to successfully compete in those markets.

The Trade Hub now maintains five brands that have established credible reputations for West African companies as exporters of high quality, authentic and socially valuable products. The African Cashew Alliance, Global Shea, AfricaNow!, Taste of Africa and Source Africa are recognized symbols of West Africa’s excellence – and build interest in West Africa and what it can offer the world.

The Trade Hub organized three major international conferences and sponsored two regional trade shows in FY 2009 that not only generated business for West African producers but also built important alliances between companies, between the public and private sectors and between financiers, investors and businesses. At Shea 2009, every aspect of the value chain was represented among the over 300 participants. At the African Cashew Alliance annual conference in Abidjan, Cote d’Ivoire, more than 230 participants addressed the industry’s primary issues and the conference facilitated the first ever meeting of the world’s major cashew exporters, laying the foundation for a global cashew alliance. At the *Salon International de l’Artisanat de Ouagadougou*, more than 150 home décor and fashion accessories exporters attended the Trade Hub’s six-day series of workshops that provided expert knowledge on

competing successfully in international markets, including a five-person international buyer panel.

As clusters of firms assisted by the Trade Hub gain experience in meeting export market requirements, however, they face many challenges that emanate from the overall business environment in West Africa. These challenges increase the cost of doing business and include factors such as high costs of transport, telecommunications and energy; uncompetitive financial services; and excessive delays or costs (both official and unofficial) associated with regulatory compliance. Through analysis, education and advocacy efforts in these areas, the Trade Hub is working to reduce the costs of doing business imposed by these external factors.

At Trade Finance 2009 in Dakar, Senegal, the Trade Hub presented and implemented its access to finance strategy directly with finance sector stakeholders: commercial banks, multilateral institutions, investors, exporting companies and the public sector. Centered on the Trade Hub's work in the value chains, the strategy combines the Trade Hub's technical expertise in each sector with its financial expertise to demonstrate that profitable lending is possible in these important sectors. These efforts are leading to the growth of lending portfolios for export-oriented SMEs in the region and have improved the capacity of export-oriented firms to package financing plans for financial service providers. They are also educating regulators on the challenges faced by both banks and enterprises in filling the "missing middle" in finance: loans from US\$100,000 to US\$1 million.

At the first regional conference on transport, the *Salon International du Transport de l'Afrique de l'Ouest*, in Bamako, Mali, the Trade Hub presented its transport infrastructure work to over 500 transport stakeholders, from transport companies to government officials. Whereas road harassment was once routinely dismissed as a problem, the Trade Hub-UEMOA quarterly reports on the issue were the focus of an afternoon debate at the conference – and pledges to resolve the problem.

Across West Africa, people are talking about road harassment thanks largely to Trade Hub-supported campaigns implemented by civil society organizations initiated in FY 2009. Public debates, workshops for uniformed services and media campaigns have raised awareness of how road harassment partly explains the region's high transport costs, which effectively work to make West Africa less competitive on world markets.

The campaigns were based on the Trade Hub's continued implementation of the road harassment reporting system it innovated with the West African Economic and Monetary Union (UEMOA) in 2006. The quarterly reports show public and private sector stakeholders the extent of the problem and in late FY 2009, the reporting was expanded to cover trade corridors in Cote d'Ivoire and Senegal, adding over 2,000 km of West African roads to the coverage area. Additionally, the Trade Hub completed in-depth studies on road transport costs, the costs specifically affecting the exports of cashew and the structure of the West African trucking market.

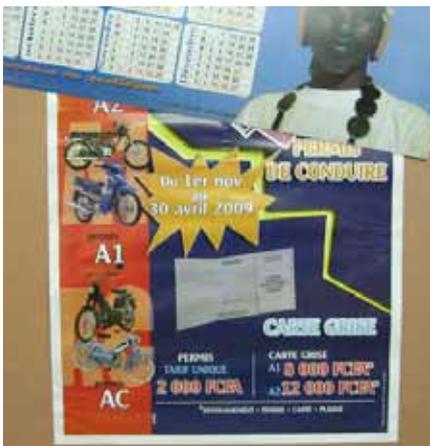
The Trade Hub has also worked closely with ECOWAS and private sector stakeholders to further regional economic integration in West Africa, which will eventually reduce the costs for businesses of establishing regional manufacturing and sourcing bases. The Trade Hub has specifically focused on two key aspects of the regional integration agenda: establishment of an ECOWAS Common External Tariff regime and effective implementation of an ECOWAS free trade area, known as the Trade Liberalization Scheme. This year, a key Trade Hub analysis and modeling tool on tariff schemes provided support for ECOWAS' Common External Tariff, negotiations. This assistance led the region's largest economy, Nigeria, to bring its tariff structure into closer alignment with the current CET tariff bands, removing a key stumbling block to the negotiations. Yet, regional integration remains an elusive goal for West Africa. To understand better how integration – or the lack thereof – affects exporters' ability to compete on international markets, the Trade Hub initiated an analysis of the gaps between ECOWAS' Trade Liberalization Scheme and actual practices in member states. Key issues identified include the lack of access to information about the protocols for the frontline agents charged with

implementing them and lack of information about the advantages of the ECOWAS Trade Liberalization Scheme for private companies that would most benefit from them.

West African businesses also suffer from higher costs and lower rates of utilization of ICT in their operations. To reduce this gap between West African firms and their competitors in the rest of the world, the Trade Hub works with ICT providers to reduce the costs and ease the integration of ICTs for export-oriented firms. In FY 2009, the Trade Hub designed and introduced eBizBox as the first activity implemented under the USAID-Intel Alliance. The package offers exporting companies competitive prices for hardware and Internet connectivity, open source software to improve their productivity and free training, provided by the Trade Hub, to design and maintain websites.

From its collaborations with ONE, the international poverty-elimination advocacy group, to Women Who Thrive, an NGO seeking to help women entrepreneurs, to the United States African Development Fund and regional export promotion councils, the Trade Hub continued to catalyze events, build on synergies and create impacts beyond the simple sum of the parts.

Across West Africa, business is on the move, creating and producing – and competing on world markets. The Trade Hub's work in FY 2009 continued to build dynamic value chains, increase exports and opportunities to export and improve West Africa's global competitiveness.



Counterclockwise from top left: A poster presents information on regional policies at a border checkpoint; Ghana Minister of Trade and Industry Hannah Tetteh discusses business with Trade Hub-assisted companies in Accra; and, Sandy Berger, the former U.S. National Security Advisor, talks exporting handcrafts with a West African artisan.

Table 1: Trade Hub Performance Indicators

Indicator	Unit of measure	FY 2009 (Oct 2008 – Sep 2009)			Life of Project (Oct 2007 – Sep 2011)		
		Target	Achieved	% Achieved	Target	Achieved	% Achieved
Trade and Investment Capacity							
Number of firms receiving capacity-building assistance to export from the Trade Hub	Number of firms	200	666	333%	825	934	113%
	Women owned firms	100	173	173%	200	173	87%
Number of Trade Hub supported capacity building events related to improving trade and attracting investments	Number of events	15	25	167%	72	38	53%
Number of participants in Trade Hub supported capacity building events related to improving trade or attracting investment	Number of people	1,000	2,154	215%	3,400	4,217	124%
	Number of women trained	500	691	138%	1,000	1,065	107%
Value of investment facilitated by the Trade Hub (US\$) ¹	Value of investments	3,000,000	1,105,319	37%	14,000,000	6,280,426	45%
Value of exports facilitated by the Trade Hub (US\$)	Total value of exports ²	14,000,000	20,865,358	149%	62,000,000	47,630,366	77%
	Value of AGOA exports ³	N/A	1,753,820	N/A	N/A	14,571,363	+100%
Number of jobs created attributable to Trade Hub support	Number of jobs	1,000	755	76%	4,000	2,218	55%

¹ Data for work plan indicators on the value of investment facilitated, new exports facilitated, and number of jobs created are collected from the export-ready companies the Trade Hub works with. The Trade Hub sends out questionnaires requesting information on indicators two weeks prior to the end of each quarter to all companies receiving technical assistance to collect data on investment, exports, and jobs, and reports on the total of their responses. The Business Technical Coordinators and the Monitoring and Evaluation Specialist save and file all information from individual companies and tallies the information for reporting purposes. Further, the Trade Hub periodically validates the authenticity of data received from the responding companies by inspecting bills of lading for exports and conducting site visits to inspect new machinery purchased or new construction. Value of exports and investments are very conservative figures. They include products actually shipped to international buyers not pending sales and investments implemented not planned. All values are in U.S. Dollars.

²This value equals the total value of exports worldwide.

³ This value includes AGOA and GSP, but not NTR.

Table 1: Trade Hub Performance Indicators, continued

Indicator	Unit of measure	FY 2009 (Oct 2008 – Sep 2009)			Life of Project (Oct 2007 – Sep 2011)		
		Target	Achieved	% Achieved	Target	Achieved	% Achieved
Transportation Infrastructure							
Has the government adopted improved transportation related policies or plans this year as a result of USG assistance ⁴	Yes/No	Yes	Yes	100%	Yes	Yes	100%
Number of people receiving Trade Hub supported training in transportation-related policy and regulatory practices	Number of people trained	500	3,407	681%	3,000	5,880	196%
	Number of women trained	25	92	368%	90	122	136%
Number of improved national transportation and logistics policies adopted this year as a result of Trade Hub assistance	Policy document	2	1	50%	7	2	29%
Percentage annual reduction in the number of barriers along priority West African trucking corridors ⁵	Number of barriers/checkpoint	5%	-19%	0%	25%	-19%	0%
Percentage annual reduction in average transportation & logistics costs (direct & indirect) for key exports using priority West African trucking corridors ⁶	Percent of cost	5%	N/A	0%	15%	N/A	0%
Business Environment							
Number of trade and investment enabling environment diagnostics conducted ⁷	Number of diagnostics conducted	1	0.27	27%	4	1.27	32%
Number of consultative processes with private sector as a result of Trade Hub assistance ⁸	Number of consultative processes	15	12	80%	63	16	25%
Year on year average of the reduction in the cost to import and reduction in the cost to export standardized goods ⁹	Reduction in import/export costs at borders	1% decrease	0%	0%	4% decrease	0%	0%
Number of ECOWAS capacity building activities	Number of activities	1	1	0%	4	0	0%
Finalization of the Common External Tariff	CET	CET Completed	No	0%	CET Completed	No	0%

⁴ Improved transportation policies refers to written changes in laws or administrative procedure or more effective implementation of existing administrative procedures that have been influenced by information received from Trade Hub reports, communication materials or advocacy work. This definition is also used in the third indicator in the table.

⁵ A table indicating baseline and annual number of barriers by route is located in the Transport Infrastructure section of this report.

⁶ RRTC first results are to be used as a baseline. A quick survey is being organized to Paga to check on cost reduction if any. The fact is that RRTC made recommendations which have not yet been implemented. Due to axle load regulation implementation transport prices have increased by 80% for the northbound corridor.

⁷ Total number of diagnostics completed is 0.27. The Trade Hub implemented 0.27 of these (4 out of 15 countries for the Gap Analysis diagnostic).

⁸ Consultative processes are documented by questionnaires and other information provided by the Trade Hub's Business Environment Expert Lori Brock.

⁹ The FY 2009 reference amount against which the indicator will be measured in FY 2010 is US\$22,233. (For further details contact the Trade Hub Transport team.)

Table 1: Trade Hub Performance Indicators, continued

Indicator	Unit of measure	FY 2009 (Oct 2008 – Sep 2009)			Life of Project (Oct 2007 – Sep 2011)		
		Target	Achieved	% Achieved	Target	Achieved	% Achieved
Financial Services							
<i>a. Mobile Banking</i>							
Number of legal barriers and gaps identified and options to overcome them	Number of gaps	0	0	0%	10	7	70%
Number of alliances established between the US Government and private service providers	Number of signed MOUs	2	2 ¹⁰	100%	4	2	50%
Number of countries that offer cross-border, cross-currency funds transfer services	Number of countries	1	0	0%	2	0	0%
<i>b. Access to Finance</i>							
Number of financial sector professionals trained on international standards this year with USG assistance	Number of participants	100	40	40%	300	40	13%
	Female participants	50	5	10%	150	5	3%
Lending institutions access credit bureau reports as part of the credit investigation process	Yes/No	Yes	No	N/A	Yes	No	N/A
Number of alliances established with banks	Number of signed MOUs	2	1	50%	6	1	17%
Number of new banking products and services established by allied banks	Number of products	2	0	0%	6	0	0%
Number of loans made by allied banks to client ERCs ¹¹	Number of loans	35	8	23%	105	8	8%
Value of new loans made to ERCs ¹²	Value of loans	\$1,000,000	\$1,798,477	180%	\$4,000,000	\$2,368,472	59%
Amount of private financing mobilized with a DCA guarantee	Amount of finance	\$1,000,000	\$200,000	20%	\$4,000,000	\$200,000	5%
Telecommunications Infrastructure							
Number of companies with enhanced access to affordable broadband internet services	Number of companies	25	12	48%	25	12	48%
Total of public and private dollars leveraged by USG for ICT infrastructure projects	Value of funds leveraged	\$0	\$300,000	+100%	\$0	\$900,000	+100%
Number of new ICT value added products and services being used by businesses	Number of products or services	10	6	60%	10	6	60%
Number of companies receiving ICT training ¹³	Number of companies	12	7	58%	12	7	58%

¹⁰ An MOU with AfricXpress was submitted to USAID for approval

¹¹ Defined as loan funds disbursed to export-ready companies (ERCs).

¹² This includes buyers' financing

¹³ Providing 4 hours (half-day) or more of instruction to convey knowledge or impart training related to Trade Hub goals and objectives to relevant stakeholders.

Table 2: Country Summary Table

Country	# Trade Hub person trips ¹⁴	Value of exports facilitated US\$ (AGOA)	Value of investment facilitated US\$	# Jobs added (# women)	# Companies received technical assistance (# women-owned)	TIC training (# women)	Transport Infrastructure: training (# women)	Access to Finance: training (# women) ¹⁵	Access to Finance: Loans Requested	Access to Finance: # of loans approved
Benin	6	326,100			22 (5)	3				
Burkina Faso	55	493,772	57,501		20 (9)	253 (149)	1,040 (25)			
Cameroon	1	260,490		29 (17)	11 (1)	2			400,000	
Cape Verde										
Chad						1				
Côte d'Ivoire	23	891,269	137,390	47	19 (5)	234 (80)		9 (3)		
Gabon										
Gambia	2				12 (4)	26 (8)				
Ghana	26	5,747,596	396,180	288 (147)	231 (109)	362 (133)	130 (18)	12 (1)	735,000	1
Guinea	2				3 (1)	41 (19)				
Guinea-Bissau	1				7 (1)	3 (1)				
Liberia	2		1,860		3	59 (1)				
Mali	31	372,531	26,900		29 (9)	27	1,139 (12)		22,000	1
Mauritania					1	8 (1)				
Niger	4				4	2				
Nigeria	26	1,083,737	15,332	335 (103)	182 (9)	669 (159)				
São Tomé e Príncipe										
Senegal	19	11,689,863	470,156	56 (39)	118 (18)	318 (111)		19 (1)		
Sierra Leone	2				4 (2)	48 (9)				
Togo	33					98 (20)	1,098 (37)			
Total	233	US\$20,865,358	US\$1,105,319	755 (306)	666 (173)	2,154 (691)	3,407 (92)	40 (5)	US\$1,157,000	2

¹⁴ During FY2009 Trade Hub staff and consultants also traveled to countries outside West Africa, including Belgium, Chile, Egypt, France, Germany, Portugal, South Africa, Spain, Tanzania and the U.S.

¹⁵ This includes only financial sector professionals trained.

TRADE HUB EVENTS FY 2009

Activity	Date	Location	Contact person
<i>Business (Trade and Investment Capacity)</i>			
Cashew Commission Conference	October 6-9, 2008	Bissau, Guinea-Bissau	Christian Dahm
<i>Peanut and Tree Nut Processors Association (PTNPA)</i>	January 23-26, 2009	Port Lucaya, Bahamas	Christian Dahm
<i>MAGIC Trade Show</i>	February 17-19	Las Vegas, Nevada	Mutale Chilangwa
<i>International Boston Seafood Show</i>	February	Boston	Mutale Chilangwa
Shea 2009 Conference	March 25-27	Ouagadougou, Burkina Faso	Vanessa Adams, Peter Lovett, Kafui Djonou, Megan Tweed, Judd Welsh, Abou Fall, Joe Lamport
ACA/GTZ Workshop	April 7-9	Ouagadougou, Burkina Faso	Christian Dahm
African Cashew Initiative Launch	April 14-17	Accra, Ghana	Christian Dahm, Vanessa Adams
<i>European Seafood Exposition</i>	April 23-May 1	Brussels, Belgium	Makhtar Thiam, Tim Stein
<i>Association of Food Industries</i>	April 29- May 2	Naples, FL, US	Christian Dahm
AGOA/Access to Finance Desk preparations BOI	May 5-8	Lagos, Nigeria	Abou Fall, Vanessa Adams
<i>Cosmetic Chemist Suppliers Day</i>	May 12-13	New York	Mutale Chilangwa, Peter Lovett
African Development Bank Annual meeting	May 12-15	Dakar, Senegal	Makhtar Thiam, Judson Welsh, Stephanie Diakite
PEFIB Workshop: Conference on ECOWAS financial integration	May 14-15	Accra, Ghana	Christophe Bruyas
IFC Trade Finance Workshop for Bankers and ERCs	June 8-12	Accra, Ghana	Judd Welsh
AGOA/Access to Finance Resource Center Launch at BOI	June 8-11	Lagos, Nigeria	Vanessa Adams, Abou Fall
Cashew Financing in Cote d'Ivoire	June 23-26	Abidjan, Cote d'Ivoire	Christian Dahm
AGOA Resource Center training	July 3-11	Dakar, Senegal	Abou Fall
"Trade Finance 2009: Untapped Markets" conference and investors forum	July 9-11	Dakar, Senegal	Judd Welsh, Christophe Bruyas, Nene Akwetey-Kodjoe, Megan Tweed
Santa Fe Folk Art Market	July 11-12	Santa Fe, NM	Elitza Barzakova
Trade Hub Work Planning meeting	July 20-22	Accra, Ghana	Trade Hub & CARANA staff
AGOA Workshop Togo	July 27-28	Lome, Togo	Abou Fall
Financing Shea in Nigeria	July 28-31	Minna, Nigeria	Peter Lovett, Kafui Djonou
AGOA 8 th Annual Forum	Aug. 3-7	Nairobi, Kenya	Vanessa Adams, Abou Fall, Peter Lovett
USTR & Ministry of Commerce Meeting	Aug. 8-12	Dakar, Senegal	Abou Fall, Makhtar Thiam

Activity	Date	Location	Contact person
AGOA Committee Meeting	Aug. 26-27	Lome, Togo	Abou Fall
<i>MAGIC Trade Show</i>	August 29-September 2	Las Vegas, Nevada	Mutale Chilangwa
4 th Annual African Cashew Alliance Conference	September 1-3, 2009	Abidjan, Cote d'Ivoire	Christian Dahm, Frank Gyabaah, Christel Annequin, Judson Welsh
NEPC Export workshop	September 10	Abuja, Nigeria	Judson Welsh
AGOA training workshop at BOI & Federal Ministry of Commerce & Industry	September 14-16	Lagos, Nigeria	Abou Fall
TIFA Export Sensitization Workshop	September 15, 2009	Lagos, Nigeria	Abou Fall
CCA US-Africa Business Summit	September 30-October 1	Washington, DC	Vanessa Adams
Transport Infrastructure			
Road Transport Disruption Monitoring	Sept 30-Oct 4, 2008	Lome & Amakpape, Togo	Lacina Pakoun
Business meeting (5th IRTG Report) with Burkina Faso, Togo Mali Ambassadors to Ghana	Dec 10, 2008	Accra, Ghana	Lacina Pakoun, Amadou Ba
Press Conference on the 5th report	Dec 15, 2008	Accra, Ghana	Lacina Pakoun, Amadou Ba
5th report release in Burkina Faso	December 17-24, 2008	Ouagadougou, Burkina Faso	Lacina Pakoun, Amadou Ba
5th report release in Togo	January 18-22	Lome, Togo	Lacina Pakoun, Amadou Ba
<i>SITRAO</i>	March 7-16	Bamako, Mali	Amadou Ba, Joe Lamport, Andy Cook, Christel Annequin
UEMOA/DSI Software Training	March 7-13	Accra, Ghana	Seydou Ilboudo
RRTC Validation workshops	March 10	Accra, Ghana	Christel Annequin, Afua Eshun
	March 18	Ouagadougou, Burkina Faso	Christel Annequin, Afua Eshun
6th report release in Ghana	March 12	Tema, Ghana	Lacina Pakoun, Amadou Ba
6th report release in Burkina Faso and Togo	March 19-25	Ouagadougou, Burkina Faso ; Lome, Togo	Lacina Pakoun, Amadou Ba
CBC/UEMOA focal points training	April 6-9	Ouagadougou, Burkina Faso	Dela Bani
CCIT/UEMOA focal point training	April 13-15	Lome, Togo	Dela Bani
Observation of Truck Backlog	April 12-17	Makalondi, Niger	Lacina Pakoun
New Focal points Identification	April 20-May 9	Dakar, Senegal ; Niamey, Niger ; Cotonou, Benin	Amadou Ba
Checkpoint mapping for new corridors	May 6-10	Niamey, Niger ; Cotonou, Benin	Patrick Kpenou
Grant s Corruption Awareness Assessment	May 20-June 16	Bamako, Mali ; Burkina Faso ,	Lacina Pakoun, Yakubu Iddirisu

Activity	Date	Location	Contact person
		Ouagadougou; Lome, Togo	
IRTG Steering Committee meeting	May 23-24	Bamako, Mali	Vanessa Adams, Andy Cook, Amadou Ba, Joe Lamport
Grant Campaign Monitoring	June 7-14	Bobo-Dioulasso, Burkina Faso ; Lome, Togo	Lacina Pakoun
Transport Seminar	June 7-10	Takoradi, Ghana	Afua Eshun
UEMOA meetings & IRTG 8th report preparation	June 26-29	Ouagadougou Burkina Faso	Amadou Ba
Verification Tour	July 6-29	Ouagadougou-Bamako; Bamako-Dakar	Seydou Ilboudo
Cashew Transport Study	July 12-17	Abidjan, Cote d'Ivoire	Christel Annequin
8th IRTG report release	Sept 6-9	Ouagadougou, Burkina Faso	Niels Rasmussen
	Sept 6-14	Lome, Togo	Lacina Pakoun
	Sept 6-20	Ouagadougou, Burkina Faso ; Bamako, Mali	Amadou Ba, Aline Adamou
Verification Tour	Aug13-3, Sept, 2009	Tema-Ouagadougou-Tema; Lome-Ouagadougou-Lome	Kpenou Patrick
Grant Field Visit	July 9-18	Ouagadougou, Burkina Faso ; Bamako, Mali	Jane Owiredu-Yeboah
ECOWAS Security Meeting	July 27-30	Abidjan, Cote d'Ivoire	Niels Rasmussen
Business Environment			
Abidjan-Lagos Corridor Trade Facilitation	June 9–12	Lomé, Togo	Lori Brock
Private Sector on Comprehensive Africa Agricultural Development Programme (CAADP) and New Partnership for Africa's Development (NEPAD)	June 15–18	Dakar, Senegal	Lori Brock
ETLS Gap Analysis – Public Sector	May 20–June 19	Burkina Faso, Ghana, Mali, Togo	Jane Owiredu-Yeboah, Jeremy Streatfeild
ETLS Gap Analysis – Private Sector	May 30–June 6	Niger	David Tanenbaum, Mashood Ilupeju
Financial Services			
TIFA Export Sensitization Workshop	Jan 21-24	Lagos, Nigeria	J Welsh
Shea 2009 Conference	March 22-29	Ouagadougou, Burkina Faso	J. Welsh
Pre-conference visit to Dakar for Regional Conference	April 4-7	Dakar, Senegal	Judd Welsh, Joe Pegues
ACA/GTZ Workshop	April 7-9	Ouagadougou, Burkina Faso	J Welsh
Access to Finance Desk set up at BOI	May 5-8	Lagos, Nigeria	Judd Welsh, Abou Fall
African Development Bank Annual Meeting	May 12-15	Dakar, Senegal	Judd Welsh, Stephanie Diakite
Private ECOWAS Financial	May 14-15	Accra, Ghana	Christophe Bruyas

Activity	Date	Location	Contact person
Improvements Board (PEFIB) workshop			
Access to Finance Team meeting: Pilot Evaluation, Institutional Study, Conference Preparation	June 2-3	Accra, Ghana	Stephanie Diakite, J. Pegues, Trade Hub Team
IFC Trade Finance Workshop for Bankers and ERCs	June 8-12	Accra, Ghana	Judd Welsh, Tidiane Traore, Christophe Bruyas, A. Burke
Global System for Mobile Communications Association (GSMA) Mobile Money Summit	June 22-24	Barcelona, Spain	Ann Casanova
Cashew Financing in Cote d'Ivoire	June 23-26	Abidjan, Cote d'Ivoire	Judson Welsh, Peter Keller (GTZ)
"Trade Finance 2009: Untapped Markets" conference and investors forum	July 9-11	Dakar, Senegal	J. Welsh, M. Tweed, S. Diakite, T. Traore, J. Pegues, N. Kodjoe, C. Bruyas
"Financing Shea" Workshop	July 28-31	Minna, Nigeria	J. Welsh, P. Lovett
"Investing in Agriculture" Expert Meeting	August 19-20	Frankfort, Germany	J. Welsh
4th Annual Conference of the ACA	September 1-3	Abidjan, Cote d'Ivoire	J. Welsh, C. Dahm
NEPC workshop	September 10	Abuja, Nigeria	J. Welsh
Telecommunications Infrastructure			
eBizBox Presentation to Nigeria Export Promotion Council (NEPC)	April 3	Lagos, Nigeria	Kofi Sedalo, Bob Otto
International Telecommunication Union's (ITU) World Telecommunications Policy Forum	April 14-20	Lisbon, Portugal	Bob Otto
Commonwealth Telecommunications Organization CRC Forum	August 25-27	Livingston, Zambia	Darrell Owen

INTRODUCTION

In 2003, USAID established Trade Hubs under the President's Africa Global Competitiveness Initiative (AGCI), in order to strengthen the knowledge and skills of enterprises to take advantage of market opportunities, increase access to financial services for trade and investment, increase investments in infrastructure and support regional bodies (such as ECOWAS and UEMOA) in their efforts to create a stronger trade and investment enabling environment for the private sector in West Africa. Trade Hub technical assistance helps enterprises to take advantage of the increased international market access, especially the U.S. under the Africa Growth and Opportunity Act (AGOA).

The Trade Hub uses a demand-driven approach to facilitating exports and strengthening value chains, working from the market backward to identify how West African firms can improve their products to meet market requirements. By exposing firms to buyers and investors in global markets, the Trade Hub facilitates the process of learning international requirements to compete and then provides the technical assistance resources that those firms need to grow. Where constraints to competitiveness are not unique to one particular firm, the Trade Hub facilitates the formation and strengthening of industry clusters, alliances or trade associations that can address common problems. In addition to enabling collaboration between industry leaders on initiatives such as joint marketing campaigns, these alliances and associations provide a platform for engagement with policymakers on issues of concern to the private sector. They also provide a platform for collaboration with other industries of critical importance to their success, including the financial services, telecommunications and transport logistics industries.

As industry-wide constraints to export competitiveness are defined by regional alliances and associations, the Trade Hub works with policymakers, transport sector stakeholders, financial services firms and telecommunications providers to address those constraints. Often working in concert with exporters, the Trade Hub informs the debates on policy reform, infrastructure development and access to finance from the perspective of export competitiveness. Drawing on its resources and capacity to build cross-sector coalitions, the Trade Hub addresses the cross-cutting constraints that emerge.

Economists widely agree that increasing exports is an effective way to alleviate poverty and real world examples of this abound. The Trade Hub has initiated a field study in at least three countries of cashew and home décor and fashion accessories value chains to measure the multiplier effects and impacts of export-led growth. Distinguished Applied Economics Professor Daniel Bromley of the University of Wisconsin has designed and will continue to direct this study in FY 2010.

When exports rise, the effects of increased orders ripple through the regional and national economies: A basket maker asked to increase her production will seek more grass and more dye; the grass cutter will employ more people to cut grass and the dye vendor will produce more dye. The producer's increased income will find its way into local businesses and overall economic activity will increase. Developing local cashew processing capacity brings the same types of multiple impacts: Increased demand for raw nuts leads to greater production and higher prices for farmers; processing the nuts locally as opposed to exporting them means local people are put to work and the factory will seek the inputs it needs locally, too: boxes, electricity, water and some types of equipment.

Increased economic activity leads to more jobs and more income. The study will determine roughly what the multiplier effects of Trade Hub activities is. Ultimately, as the Trade Hub makes West Africa more competitive on global markets, its efforts are directly contributing to USAID's poverty-alleviation goals as well as Congress' and the G8 focus on Global Food Security. (See Annex 2.)

This report summarizes the results achieved by the Trade Hub in FY 2009 and is organized by the Hub's key result areas: Trade Investment Capacity, Financial Services, Transport Infrastructure, Business Environment and Telecommunications.

The Trade Hub's work is disseminated widely via a broad communications program. The Trade Hub maintains eight websites, develops marketing communications for five brands, presents its programs and results in brochures and a variety of report formats and publishes a newsletter, Tradewinds, delivered monthly to over 11,000 people around the world. Tradewinds articles for the fourth quarter of FY 2009 appear in Annex 4.





1 Business (Trade Investment Capacity)

The Trade Investment Capacity component is developing clusters of competitive industries that produce value-added exports with internationally recognized brands. The Trade Hub promotes the international competitiveness of key value chains by increasing the capacity of key firms in each sector: cashew, shea, home décor & fashion accessories, apparel, specialty foods and fish & seafood. (See the Trade Hub Exporters Directory in Annex 5.) Advisors in each sector use a “narrow and deep” approach – working closely with individual export-ready companies to address issues, such as costing, marketing, packaging, labeling, and management, which affect their competitiveness. The Trade Hub’s advisors and industry experts also provide assistance through associations and alliances to address constraints to competitiveness. The team’s experience with export-ready and nearly export-ready companies in each sector and knowledge of the buyers’ as well as market requirements informs the Trade Hub’s work in the financial services, transportation infrastructure, business environment, and telecommunications infrastructure components, leveraging this private sector experience to improve competitiveness and increase trade.

Each year, the Trade Hub has increased the number of firms receiving assistance while simultaneously increasing their presence in international markets.

During FY 2009, the Trade Hub surpassed key export and investment targets, by:

- Providing business training to 2,154 people (691 of whom were women)
- Providing technical assistance to 666 companies (an increase of 331 companies over FY 2008)
- Assisting 325 West African companies from 13 countries, including **Benin, Burkina Faso, Cameroon, Chad, Cote d’Ivoire, Ghana, Guinea Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone** and **Togo** to participate in 17 international trade shows. The shows generated nearly 1,400 business linkages.

As a result of these activities:

- Through 263 export transactions, Trade Hub-assisted export-ready companies reported US\$20,865,358 million in international exports, a decrease of 22% over FY 2008 and 149% of FY 2009 targets.
- The Trade Hub facilitated US\$1,105,319 in investments.
- The companies created 755 new jobs, including 306 jobs for women (or 75% of the FY 2009 target).

The Trade Hub’s TIC component includes cross-cutting services assisting all sectors including AGOA Services and Market Linkages, and industry-specific training and assistance to firms and sector-focused clusters. An example of how Trade Hub assistance crosses all sectors is the certification guide the Trade Hub produced in FY 2009; it appears in Annex 24. The first part reports results emerging from the cross-cutting activities – AGOA and market linkages. The second part reports the FY 2009 results in each of the value chains. The team is represented in the Trade Hub organizational diagram in Annex 3. The table below shows the number of contacts by sector that the Trade Hub maintains.

Table 4: Trade Hub Companies, Exporters and Buyers

Sector	Number of companies	Exporters Contacts	International Buyers	
Cashew	56	653	214	
Apparel/Textiles/Fashion Design	38	700	377	
Home Décor & Fashion Accessories	75	1,629	1,021	
Shea	43	1,325	960	
Specialty Foods	48	778	364	
Fish & Seafood	12	658	412	
Banking		592	77	
Totals	272	6,335	3,425	12,896



1.1 AGOA Services

Introduction

Launched in 2001, the African Growth and Opportunity Act establishes trade preferences for eligible countries on over 6,400 products. The Act eliminates duties on products American importers purchase from eligible countries in sub-Saharan Africa. Exporters in West Africa face two immediate obstacles when they try to use AGOA: they are not aware of how AGOA works and their governments are unaware of or do not adequately follow the procedures to ensure the benefits are accorded to the importer once products arrive in the United States. In the United States, importers are similarly unaware of the benefits of AGOA or how to take advantage of them. The Trade Hub's work directly tackles these problems.

In FY 2009, the Trade Hub continued to strengthen its network of AGOA Resource Centers (ARCs) across the region and to provide technical assistance to companies and governments in order to help them take advantage of the Act's trade preferences. Total Trade Hub-assisted companies' exports reached \$US2,247,837 in FY 2009, of which US\$1,1753,820 were accorded AGOA benefits.

In FY 2009, the Trade Hub trained 419 representatives of companies, organizations and public stakeholders in the region and added two new AGOA Resource Centers in **Liberia** and **Nigeria** to its network serving business communities in most countries. The Trade Hub worked with four governments (**The Gambia, Senegal, Sierra Leone, Togo**) to help start the process of defining export strategies, and helped the government of Burkina Faso achieve its Category 9 certification. The Trade Hub also provided training to customs officers in Burkina Faso, Gambia, and Senegal to improve the effective administration of the textile visa and AGOA documentation.

FY 2009 Results and Highlights

- Across the region, the Trade Hub is managing 13 effective AGOA Resource Centers including the launch of a new ARC in Liberia with the Chamber of Commerce and the set up of an ARC & Access to Finance Desk with the Bank of Industry (BOI) in Nigeria. The Trade Hub also trained 14 ARC Administrators (**Benin, Burkina Faso, Cameroon, Gabon, The Gambia, Guinea, Guinea Bissau, Mali, Nigeria (2), Sao Tome e Principe, Senegal, and Sierra Leone**) and launched a new website (www.agoatoolkit) that will enhance the capacity of the ARCs to complement Trade Hub's objectives in identifying and referring export-ready companies and providing needed technical assistance to companies.
- The Trade Hub provided training on AGOA and export-readiness to over 419 (78 women) public and private sector stakeholders in **The Gambia, Guinea, Liberia, Nigeria, Senegal, Sierra Leone** and **Togo**. These trainings contribute to increased awareness of export opportunities under AGOA and requirements for specific sectors' products to enter the U.S. market.



- The Trade Hub worked with four governments in the region and is collaborating with key institutional partners (*Department of State for Trade Industry and Employment, DOSTIE* in **The Gambia**, *Senegalese Export Promotion Agency, ASEPEX* in **Senegal**, *Sierra Leone Investment and Export Promotion Agency* in **Sierra Leone**, and the *AGOA Committee* in **Togo**) to start the process of defining sector-specific export strategies to help boost exports from these countries .
- Burkina Faso successfully submitted its Category 9 certification, which was approved by the Committee for the Implementation of Textile Agreements (CITA) Aug. 5, 2009. The Category 9 certification will allow Burkinabe exporters of hand-loomed textile products to export duty-free to the United States under AGOA, and creates an opportunity for Burkinabe exporters to diversify their product lines.
- The Trade Hub trained 31 Customs officers from three countries (**Burkina Faso**, **The Gambia**, and **Senegal**) on the effective administration of the textile visa and the AGOA documentation to help exporters in the region take advantage of the duty-free benefits under AGOA.

Evaluation

The West Africa Trade Hub covers 17 countries that are AGOA-eligible. Between 2007 and 2008, the total exports of non-oil products to the United States by countries under Trade Hub coverage increased by 27.4%, while AGOA (including GSP) exports have decreased to 23.2% during the same period (See Table 1). In comparison, East and Southern Africa AGOA-eligible countries noted a relative decrease of 11.46% of their total exports to the United States, although in absolute terms, the value of their exports is much higher with US\$12.4 million in 2008, compared to US\$736,000 for all countries covered by the Trade Hub (see Figure 1 & 2), and the percentage of East and Southern Africa AGOA exports increased by 51.7% (see Table 2).

A further analysis suggests much higher percentages of AGOA exports in all sectors (see Table 2). This may occur because East and Southern African AGOA-eligible countries are more competitive and have developed strategic mechanisms to improve their export competitiveness, unlike West Africa. Unlike East and Southern Africa, where countries such as Kenya, Ethiopia, Rwanda have define clear export strategies to help boost exports under AGOA, countries in West Africa still have not set up the right steering mechanisms to help their private sectors fully take advantage of AGOA. There are no clear sector strategies, and the trade support networks, among which the AGOA Resource Centers (ARCs) are usually weak. Moreover, there are cumbersome export procedures, especially in Francophone countries, that make it difficult to effectively process the export documentation to fully take advantage of AGOA.

The Trade Hub can help address the constraints noted above by:

- Providing more support to its ARC network, more specifically by providing technical advisors and some level of funding to select ARCs. By enhancing some ARCs through the provision of on-the-ground technical support and some level of funding, the Trade Hub will have more leverage in determining the objectives, and controlling the output of the selected ARCs. The set up of the enhanced Resource Centers has however been lagging because of combination of relatively weak institutions, no clear involvement of host governments and U.S. embassies or USAID missions. The Trade Hub needs a more strategic and pragmatic approach in the sense that the Trade Hub, through the U.S. embassies and USAID missions, need to engage the governments in supporting some of the institutions hosting the ARCs. We especially need the full support and involvement of U.S. missions in order to fully launch the enhanced AGOA Resource Centers.

- Working with targeted governments and export promotion agencies to develop sound sector export strategies to help boost exports under AGOA. Countries such as Kenya, Ethiopia that have put into place incentives mechanisms and real measures to boost competitiveness in their flower and textiles sectors for example can be good case studies to emulate in West Africa. Some countries in West Africa have already realized the missed opportunities by not implementing sound policies that help boost the competitiveness of their economy. The Trade Hub should support these efforts to ensure that the private sector can operate in a more internationally competitive enabling environment to increase exports.
- Working with Customs Services across the region to create effective export documentation to fully take advantage of AGOA. The percentages of AGOA (including GSP) exports are very low in West Africa compared to East and Southern Africa (see tables below). A more pragmatic approach is needed to ensure that Customs fully understand the documentation requirements and can effectively set up the right systems to administer all AGOA-related documents.

	Trade Hub AGOA-eligible countries			
	2007		2008	
	(in thousands of dollars)	% AGOA	(in thousands of dollars)	% AGOA
Agricultural products:				
US Imports	117,915		120,804	
Total AGOA including GSP provisions of AGOA	11,456	9.72%	15,038	12.45%
Forest products:				
US Imports	91,523		76,081	
Total AGOA including GSP provisions of AGOA	5,704	6.23%	3,090	4.06%
Chemicals and related products:				
US Imports	188,999		297,869	
Total AGOA including GSP provisions of AGOA	388	0.21%	73	0.02%
Textiles and apparel:				
US Imports	9,144		3,132	
Total AGOA including GSP provisions of AGOA	7,556	82.63%	810	25.86%
Footwear:				
US Imports	2,077		322	
Total AGOA including GSP provisions of AGOA	12	0.58%	1	0.31%
Minerals and metals:				
US Imports	79,124		145,693	
Total AGOA including GSP provisions of AGOA	315	0.40%	234	0.16%
Machinery:				
US Imports	4,118		6,734	
Total AGOA including GSP provisions of AGOA	47	1.14%	102	1.51%
Transportation equipment:				
US Imports	1,871		4,946	
Total AGOA including GSP provisions of AGOA	10	0.53%	24	0.49%
Electronic products:				
US Imports	13,718		11,078	
Total AGOA including GSP provisions of AGOA	27	0.20%	44	0.40%
Miscellaneous manufactures:				
US Imports	34,640		10,274	
Total AGOA including GSP provisions of AGOA	532	1.54%	593	5.77%
Special provisions:				
US Imports	35,032		59,407	
Total AGOA including GSP provisions of AGOA	0	0.00%	0	0.00%
All sectors:				
US Imports	578,161		736,340	
Total AGOA including GSP provisions of AGOA	26,048	4.51%	20,009	2.72%
% change of exports	27.36%			
% change of AGOA (including GSP) exports	-23.18%			

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	East and Southern Africa eligible countries			
	2007		2008	
	(in thousands of dollars)	% AGOA	(in thousands of dollars)	% AGOA
Agricultural products:				
US Imports	581,619		610,534	
Total AGOA including GSP provisions of AGOA	259,985	44.70%	235,075	38.50%
Forest products:				
US Imports	63,349		61,083	
Total AGOA including GSP provisions of AGOA	5,814	9.18%	3,618	5.92%
Chemicals and related products:				
US Imports	575,247		892,519	
Total AGOA including GSP provisions of AGOA	308,498	53.63%	428,196	47.98%
Textiles and apparel:				
US Imports	1,323,571		1,180,139	
Total AGOA including GSP provisions of AGOA	1,263,034	95.43%	1,138,026	96.43%
Footwear:				
US Imports	2,696		1,535	
Total AGOA including GSP provisions of AGOA	2,161	80.16%	710	46.25%
Minerals and metals:				
US Imports	7,182,799		6,924,575	
Total AGOA including GSP provisions of AGOA	795,949	11.08%	1,263,728	18.25%
Machinery:				
US Imports	419,061		351,513	
Total AGOA including GSP provisions of AGOA	29,284	6.99%	23,078	6.57%
Transportation equipment:				
US Imports	667,074		2,064,921	
Total AGOA including GSP provisions of AGOA	588,538	88.23%	1,911,804	92.58%
Electronic products:				
US Imports	78,235		81,929	
Total AGOA including GSP provisions of AGOA	21,297	27.22%	16,897	20.62%
Miscellaneous manufactures:				
US Imports	139,570		123,859	
Total AGOA including GSP provisions of AGOA	76,025	54.47%	62,718	50.64%
Special provisions:				
US Imports	167,380		210,037	
Total AGOA including GSP provisions of AGOA	0	0.00%	0	0.00%
All sectors:				
US Imports	11,200,601		12,484,654	
Total AGOA including GSP provisions of AGOA	3,350,585	29.91%	5,083,854	40.72%
% change of exports	11.46%			
% change of AGOA (including GSP) exports	51.73%			

AGOA Services Gantt Chart

ID	Task Name	Duration	Start	Finish	Predecessor	2008				2009					
						Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
1	Increase capacity of West African companies to benefit from opportunities presented by AGOA	523 days	Mon 10/1/07	Wed 9/30/09											
2	AGOA-related Technical Assistance	261 days?	Wed 10/1/08	Wed 9/30/09											
3	Trade Hub builds virtual ARC network website to provide sector specific and regional trade information	64 days	Thu 1/1/09	Tue 3/31/09											
4	Launch of the virtual ARC network	64 days	Tue 3/31/09	Tue 6/30/09	3										
5	Launch of the virtual ARC network website	0 days	Tue 3/31/09	Tue 3/31/09											
6	Launch of the virtual ARC network website	0 days	Tue 6/30/09	Tue 6/30/09											
7	Trade Hub updates the AGOA Export Toolkit to include export-oriented and sector specific information	23 days	Wed 10/1/08	Fri 10/31/08											
8	Release of the AGOA Export Toolkit (bi-annually, 6 months after first release)	0 days	Fri 10/31/08	Fri 10/31/08	7										
9	Trade Hub develops user guides on AGOA, textile visa administration, and Category 9 certification	33 days	Wed 4/1/09	Fri 5/15/09											
10	Guide published on Textile Visa Administration	76 days?	Mon 5/18/09	Mon 8/31/09	9										
11	Guide published on Textile Visa Administration	1 day?	Mon 5/18/09	Mon 5/18/09											
12	Guide published on Textile Visa Administration	1 day?	Mon 8/31/09	Mon 8/31/09											
13	Trade Hub provides technical assistance on AGOA, textile visa administration, and Category 9 certification	152 days	Wed 10/1/08	Thu 4/30/09											
14	Two countries (Benin, Burkina Faso) submit their Category 9 certifications to CITA	0 days	Thu 4/30/09	Thu 4/30/09	13										
15	Training for customs and government officials on the administration of the textile visa and AGOA/US export procedures	109 days	Fri 5/1/09	Wed 9/30/09	14										
16	<i>Improved procedures for textile visa administration implemented in at least four countries</i>	0 days	Wed 9/30/09	Wed 9/30/09	15										
17	AGOA Resource Centers (ARCs)	434 days?	Fri 2/1/08	Wed 9/30/09											
18	Trade Hub works with host institutions in AGOA-eligible countries to establish new ARCs	129 days	Tue 9/16/08	Fri 3/13/09											
19	New ARCs opened in at least two countries	62 days?	Mon 3/16/09	Tue 6/9/09	18										
20	New ARCs opened in Liberia	1 day?	Mon 3/16/09	Mon 3/16/09											
21	New ARCs opened in Nigeria	1 day?	Tue 6/9/09	Tue 6/9/09											
22	ARCs develop workplans and provide technical assistance to companies and referrals to the Trade Hub	434 days	Fri 2/1/08	Wed 9/30/09											
23	At least 10 companies are referred to the Trade Hub by ARCs	0 days	Wed 9/30/09	Wed 9/30/09	22										
24	Trade Hub enhances select ARCs (Cameroon, Nigeria, Burkina Faso, Benin, and Mali)	212 days	Tue 12/9/08	Wed 9/30/09											
25	Trade Hub signs MOU with select ARCs and recruits trade policy experts for the enhanced ARCs	124 days	Tue 12/9/08	Fri 5/29/09											
26	Enhanced ARC staffing completed	0 days	Fri 5/29/09	Fri 5/29/09	25										
27	Trade Hub provides training for enhanced ARC staff in broad and industry-specific AGOA issues	66 days	Mon 6/1/09	Mon 8/31/09	26										
28	ARC-sponsored workshops on national AGOA strategy held	22 days	Tue 9/1/09	Wed 9/30/09	27										
29	<i>Launch of sector specific export strategies by at least four countries</i>	0 days	Wed 9/30/09	Wed 9/30/09	28										

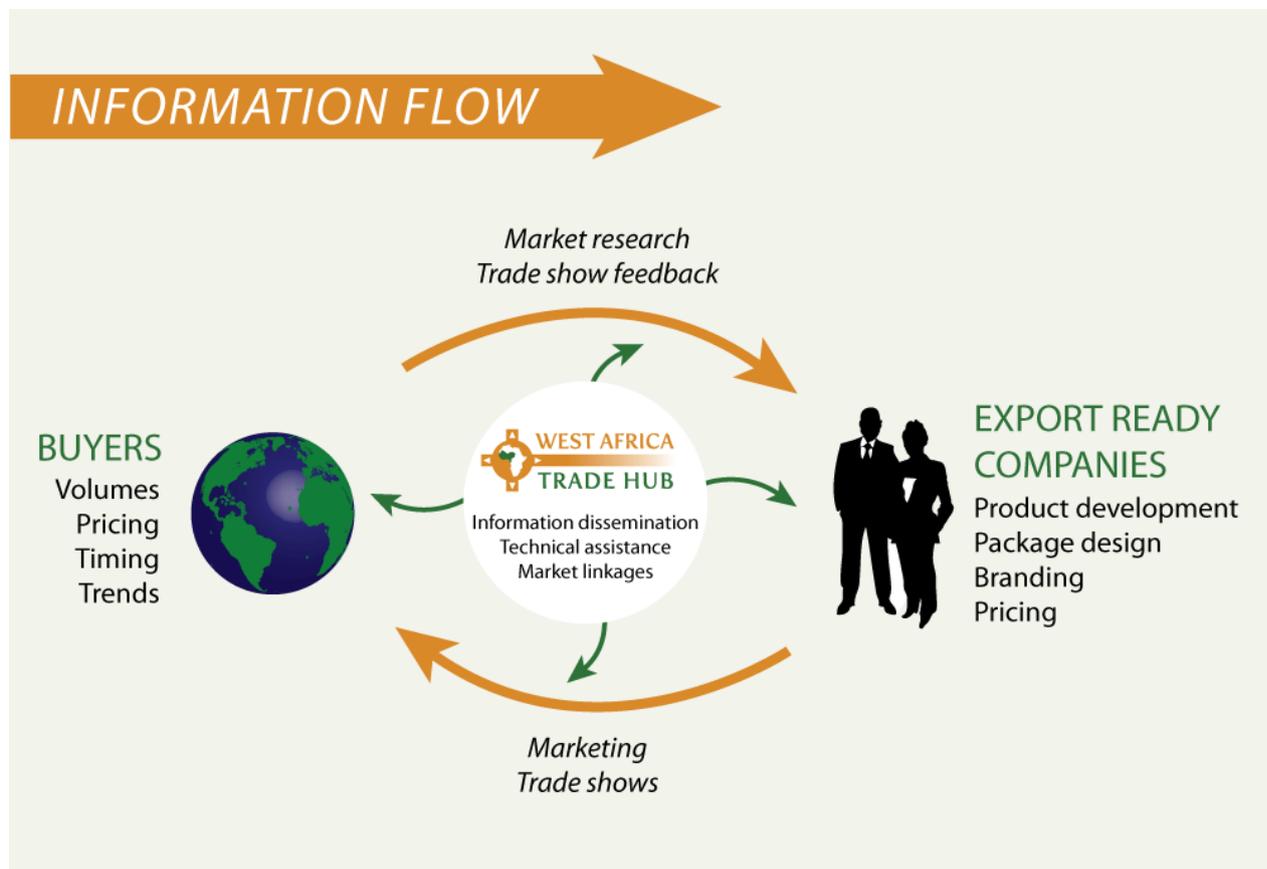
Project: Trade HUB AGOA gnatt chart Date: Thu 10/15/09	Task		Summary		Rolled Up Progress		Project Summary	
	Progress		Rolled Up Task		Split		Group By Summary	
	Milestone		Rolled Up Milestone		External Tasks		Deadline	



1.2 Market Linkages

Introduction

Connecting producers in West Africa to buyers in world markets is the key feature of the Trade Hub's approach to increase export-led growth. The Trade Hub's work to make these connections permeates virtually every aspect of its work and is not exclusively an enterprise development activity, although it most explicitly occurs within this component. To build market linkages, the Trade Hub helps West Africa companies participate in international trade shows; facilitates direct contact between producers and buyers, including via buyer tours of the region; and, organizes business-to-business forums at Trade Hub-sponsored sector conferences and workshops. West African companies can successfully compete in world markets if and only if they understand the opportunities and the requirements for products in those markets and if and only if buyers in those markets are interested in their products. The figure below illustrates how the Trade Hub connects buyers to producers and vice versa.



Markets are information conduits. The Trade Hub enhances and expands West Africa's connections to international markets, facilitating the flow of key information that improves the competitiveness of West African exporters.

FY 2009 Results & Highlights

- In FY 2009, the Trade Hub sponsored 325 exhibitors in 17 trade shows, creating 699 links to buyers; 45 international buyers were sponsored on trips to West Africa.
- Over the year, the Business team developed professional branding and aggressive marketing campaigns in all sectors, with the support of a host of new partners. Two new brands (and supporting marketing materials: advertising, print media, web

content) were created (Africa Now and Global Shea), and a professionally designed booth made in Africa was adapted for use in trade shows in three sectors (Home Décor, Shea, and Specialty Foods). The Hub's longest established brand, the ACA logo, is exploring trademarking and licensing options, in order to protect its reputation and give credibility to consumer products. A full-time Buyer Linkages Manager was hired at the end of the year to further develop the Trade Hub's marketing strategy and buyer relationships.

- The Trade Hub leveraged one new public- and private-sector partnership in executing its expanded market linkages initiatives, without whom the scope and reach of its marketing campaigns would have been significantly smaller. Major partners were able to contribute both financially and technically to the jointly funded market development projects, including sponsorship of trade show booth space, design and printing of marketing collateral, the design, building and shipping of the booth, and product development and logistical support.

Evaluation

Trade shows give exporters and their products exposure on an international stage. At trade shows, new exporters make initial contacts and begin fostering relationships with the buyers and distributors. Major industry players attend the trade shows and maintaining an African presence reinforces African companies' professionalism and export-readiness – putting Africa on the buying map, so to speak. The Trade Hub groups African companies in branded African “pavilions” in collaboration with partners, including the Southern and East & Central Africa trade hubs, the U.S. African Development Foundation, national export promotion councils, and other public and private projects in order to create a bigger footprint at trade shows. The pavilions, located centrally, attract buyers, and collaborating with partners generates more resources for bigger marketing and branding campaigns.

Trade shows are valuable because they create contacts and linkages and generate visibility and publicity of a region as a whole. The branded pavilions allow West African companies to be immediately visible and maintain a presence – even if they are new exporters or skip a show – which reassures buyers that the companies are sound and ready to take orders. Trade shows also provide an important educational element, both for African exporters in becoming acquainted with their competitors' products and prices, industry trends, and building professional relationships with clients, and for the buyers in understanding African culture and business relationships, ideally leading to customized buyer sourcing trips to West Africa.

The Trade Hub's brand development is being done on a sector-by-sector basis and features three stages:

1. **Brand and Visuals Design.** The Trade Hub, in collaboration with partners, including the Southern and East & Central Africa Trade Hubs, export promotion councils, IFC's Pangea African Market & Café and other public and private projects, has now created “African brands” in five sectors (see table below). Branding is more than a logo. The values behind these brands – a commitment to quality, authenticity and the positive social impact of buying West African products – are reinforced and multiplied through all aspects of the Trade Hub's work in each sector and together. The brands represent their respective industries as dynamic, achieving and optimistic. In addition to a website full of up-to-date and relevant information for each sector's target market, the Trade Hub develops a range support materials and take-aways that communicate the brands' key attributes: postcards, mass-emails, CD-ROMs, brochures, press-releases, advertising and other sector-specific materials, like product catalogs, hangtags and cookbooks.

Brand	Sector	Trade Shows	Website
	Home Décor & Fashion Accessories	New York International Gift Fair, California Gift Show, International Contemporary Furniture Fair	www.africa-now.org
	Specialty Foods	Fancy Food Show	www.tasteafricanow.com
	Shea	Shea 2009 Conference, Cosmetic Chemists Suppliers Day	www.globalshea.org
	Apparel	MAGIC	Coming soon
	Cashews	ANUGA, INC, AFI, ACA Annual Conference	www.africancashewalliance.org

- Brand Recognition.** In order to produce real returns, a brand must be recognized by clients and others and this requires concerted, consistent and sustained promotion. Presence at trade shows has to be repeated in order to establish credibility in the marketplace, and similarly, marketing and publicity campaigns have to be diversified and regular. The Trade Hub maps out a marketing strategy for each sector to include multiple marketing channels (website, direct mail, advertising in industry publications, and special events like buyer receptions and breakfasts) that drive the brand into a buyer's consciousness while providing relevant and informative content. It is important to sustain and update these marketing initiatives to reinforce the brand's stability and the companies' and the Trade Hub's professionalism.
- Brand Credibility.** The ultimate goal of a brand is to build credibility and confidence in the product and its source beyond simple recognition. The brand can then be used to promote the products directly to the consumer, as a certification label for a set of criteria, or as source identification. The African Cashew Alliance (ACA) brand, after three years of consistent promotion and marketing at industry events, is gaining ground as a symbol of quality and international standards, and is being considered

by Kraft as a marketing tool that can be purchased and added to their cashews' retail packaging. Apparel's Source Africa brand now effectively identifies African manufacturers as a *competitive* source at trade shows, while the Africa Now brand is on its way to identifying the an *authentic* source of African products and styles, as illustrated by a Sherwin-Williams trend forecaster referring to the Africa Now website for the latest in African color trends.



The Trade Hub designed and built an attractive and inviting trade booth where West African producers meet buyers and set up the deals that increase exports.



Table 3: FY 2009 International Trade Shows and Conferences

Sector	Tradeshow or International Conference	# Companies participated	# Countries	West African Countries Participating	# Buyer Linkages
Fish & Seafood	International Boston Seafood Show (February 2009)	6	2	Senegal, Sierra Leone	130
	European Seafood Expo, Brussels (April 2009)	7	2	Senegal, Sierra Leone	134
Cashew	International Nut & Dried Fruit Congress (May 2009)	0	NA	NA	
	Peanut and Tree Nut Processors Association Convention (January 2009)	0	NA	NA	
	ACA Annual Conference Cote d' Ivoire (September 2009)	147	10	Benin, Burkina Faso, Cote d'Ivoire, The Gambia, Ghana, Guinea-Bissau, Mali, Nigeria, Senegal, Togo	45
Shea	Shea 2009 (March 2009)	97	11	Benin, Burkina Faso, Chad, Cote d'Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Togo	20
	Cosmetic Chemist Show New York (May 2009)	5	4	Burkina Faso, Ghana, Nigeria, Senegal	230
Home Décor & Fashion Accessories	California Gift Show (January 2009)	4	2	Ghana, Mali	80
	New York Gift Fair (February 2009)	18	5	Ghana, Mali, Senegal, Niger, Burkina Faso	111
	International Contemporary Furniture Fair (May 2009)	2	2	Ghana, Senegal	95
	California Gift Show (January 2009)	8	3	Benin, Ghana, Mali	80
	Santa Fe Folk Art Market (July 2009)	2	1	Ghana	40
	New York Gift Fair (August 2009)	11	5	Benin, Burkina Faso, Ghana, Mali, Senegal	100
Apparel	MAGIC Las Vegas (February 2009)	5	2	Ghana, Cameroon	24
	Business2Business, South Africa (May 2009)	0 ¹⁶	2	Ghana, Cameroon	9
	MAGIC Las Vegas (August 2009)	0 ¹⁷	2	Ghana, Cameroon	20
Specialty Foods	Fancy Food Show, New York (July 2009)	19	7	Burkina Faso, Cameroon, Cote d'Ivoire, The Gambia, Ghana, Nigeria, Senegal	379
Total FY 2008	17 International Trade Events	325	58	13 West African countries	1,367

¹⁶ Five companies were represented by the Trade Hub apparel expert Jacques Betsy.

¹⁷ Idim



1.3 Cashew and the African Cashew Alliance (ACA)

Introduction

Cashew trees were first brought to West Africa in the 16th century, imported from Brazil by the Portuguese. Most – roughly 90% – of raw cashew nuts harvested in West Africa are exported for processing elsewhere. Processing in West Africa could add tens of thousands of jobs and generate hundreds of millions of dollars in revenue. The Trade Hub co-founded the African Cashew Alliance in 2005 with 22 private sector companies and governmental agencies to build the industry, and particularly local processing capacity. Since the ACA's creation, the Trade Hub has housed the ACA Secretariat in its offices and provided it with administrative and technical support, in particular with respect to access to finance and transport issues. The alliance has grown consistently every year since; in FY 2009, the Alliance virtually doubled, growing from 54 to 106 members. They represent every aspect of the industry and come from as many as 30 countries. West African cashew companies realized US\$3,700,363 in exports in FY 2009. The ACA received direct external funding for its market linkage and in-country capacity building activities, marking the beginning of a transition from a Trade Hub sector activity into an autonomous self-sustaining institution. The secretariat maintains the ACA website, www.africancashewalliance.com, and publishes a quarterly newsletter (see Annex 7).

FY 2009 Results and Highlights

ACA Secures \$50 million African Cashew Value Chain Project

Throughout FY 2008, the Trade Hub, the ACA Secretariat and its members organized field visits, provided technical, market and background information for a project proposal and in FY 2009 the work paid off: the Bill & Melinda Gates Foundation provided \$25 million to support an African Cashew Initiative that is being led by GTZ and implemented under the auspices of the ACA. The four-year project will reach \$50 million with private sector contributions, which it will use to provide technical assistance and capacity building to address value chain constraints in **Benin, Burkina Faso, Côte d'Ivoire, Ghana and Mozambique**. ACA, together with its members GTZ, TechnoServe and FairMatchSupport have committed to implement a number of specific and measurable objectives in the areas of cashew cultivation, processing, marketing as well as the regulatory environment and financing. This includes increasing the income of more than 150,000 cashew farmers and creating more than 5,500 new jobs in processing. ACA members Global Trading, Kraft Foods, Olam and Costco Wholesale are partners under the ACi. Building on its relationship with international buyers of cashew, the ACA will introduce an African cashew wholesale brand under the project, certifying premium quality and food safety standards.

Despite Global Economic Downturn Demand for African Cashew Remains Strong

FY 2009 was a turbulent year for the global cashew industry. U.S. snack nut sales were down by 14% in July 2009 from one year ago. Cashew prices declined by more than 26% between October 2008 and March 2009 before making a slow recovery this summer. However, most of the world's largest importers, buyers and brokers of cashew have expressed strong interest in sourcing more cashew kernel from Africa when they learned about the ACA's work and results at the industry's most important conventions and trade shows. In 2009, the ACA exhibited at the *Peanut and Treenut Processors Association (PTNPA)* and the *New York Fancy Food Show* and addressed the conventions of the *Association of Food Industries (AFI)*, a conference of the cashew industry in India (see below), as well as the *International Nut and Dried Fruit Council (INC)*.

Together with the Trade Hub team, the ACA Secretariat organized four buyer and technical assistance visits to assess cashew kernel sourcing opportunities in **Benin, Burkina Faso, Côte d'Ivoire, Ghana, Togo and Nigeria**. The ACA and the Trade Hub signed a Memorandum of Understanding with a multinational retailer, one of the biggest buyers of

cashew in the world, on cashew sourcing and technical assistance. The first shipments to the U.S. out of Ghana, valued at US\$212,000, followed in July 2009.

The World of Cashew is Looking to Africa

The ACA conference in September 2009, held in Abidjan, Cote d'Ivoire, saw a record 250 participants from 24 countries and an unprecedented sponsorship drive. (The conference program appears in Annex 8.) Together

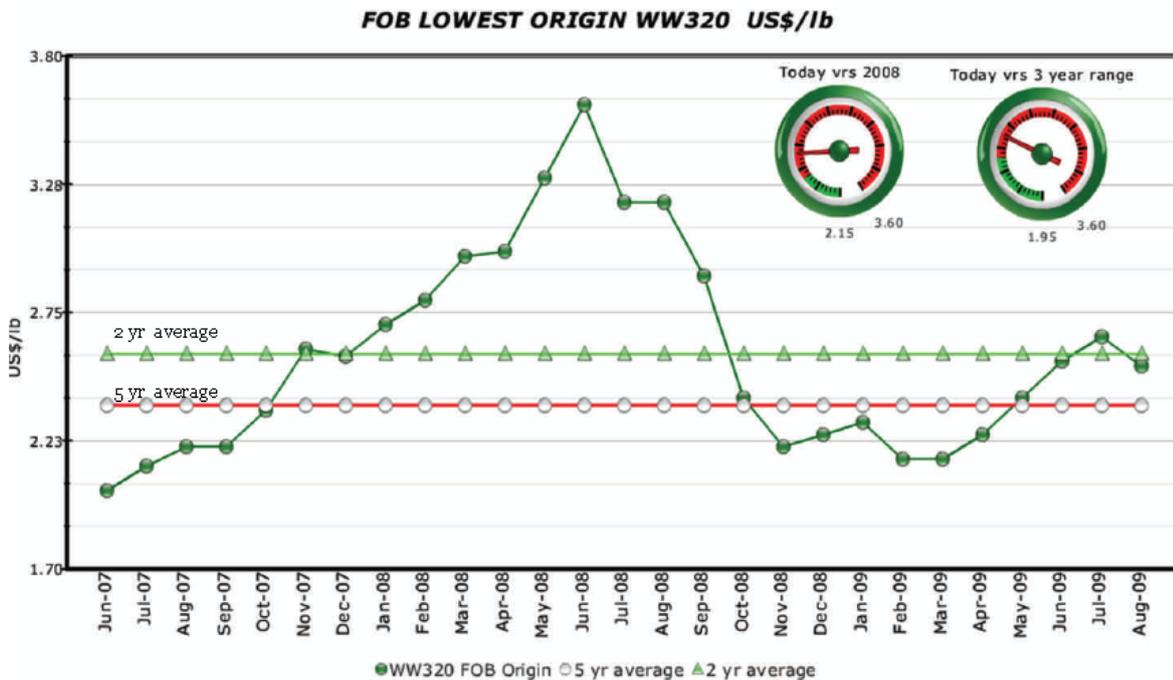
with the newly elected ACA National Committee, led by the Ivorian cashew nut regulatory body (ARECA), the Secretariat mobilized more than \$45,000 in sponsorships. Participants' feedback was particularly positive on the business-to-business meetings, a series of scheduled meetings between investors, processors, buyers and service providers. Following the example of the Trade Finance 2009 Conference (see Access to Finance, p. 70) the meetings were included in the program to maximize its networking impact.

The ACA conference also set the stage for an historic encounter. For the first time, the cashew associations of the world's leading cashew producing regions – Africa, Brazil, India and Vietnam – met together. The board of the Cashew Export Promotion Council of India (CEPCI) subsequently decided to join the ACA as a member and ACA President Carlos Costa signed a Memorandum of Understanding with the Vietnamese Cashew Association (VINACAS) on strengthening collaboration. After the conference, the Vietnamese and Brazilian delegations embarked on visits to Côte d'Ivoire and Ghana to assess investment opportunities. ACA Secretariat Manager Christian Dahm was invited to address more than 350 cashew industry representatives at a conference in Goa, India, one week after the event in Côte d'Ivoire. An overwhelming number of inquiries followed on investment opportunities and technical support available from the ACA.

The poster for the 4th Annual ACA Conference is set against a yellow background. At the top left is the ACA logo, which includes a stylized map of Africa and a cashew nut. To the right of the logo, the text 'AFRICAN CASHew ALLIANCE' is written in a bold, sans-serif font. Below the logo, the letters 'ACA' are prominently displayed. The central focus is the text '4TH Annual ACA Conference' in a large, bold font. Below this, there is a map of Africa with a large cashew nut superimposed on it. To the left of the map is a whole cashew nut, and below that is a pile of cashew nuts. At the bottom of the poster, the text 'VALUE & EFFICIENCY' is written in a bold, sans-serif font. Below this, the location and dates of the conference are listed: 'Abidjan, Côte d'Ivoire' and '1-3 September 2009'. At the very bottom of the poster is a line graph with a red pencil pointing to it, and a grid of data points. The graph shows a curve that starts at the origin and rises to a peak of approximately 70 on the y-axis, with the x-axis ranging from 0 to 1.0. Below the graph are several logos of sponsors and partners, including ARECA, Bollore Africa Logistics, gtz, kraft foods, MAERSK LINE, PLANTERS, OLAM, UBA, USAID, and WEST AFRICA TRADE HUB.

Evaluation

Access to finance remains the most challenging constraint for cashew processors in Africa. The ACi found that it will need to mobilize between \$7-12 million in investment and trade finance every year to meet the ACi processing objectives alone. For the long-term sustainability of the industry it will be important that such funds are mobilized from private sector sources. The ACA and ACi will continue to closely collaborate with the Trade Hub's access to finance component. The technical expertise available from ACA members together



with the firm buyer commitments are expected to attract capital inflows. As an industry body serving the interests of the entire African industry, the ACA's task is to leverage the ACi experience and expertise for the benefit of the cashew industries in the countries not covered by the ACi at this stage.

The ACi momentum is a unique opportunity for the ACA to pursue its strategic objective of growing into an industry body sustained by the stakeholders whose interests it serves. As a result of the solid groundwork by the Trade Hub and the ACA members over the past four years, the ACA has obtained a degree of international recognition that opens up many ways to pursue this objective. An increasing number of stakeholders are interested in using the ACA as an intermediary between producers, exporters, importers and buyers. Such services can take a number of forms, such as direct facilitation of export deals or quality and quantity assurance, for example under the planned cashew wholesale brand. The ACA's membership network also develops the Alliance into a formidable provider of industry data and other information. The coming year will enable the ACA to evaluate these opportunities and refine its strategic positioning.



A business-to-business meeting at the ACA Annual Conference.



SUCCESS STORY

Five challenging years build a business

Burkinabe business-woman Minata Kone started with 'lots of problems,' the Trade Hub helped her find solutions



Minata Kone's cashew processing company had a difficult start, but today it's a winning operation.

A cashew processor in Burkina Faso is exporting tons of cashew kernels every month, employing hundreds and generating revenue. It wasn't easy, but with assistance from the Trade Hub and the African Cashew Alliance, her company is succeeding.

Five years ago, Minata Kone's cashew processing company in Burkina Faso had a handful of employees and scarcely a business plan. The company, Sotria-B, had no buyers for its product and no loans to buy raw cashew nuts.

"She had the wrong machinery and then ordered the wrong packaging machine," recalled Trade Hub Director Vanessa Adams. "It all looked rather hopeless."

"I had a lot of problems," Kone said. "Quality was one. I didn't have any technical assistance – there was no one to tell me, 'This is good but this is not so good.' And there were no buyers at all."

What a difference five years can make. Today, Sotria-B is exporting one container of raw cashew kernels monthly – almost 16 tons – the work of 330 employees, mostly women, cracking the raw nuts. With Trade Hub assistance, Kone obtained a loan to buy the raw cashew nuts that abound in Burkina Faso. Kone has linked up with two other women entrepreneurs in Burkina Faso to expand production to two containers a month.

And Kone is now the president of the Burkina Faso chapter of the African Cashew Alliance, an industry group co-founded by the Trade Hub in 2005 with 22 members and now thriving with more than 100. The alliance held its fourth annual conference in Abidjan, Cote d'Ivoire in September 2009, where more than 230 industry stakeholders discussed the main issues affecting cashew, from tree yields to financing, processing to marketing. Participants also heard about the African Cashew Initiative, a US\$50 million project the alliance helped plan that will increase farmers' incomes, tree yields and the marketing of cashew internationally. The Trade Hub is home to the alliance secretariat.

"The Trade Hub connected me to all the buyers and the entire industry," Kone explained. "And they put me in touch with banks and helped me improve quality and find packaging.

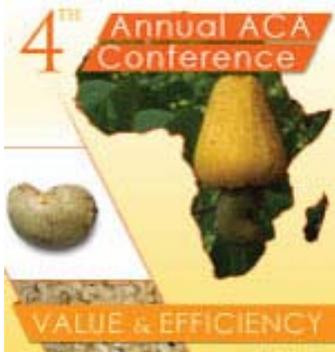
"It's been quite remarkable."



SUCCESS STORY

As Alliance grows, so does business

The African Cashew Alliance is winning business for the industry in West Africa, creating jobs and increasing incomes



The ACA's 4th Annual Conference in Abidjan, Cote d'Ivoire, brought the global industry together – just as it does every day for over 100 members from around the world.

The African Cashew Alliance is bringing the industry together, winning business for the region and building a network of private and public sector partners to create jobs and increase incomes.

September 2, 2009, might very well go down as a seminal moment in the history of the world cashew industry: In a break-out meeting room at the African Cashew Alliance's 4th Annual Conference in Abidjan, Cote d'Ivoire, representatives of the world's leading cashew-producing countries met and laid the foundation of a world cashew alliance.

"The conference created a venue for us to meet," said Walter D'Souza, chairman of the Cashew Export Promotion Council of India, where half of the world's cashews ultimately are processed, including much of the West African crop. "The Brazilians have come, the Vietnamese have come. Unless Africa is an integral part of this alliance, things cannot move.

"The African Cashew Alliance will be an important part of this global alliance," he added. "Everyone will have a role to play."

Since co-founding the ACA with private sector partners in 2005, USAID's West Africa Trade Hub has housed its secretariat, an increasingly busy operation that tracks and connects industry activity involving more than 50 members from around the world. In 2009, the ACA's work bore fruit when the Bill & Melinda Gates Foundation approved \$25 million to support the African Cashew Initiative, based on a proposal that included information about the industry's potential provided by ACA members. An added \$25 million in private sector contributions will help the Initiative work to increase the incomes of rural cashew farmers, create more than 5,000 jobs in local processing and improve the marketing of cashew globally.

The ACA's value remains firmly in its private sector orientation. The alliance continues to bring business together to address issues and, more importantly, make the deals that will lead to thousands of jobs and hundreds of millions of dollars in revenue for West Africa. In the last year, its membership has doubled.

"We saw a lot of enthusiastic people looking to develop cashew processing in West Africa," said Marc Rosenblatt of the Richard Franco Agency, an international cashew broker. "If it can be done we certainly know that we can sell it."

ID	Task Name	Duration	Start	2007				2008				2009				2010				2011				2012
				Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
1	Cashew Sector: Development of cashew association and assisting ERCs produce v	1262 days?	Wed 1/31/07																					
2	<i>The African Cashew Alliance is formed</i>	1 day?	Wed 1/31/07																					
3	Institutional capacity building for ACA	111 days?	Thu 2/1/07																					
4	<i>ACA Organizational structure is established and legally registered</i>	1 day?	Thu 7/19/07																					
5	ACA identifies key value chain constraints	153 days?	Mon 7/23/07																					
6	ACA mobilizes member and partner support in addressing industry constraints	251 days?	Thu 2/21/08																					
7	ACA members determine quality, sanitary, labour and reliability standards for the Africa	252 days?	Thu 2/19/09																					
8	ACA members assist cashew ERCs in meeting standards	407 days?	Mon 2/8/10																					
9	<i>Cashew exporters meet quality standards</i>	1 day?	Wed 8/31/11																					
10	<i>ACA cashew standard monitoring structures established</i>	1 day?	Thu 9/1/11																					
11	ACA members export under certified quality African cashew brand	64 days?	Fri 9/2/11																					
12	<i>ACA generates operating revenues from membership dues and brand marketing reve</i>	1 day?	Thu 12/1/11																					

Project: Cashew 10-02-09
Date: Fri 10/2/09

Task		Progress		Summary		External Tasks		Deadline	
Split		Milestone		Project Summary		External Milestone			



1.4 Shea

Introduction

Shea trees cover over 3 million square kilometers in the Sahelian area that stretches from Senegal to Sudan. Nuts from the trees are exported in bulk, processed traditionally for local use and export and processed mechanically for export. The world price for shea is driven mainly by demand for its use in making specialty fats that are cocoa-butter equivalents. But consumer demand for natural cosmetics has made shea butter a coveted ingredient among cosmetic chemists. Despite a dip in exports caused mainly by the economic recession in the world's largest markets, the outlook for shea remains very positive.

FY 2009 Highlights and Results

FY 2009 proved to be very exciting time for shea despite the global credit crunch and with cocoa futures bucking the trend – returning to the highs seen in mid-2008 – worldwide interest in shea butter continues unabated. The price incentives for using cocoa butter equivalents (CBEs) in *Specialty Fats* are plain to see and the *Natural Cosmetics* sector continues to grow consumers move away from petroleum-based ingredients. As the major results below show, the Trade Hub's technical assistance continues to stimulate and promote the shea industry across both the West African sub-region and worldwide.

The Trade Hub is actively corresponding with – and exposing the shea industry – to literally hundreds of companies throughout the global economy. The 43 Trade Hub-assisted companies reported US\$2,511,436 in exports for FY 2009. In the last 10 years, export volumes of shea have increased by over 600% and prior to the global financial crisis, the price of shea in 2007/2008 rose significantly with a recorded peak FOB price of US\$800 per ton. Even during August 2009 – typically the annual low-point of the shea trade cycle – prices around US\$240 per ton were seen for wet-fresh nuts as compared to 'good' prices of US\$150 per ton FOB seen less than 10 years ago. The diversity of business models for West African shea exporters has dramatically increased and many better established firms have used the opportunity provided by the economic downturn, to improve on their proof of traceability, upstream value addition and marketing options, e.g. through third-party organic and fair-trade certification.

Shea 2009

Optimizing the Global Value Chain

March 25-27, 2009 Ouagadougou, Burkina Faso



Shea 2009: Optimizing the Global Value Chain: The Trade Hub-organized second international conference on shea drew more than 300 participants from all sectors of the shea industry to Ouagadougou, Burkina Faso, with representatives of firms or organizations ranging from suppliers, facilitators, market researchers, buyers, transport and communications. The conference program appears in Annex 9. Burkina Faso Prime Minister Tertius Zongo and Ghana Vice President John Mahama opened the event. Each of the world's major specialty fats buyers of sheanuts and butter (e.g. AAK, Loders Crokran, 3Fs, Ghana Specialty Fats, Cargill, Itochu and Nisshin-Ollie) attended, joined by many key firms



Ghana Vice President John Mahama, Burkina Faso Prime Minister Tertius Zongo and Mali Minister for Women, Children and the Family Sina Damba Maiga formally opened Shea 2009.

from the world of natural cosmetics including The Body Shop and L'Occitane. Event organization was arranged in partnership with the U.S. Embassy in **Burkina Faso** and La Table Filière Karité, while the cost of the event, held March 25–27, was nearly 50% sponsored by a range of high actors in the industry with

over US\$40,000 raised. International media coverage included reports on the BBC's Focus on Africa, Africa No. 1 and national TV stations and newspapers.

New York State Cosmetic Chemists Suppliers' Day saw the Trade Hub team support six companies to exhibit from **Burkina Faso, Ghana, Nigeria** and **Senegal**, where leads were netted to orders worth an estimated US\$2 million and 230 valuable industry contacts with buyers, importers and wholesalers made. They also gained valuable industry knowledge about new ingredients, technologies and packaging solutions. *Cosmetics & Toiletries*, an international personal care industry magazine, mentioned the Trade Hub in an article on this trade show, about sustainability: "*Continuing the sustainable talk was West Africa Trade Hub with its demonstration on West African Shea Butter. The extraction of this shea butter in West Africa benefits the communities where it is harvested, since some of the proceeds go to the African women who harvest and hand process the shea nuts and butter.*"

Expert technical assistance has been provided to a variety of firms and organizations, both in terms of size, location and function, including:

- African-based shea firms, e.g. the December 2008 Cartier Women's Initiative Award, Africa Region winner – the Senegalese firm, *Laboratoires Bioessence*; the Ghanaian firm *Naasakle* which recently received a \$95,000 grant from the U.S. African Development Foundation – both of whom have received technical assistance from the Trade Hub shea team.
- Representatives of the International Trade Commission (USITC), on their fact-finding mission to prepare the final report on "Sub-Saharan Africa: Factors Affecting Trade Patterns of Selected Industries."
- The review and advisory panel of the **Ghana National Export Strategy** that featured four



Mame Diene, second from left, won the prestigious Cartier Women's Initiative Award in December 2008.

priority sectors: salt, vegetable oil, horticulture, and shea;

- Cosmetic firms requesting high-value products or sourcing directly from Africa, e.g. business linkages for tonnage orders of refined organic shea butter or The Body Shop looking for new linkages with women's cooperatives in **Burkina Faso** and **Mali**;
- Japanese/Malaysian vegetable oil trading companies needing support and advice to develop multi-thousand ton sourcing strategies for shea from West Africa.

Publications, posters, banners, brochures and presentations were developed for promotion and development of the shea industry in conjunction with other components and sectors:

- *Methods of Product Certification*
- *The Shea Investment Guide and Industry Analysis* (see Quarterly Report #7)
- Updated versions of the Trade Hub *Exporters Directory* (see Annex 5).
- *Shea Today* (continuous updates of the presentation)
- *The Shea Value Chain*
- *Websites & brands under development include; www.GlobalShea.com & www.AfricaShea.com*

Partnerships are currently being evaluated with the aim of building an industry-led shea alliance and sustainable facilitation to this budding industry. Apart from commercial relationships developed through the Trade Hub teams' combined years of experience, many numerous facilitators are also being partnered with. Some of strongest and growing partnerships include a number of internationally and regionally active organizations such as GTZ, CECI, Oxfam, CIFOR and SNV (see Annex 6).

Evaluation

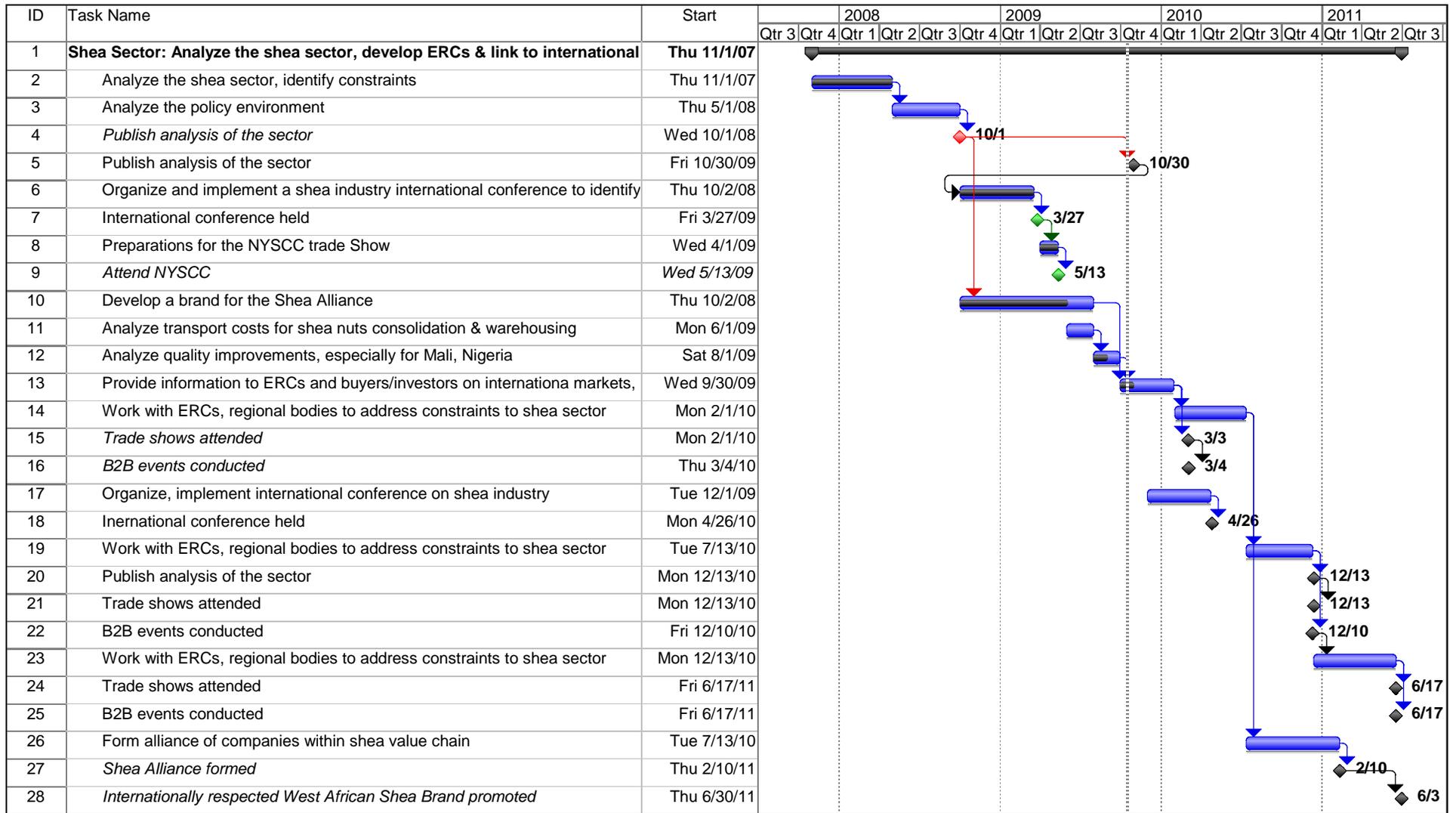
From producer to buyer to consumer, the shea value chain is growing more sophisticated every year. Key constraints are briefly summarized below.

- Access to finance and transport infrastructure
 - IRTG and Finance components continue to address these issues across the sub-region. A study is in preparation to assess the effect of transport costs on shea supply chains and progress continues in developing links to finance institutions and on regional mobile phone banking
- Supplier groups
 - Partners are being supported in their organization of groups, associations and cooperatives across the sub-region; support and information is being given to promote advocacy in the industry, e.g. Oxfam; and information is being provided through upstream trainings to improve product quality.
- Business skills, transparency and supply reliability
 - Provision of expert information and trainings continue for the Trade Hub's African based shea-exporting clients, with the aim of overcoming this constraint, i.e., linkages are being made to certifiers, facilitators, the *Financing Shea in Nigeria* workshop.
- Processing technology

- Research, alongside other partner organizations in both the private and public sector, continues to identify which technologies exist and which are appropriate for regional production to supply international shea markets.
- Business-to-business linkages and marketing opportunities
 - Business linkages are being encouraged that enable and support international buyers to meet respected African suppliers and for the latter to do the same by attending relevant trade shows, e.g. The Body Shop's recent trip to Mali and planned buyer trip to Nigeria in November.
- Potential supply of shea
 - Ongoing work aims to identify new market opportunities, such as the top international trade shows for shea products, undertake collaborative research with partners such as SNV or CECI and continue to improve the promotion of shea to the international consumer. Obtaining permission to use of shea as a cocoa-butter equivalent in the U.S. market is also being explored.
- Organization within the shea production zone
 - The Trade Hub team has been working to develop an international, industry-led alliance. Such an alliance would enable the industry to lobby governments on relevant issues, develop industry standards, share knowledge and promote the industry internationally, among other things.



During a Trade Hub-organized buyer trip, Malian women who produce shea butter using traditional methods applied “Body Butter,” a skin lotion made by The Body Shop, a leading international natural cosmetics retailer. It was the first time they had seen the product.



Project: Shea Gantt 10-15-09 Date: Thu 10/15/09	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	



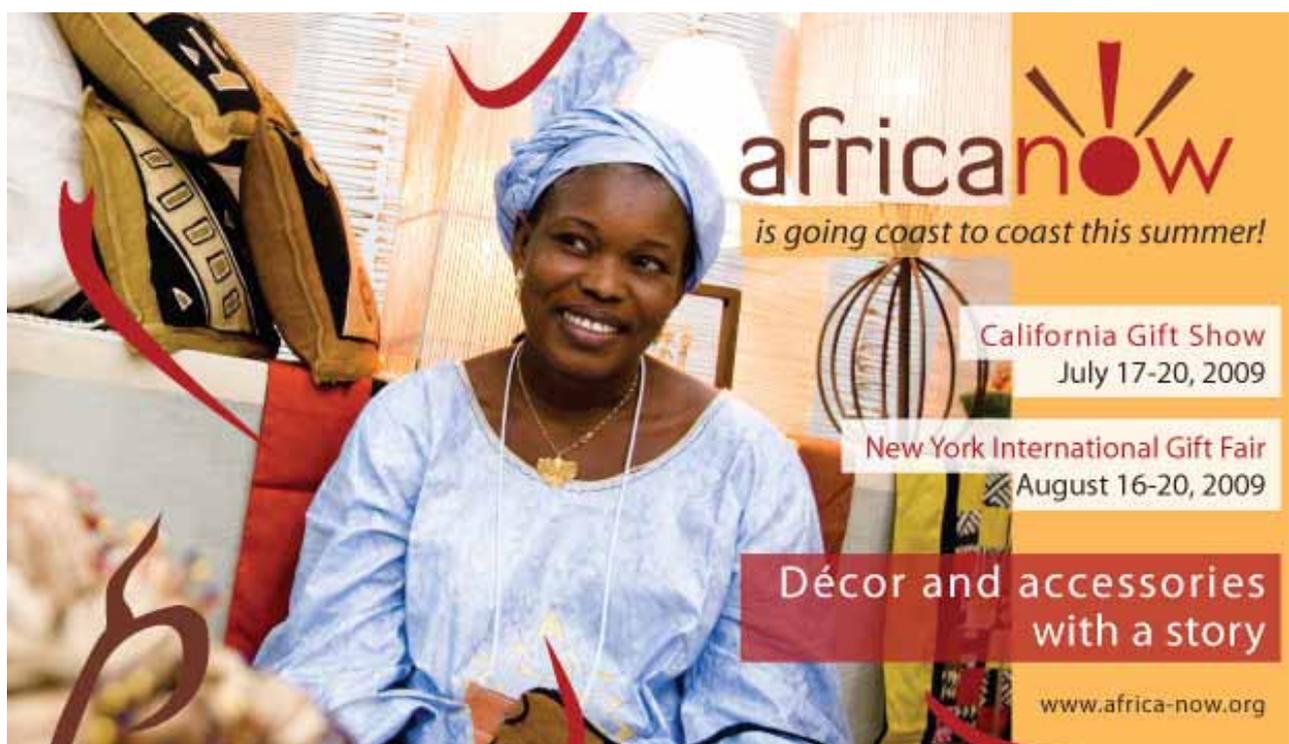
1.5 Home Décor and Fashion Accessories

Introduction

Millions of West Africans living in rural areas supplement their agricultural incomes through the production and sale of handcrafts. From hand-woven textiles to ceramic beads to wood carvings, the best West African handcrafts are stylistic, attractive and compelling. They tell stories about the rich cultures of the region, captivating the imagination and connecting people to the dynamic rhythms and styles of living that give West Africa an alluring identity. In FY 2009, the Trade Hub provided direct technical assistance to 75 export-ready companies, focusing on product development, branding and market linkages; the companies generated US\$1,406,350 in exports.

FY 2009 Results and Highlights

- A six-day series of workshops during West Africa's largest crafts trade show – SIAO (*Salon International de l'Artisanat de Ouagadougou*) in Burkina Faso - trained 150 owners of home décor and fashion accessories small businesses, and addressed many of the constraints in the value chain: export-readiness issues ranging from problems finding financing to the lack of new product design. The combined effect of these issues makes it difficult for West African home décor companies to compete in international markets. The Trade Hub and its partner, the Design Africa project, provided experts on financing, product design and marketing, and sponsored a panel of buyers to provide consumer market feedback.
- The Trade Hub, along with partners US African Development Foundation and Pangea Artisan Market & Café, launched a pan-African brand for home décor and fashion accessories products: Africa Now! The brand reflects a professional, contemporary and authentic image and is gaining recognition by buyers and consumers in the target markets. New exporters marketing under the brand have easier market entry and an established network of clients, and supporting this brand provides a rallying point for stakeholders supporting the sector through market linkages activities. The brand aims to eventually form a formal industry alliance with the capacity to address major issues affecting the sector.



- Trade Hub-supported exporters exhibited at four trade shows under the Africa Now brand in FY 2009, and interest in their products is growing. A greater number of orders are being placed, largely thanks to the logistics facilitation of Pangea/World Craft & Café, Africa Now's distribution partner, which makes ordering easy and hassle-free for buyers. By being able to coordinate and streamline the consolidation of orders destined towards multiple buyers, Pangea significantly reduces the cost of shipping, one of the main issues making West African exports uncompetitive internationally.
- The Trade Hub revised its handicrafts export guide as FY 2009 ended. The guide appears in Annex 10.

The Trade Hub has made progress addressing key constraints, specifically export-readiness and the high cost of shipping from West Africa. Initial steps have been made in creating the framework for a pan-African industry alliance to address the inherent issue of market access through the creation of the Africa Now brand, and key stakeholders are providing financial support and signing on through MOUs and collaborative agreements.

Evaluation

Although there are indications that the global economy has reached a bottom after a rapid decline that began in October 2008, the retail community expects recovery to be slow and gradual. Consumer behavior seems to have changed profoundly as a result of the downturn, and several trends are emerging which will present both challenges and opportunities for West African companies seeking to rebuild their exports in the coming months and years:

- **Value-conscious buying.** Consumers at all socio-economic levels are seeking out deals, sales, and generally low-cost, quality products more than ever before. It will be challenging for smaller boutique shops and importers (who account for most of the steady, if modest, buying in West Africa) to keep pace with the lower prices and massive savings offered by the big-box retailers. There may be an opportunity for West African manufacturers to supply the new décor and accessories divisions of these retailers, although with price being more important than ever before, it is going to be challenging to create products that can compete with Asia, either on design or price.
- **Earth-conscious buying.** With consumers' personal financial resources dwindling, there seems to be new awareness of the Earth's depleting environmental resources as well. "Green," "eco-friendly" and "carbon-neutral" are the dominant marketing buzz words for everything from cars to light bulbs, from furniture to food packaging. West African Home Décor and Fashion Accessories products have the advantage of being manufactured in large part from recycled and renewable materials already, and are therefore easy to market in this new environmentally-conscious market.
- **World-conscious buying.** Demand for fair- and community-traded, organic, and "authentic" products with a story is rising, although there is an inherent challenge in supplying these products at the low prices the U.S. and European markets are now accustomed to demanding. Increasingly, although consumers seem to prefer fair trade-certified products over those that are not, preferences decrease or disappear when the price of the fair trade-certified product is significantly higher. Although West African products have the advantage of great stories and natural products, it will be a challenge to make these products price-competitive as well.

Overall, producers in West Africa have the notable advantage of being able to easily tap into many of the changes of the post-recession consumer with some targeted and effective marketing. Challenges remain, however, as at the economic crisis is coming to a head just as the sector is seeing reduced orders and a loss of buyer confidence in Ghana, the single West African country that has enjoyed close relationships and regular visits from volume

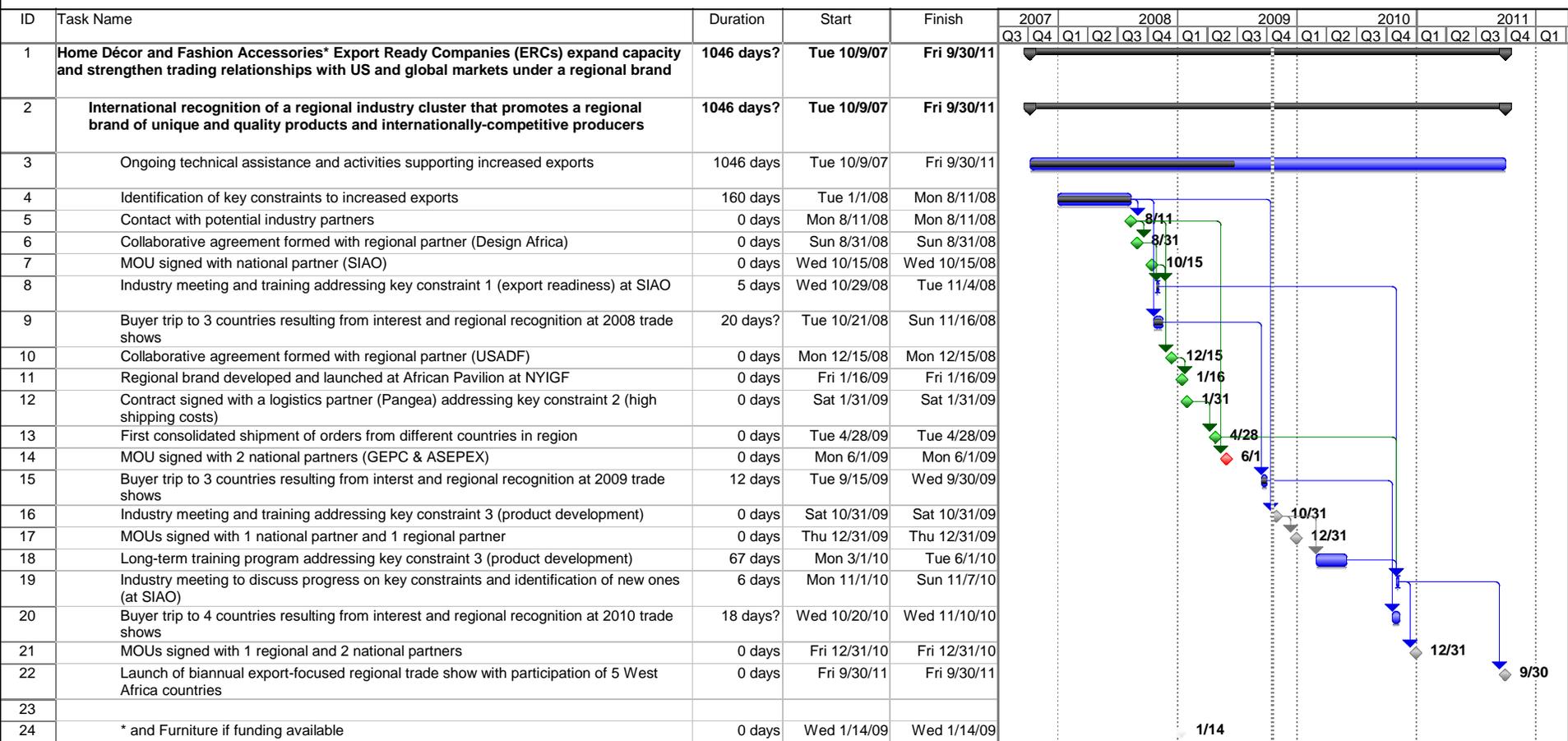
buyers in this sector for the last 10 years. This is due largely to a lack of new and innovative product design and a decrease in product quality. According to the **Ghana** Export Promotion Council, which officially recognized that the sector is in trouble in December of last year, exports of handcrafts products have decreased from an all-time high of \$20 million in 2005, to an average of \$4 to \$5 million in 2006-2008.

There is a need for in-depth assistance in three major areas:

- **Product Development** is needed to save a multi-million dollar market and avoid the loss of thousands of (largely informal) artisan jobs. Historically, artisans have not been involved in product development. Outside consultants visit with new designs and facilitate one- to three-day training workshops, which are too short for adequate capacity building in this field. Sustained training and mentoring is necessary for local designers, who would be affordable for local producers to hire on an as-needed basis. However, the funding currently available to the Trade Hub for training is insufficient for the sustained long-term program that is necessary.
- **Pricing** of West African products remains very high compared to the Asian and South American competition, making it difficult to branch into buying categories other than “collectibles” or “decorative accessories.” For example, tableware and home textiles are major categories with very high-volume demand in the U.S., and there is an excess of supply in cotton-growing West Africa. But the prices of West African cotton products remain at a level that makes them completely uncompetitive due to a number of reasons, including inefficiencies in production, high cost of raw materials, labor, packaging and testing; inability to accurately compute costs resulting in inflated pricing, and a lack of understanding of wholesale pricing and margin structure resulting in a tendency to factor in excessively high margins. In-depth training on costing, pricing and production management is needed beyond current levels.
- **Logistics** associated with sourcing from West Africa have always been difficult (high cost and lack of convenient shipping options, lack of quality infrastructure such as reliable high-speed internet service, good roads, affordable packaging options, and availability of testing facilities, to name a few), but the problem is further compounded in landlocked countries that experience additional costs in road transport, bribes and delays on the roads, less experienced government officials, and a lack of trade financing for this sector. Companies in this sector have worked with the Trade Hub’s Improved Road Transport Governance initiative, and the financial services, telecommunications infrastructure and business environment components to address these issues.

West Africa needs to focus on creating new contemporary products that are more mass-marketable and finding ways to make production and exporting more efficient in order to reduce retail prices. Sustained product design intervention has to be combined with new production methods, investments in equipment, lower interest rates, and lower-cost transport in order to significantly reduce the price of products to an internationally competitive level. In the meantime, there are opportunities in several growing niche markets, such as the fair trade, eco-friendly, and high-end collectibles markets, which West African exporters are well-poised to exploit.

Home Decor Gantt Chart



Project: Trade Hub Apparel Gantt char
Date: Thu 10/15/09

Task		Milestone		External Tasks	
Split		Summary		External Milestone	
Progress		Project Summary		Deadline	

1.6 Apparel

Introduction

The Trade Hub works with 38 apparel, textiles and fashion design companies in West Africa. In FY 2009, they generated US\$224,934 in exports. The potential for the manufactured apparel industry in West Africa is great: Its AGOA benefits are attractive to American buyers, it has a large pool of good workers to draw upon and thanks to forward-thinking investments, apparel factories are well equipped.

FY 2009 Results and Highlights

Though the West African apparel industry has faced many challenges, like access to finance which continues to be a major issue, companies have achieved positive results in FY 2009. Direct buyer interventions and technical assistance at *Magic* trade shows have been very positive in terms of interest in sourcing from companies in **Ghana** and **Cameroon**. An expert consultant represented West African companies at the August *MAGIC* show, gaining confidence with buyers who have shown a desire to partner with two apparel companies in **Cameroon** and **Ghana**.

The Trade Hub has also assisted an apparel investor who has been trying for more than two years to set up a phased-in vertically integrated factory in **Ghana** to finally register the company, open a bank account, register with the **Ghana** Free Zones Board and obtain a factory shed in the Garment village and approval from the Ministry of Trade to operate. This Investor is keen to try and start up Phase I of his operations by the end of calendar year 2009, namely a garment manufacturing unit.

The Trade Hub facilitated meetings between Ghanaian Apparel companies and Mores Apparel Ltd contracted by Simba Holdings, an American apparel buyer. The purpose was to source from apparel companies who can produce woven and knit garments and can meet the international standard requirements. This is an effort to motivate buyers to support West African apparel companies. Although sampling quality proved successful, they could not meet the targeted price ranges required (under the current economic climate buyers are forcing prices down as they have to discount their selling prices).



The Trade Hub's interaction with apparel companies has yielded the following results:

- The Cameroonian textile and apparel industry has officially launched Promotex, an association to promote its textile and garment industry interests and the introduction of manufacturing co-operatives. A company that also knits and dyes fabrics has taken the lead in the launch of the co-operative garment manufacturing entities.
- Another Cameroonian company, apart from its trial export order that was facilitated by the Trade Hub, has now also signed a three year contract to supply the U.S. market with shirts. The Trade Hub's apparel team will be providing technical assistance
- A U.S. entrepreneur is investing in a garment manufacturing facility in **Mali** for garment export to the USA. The Trade Hub's apparel team is providing technical support, in terms of raw material sourcing, logistics and other support, such as its EPZ status.

- A garment manufacturer in **Benin** has requested the Trade Hub's assistance in terms of a feasibility/business plan in order to access finance to expand his operation and invest in new equipment.
- One Cameroonian apparel company has finally registered for WRAP Certification and is in the process of being certified.
- GAMA (Ghanaian Apparel Manufacturers Association) was, with the Trade Hub's assistance, finally formally constituted, with elected office bearers. This now allows the Garment manufacturers, through their association, access to additional sources of funds for training and trade shows.
- Assistance to the U.S. company 1888 mills investing in **Ghana**, initially a garment manufacturing unit but with plans to become vertical, should in time uplift the fortunes of some of the other apparel manufacturers in terms of subcontract work and possible access to an additional source of fabrics (the U.S. company has textile mills in the East).

Evaluation

The global economic downturn saw many retailers and importers in the U.S. and the EU close or downsize (See second and third FY 2009 quarterly reports). Financing facilities for retailers/importers and garment manufacturers alike, on a world wide scale, were severely limited were available at prohibitive interest rates. These factors put enormous pressure on garment manufacturers to lower their prices as importers and retailers alike had to discount their garments as disposable income dwindled. It also put pressure on garment manufacturers worldwide to provide the retail industry with full packages (design, merchandising, financing etc) rather than just CMT (cut, make, trim) operations, all key activity areas where the West African garment industry is still weak. In West Africa, the downturn led to severe cuts at apparel factories. The nascent Trade Hub-assisted Ghanaian Apparel Manufacturers Association (GAMA) saw its initial enthusiastic and optimistic camaraderie diminished severely as members sought to simply stay afloat.

The Trade Hub recruited and engaged an apparel industry expert consultant to address these issues, which has led to immediate progress. The consultant designed garments that were suitable for the U.S. market, rather than in the past where West African companies produced samples of what they thought the U.S. customer would want. This strategy appears to be paying off, based on the Magic Trade Show August enquiries and the ability of the Cameroonian company to land its first trial export order, followed by a three-year shirt contract. The second initiative has been to direct buyers' inquiries to those companies willing to work with the Trade Hub's apparel team and in particular those companies the consultants know are capable of producing what the U.S. buyers want.

An underlying trait among some of the apparel manufacturers has been a lack of transparency in their dealings with buyers met at the trade shows and B2B events. More often than not the net result has been that only when they were having problems did they turn to the Trade Hub for assistance. Unfortunately in many cases, this was always too late for a positive intervention. Where the Trade Hub was able to intervene in time, the apparel team has been able to maintain the buyers' interest (and subsequently led to orders).

In light of the above, the Trade Hub's apparel team evaluated its efforts to assist the Ghanaian apparel industry and concluded that trying to assist all the apparel companies together was not bearing significant results. As a consequence, the team has decided that it will now work with a select set of companies that demonstrate the greatest competitiveness: the ability to produce at the best prices, to communicate effectively with buyers and to implement best practices as advised by the Trade Hub and expert consultants. At the same time, the buyers who have shown interest in sourcing from West Africa are directed to those companies the Trade Hub knows can deliver, albeit with technical assistance inputs. Having

commenced this realigned strategy to assist selected apparel companies midway through the year, it has led to pending orders.

The Trade Hub will continue to work with lead apparel companies management to assess international demand for their products and provide them with technical assistance and training to achieve competitive pricing, quality and customer relationship management. The lead firms will thus leverage this assistance to expand their trading relationships in global markets, increase their production to meet new orders, and serve as champions and demonstrations of what can be achieved more broadly throughout the apparel sector. Once production increases have been achieved, the apparel team will look at incubating the next companies through possible subcontracting.

Access to finance remains one of the main challenges facing the garment industry in West Africa. The Hub's financial team is working on a number of scenarios with the banking and other financial institutions to overcome this challenge. (See initiatives of Financial Services.) In the current economic climate where financial institutions have tightened lending rules (stricter criteria) and a banking industry that lacks commercial/manufacturing lending experience, this is more difficult than before. A number of major international garment manufacturers are taking strain as their access to finance and credit lines have been drastically curtailed.

Another challenge facing the garment industry is consistent and cost effective sources for raw materials and trims. Although the Hub's apparel team has assisted where we know this is a problem, it is often too late when we are made aware they are unable to source the fabrics required, inevitably leading to cancellations of sampling and actual orders. It is crucial sampling is done with the correct fabrics and trims and done speedily.

Still, the Trade Hub remains very optimistic for the apparel sector in West Africa. As FY 2009 came to an end, a major American investor was poised to make a major investment in the industry and the global economic downturn appeared to have reached its lowest point – and signs of an upturn were becoming apparent. A Cameroonian company is set to deliver on significant orders and at the MAGIC show in August, while traffic to the booth was light, the caliber of the buyers who did come – executives at decision-making level – was very encouraging. Finally, GAMA formally established itself in July 2009, elected a president and began to address important immediate and long-term issues for the industry.



The Trade Hub assisted five West African companies at MAGIC, the largest textiles and apparel trade show in North America. The companies established 24 buyer linkages from the show.

ID	Task Name	Start	2008				2009				2010				2011				201		
			tr	tr	tr	tr	tr														
1	Apparel Sector: Export ready companies (ERCs) expand capacity and strengthen trading relationship with	Thu 11/1/07																			
2	Analyse the apparel sector	Thu 11/1/07																			
3	Analysis report completed	Thu 1/3/08																			
4	Provide information to ERCs on internationa markets, logistics, finance, product development	Fri 2/1/08																			
5	Develop a brand for West African apparel	Thu 5/1/08																			
6	Trade shows attended	Fri 8/1/08																			
7	B2B events attended	Thu 9/11/08																			
8	Form alliance of companies within apparel value chain	Fri 9/12/08																			
9	Apparel Alliance formed	Tue 1/13/09																			
10	Internationally respected West African Alliance Brand promoted	Fri 9/30/11																			
11	Analyse the apparel sector, identify constraints, develop intervention strategy	Mon 2/2/09																			
12	Implement interventions to improve marketing of West African apparel manufacturers in the U.S.	Thu 4/2/09																			
13	Buyers source more products from West African companies	Tue 12/1/09																			
14	Provide information to ERCs on international markets, logistics, finance, product development	Tue 1/13/09																			
15	Trade shows attended	Thu 9/10/09																			
16	B2B events attended	Fri 9/11/09																			
17	Provide information to ERCs on international markets, logistics, finance, product development	Fri 1/1/10																			
18	Trade shows attended	Thu 9/2/10																			
19	B2B events attended	Fri 9/3/10																			
20	Implement interventions to address access to finance difficulties	Tue 12/1/09																			
21	Companies have greater access to finance	Tue 8/31/10																			
22	Implement interventions to improve technical assistance to apparel companies	Wed 9/1/10																			
23	Companies use latest, most efficient production techniques	Fri 4/29/11																			

Project: Apparel Gantt 10-15-09 Date: Thu 10/15/09	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	

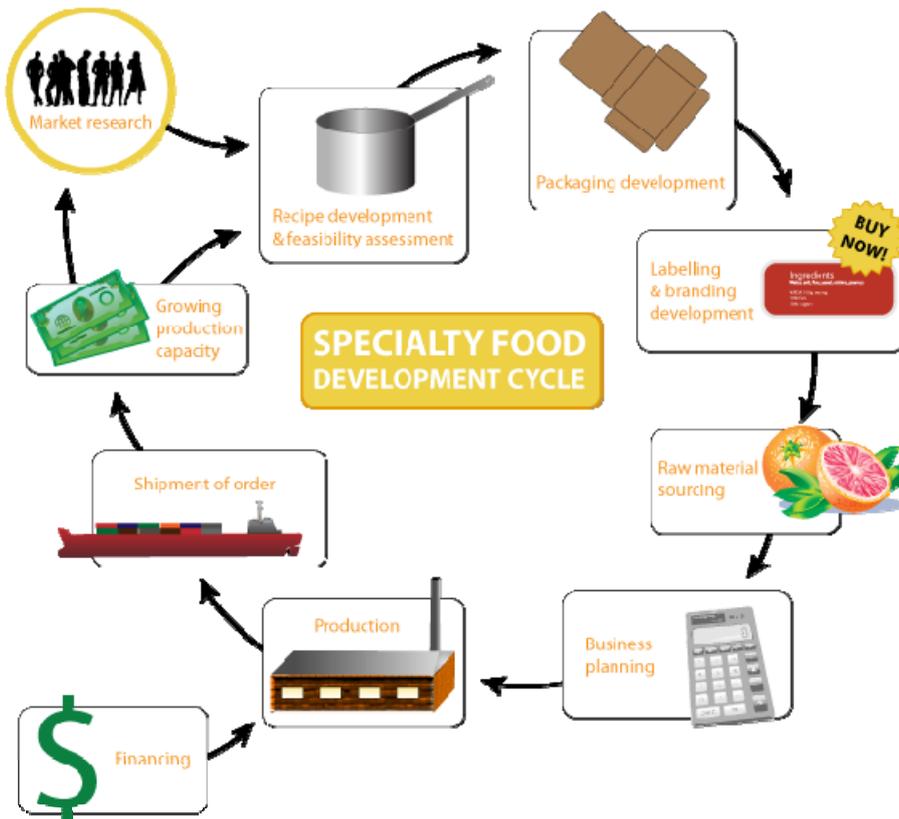


1.7 Specialty Foods

Introduction

West African foods remain largely unknown in mainstream international markets and the region has great potential to supply international food staples. In FY 2009, the Trade Hub worked in both dimensions to make West Africa competitive on world markets, bringing in expert consultants to develop food products that will sell in mainstream supermarkets and researching and evaluating the opportunities present in making the region a global source for staples, from mangoes to tomatoes.

The Trade Hub works directly with 48 food processing companies in West Africa, which generated US\$1,139,170 in exports. Due to the diversity of raw ingredients used by manufacturers, multiple value chains make up the food sector, and the upstream impacts are broad-based. For example, a typical dried mango producer in West Africa might source from a handful of farmers' cooperatives that in turn work with thousands of farmers. Likewise, a palm oil exporter that works with the Trade Hub sources from 300 farmers who in turn employ 3,000 people. The exact scope of the food sector's impacts needs further assessment, but anecdotal reports indicate that at least tens of thousands of individuals are involved in and benefit from the Trade Hub's work in this sector.



The Trade Hub targets a variety of markets within the food sector. Certainly, the high-end ethnic segment targeted towards mainstream American and European consumers represents a very logical market for many of the Trade Hub's client companies. This market is continuously searching for new food trends, competition from other products is minimized, and the story of West African cuisine is a major selling point. Within this market segment, conventional products can be sold, but certifications such as organic and fair trade

make the products even more attractive. Given the uniqueness of food products inspired by traditional West African cuisine, they tend to be less price sensitive, although conventional products are more price sensitive than organic and fair trade products. The organic and natural market is a great market for many dried fruit processors in West Africa. While most fruit drying in the region is not done on a large enough scale to provide enough quantities at low enough prices to compete with conventionally dried fruit coming out of Asia and South America, smaller quantities and higher prices are more likely to be tolerated by buyers and traders in the organic and natural market. At this point, Europe is the primary destination for

these products. While quality and price are still the biggest factors in this market, the story of supporting rural farmers and processors in West Africa can help to make these products more attractive for some buyers. To a much lesser extent, the Trade Hub works with companies to supply ingredients for food manufacturers in the U.S. and Europe. West Africa has historically been a major source of raw commodities used by the food industry globally. However, only a small number of Trade Hub clients are able to supply processed food ingredients in the quantities and at the prices necessary to be competitive.

FY 2009 Results and Highlights

In FY 2009, the Specialty Foods team organized a buyer visit to the region by Jim Thaller, CEO of Talier Trading Group. Talier Trading is a major U.S.-based supplier of international specialty foods to U.S. retail outlets and has put together an “Africa Set” of over 400 specialty items that is currently being sold in 8,000 supermarkets across the U.S. The purpose of this second regional trip was to select West African food products to add to the set. Talier Trading has already imported products from Zena Exotic Fruits in Senegal. Zena’s

jams have appeared at Whole Foods, Kroger, and the Food Emporium.



Jim Thaller, CEO of Talier Trading Group, met over 30 West African companies during a buyer tour in December.

During his visit, Mr. Thaller met more than 30 specialty foods companies from **Benin, Burkina Faso, Ghana, Nigeria, Senegal, and the Gambia** and participated in two specialty food workshops... Local food exporters, representatives from government agencies, packaging associations and suppliers, financial institutions, and insurance providers participated in a conversation about how all relevant stakeholders can collaborate to promote West African specialty food exports.

In June 2009, 19 Trade Hub-assisted companies participated in the *Summer Fancy Food Show* in New York – compared to four in FY 2008. The Trade Hub achieved this increase by leveraging multiple partnerships with various government agencies and an industry association. Ultimately, the Trade Hub organized a total of 11 booths, but paid for only two. The **Ghana** Export Promotion Council (GEPC) sponsored two booths, *l'Agence Sénégalaise de Promotion*

des Exportations (ASEPEX) sponsored half a booth, the *Association Africain AgroExport (AAFEX)* sponsored five booths, and the African Cashew Alliance sponsored one booth. As in previous years, the Trade Hub collaborated with the Southern Africa Trade Hub to organize an “African Pavilion” that featured 29 African food companies in total. (See *Tradewinds* articles, “West African cuisine is worth losing your fork for,” and “West African specialty foods – the next big thing?” in Annex 4.)

For the show, the Trade Hub used a custom-built pavilion made in **Ghana**. A portion of the pavilion was previously used at the *New York International Gift Fair*, and an additional eight stands were built for the *Fancy Food Show*. Exhibitors and visitors alike were extremely pleased with the set-up, commenting that this year’s pavilion design was a vast improvement

over previous years' booths. The pavilion helped reinforce the message that Africa is a major food destination with legitimate suppliers.

To assist with follow-up and develop the market for African food products after the show, the Trade Hub developed an African cookbook that also served as the pavilion's directory. Exhibitors submitted recipes featuring a company product for inclusion in the cookbook. The cookbook was an effective marketing tool. An American publishing company has since expressed interest in producing an African cookbook. The development of commercially available cookbooks will help mainstream African cuisine and increase market demand for African food products. See *Taste of Africa Cookbook & Company Directory* in Annex 11.

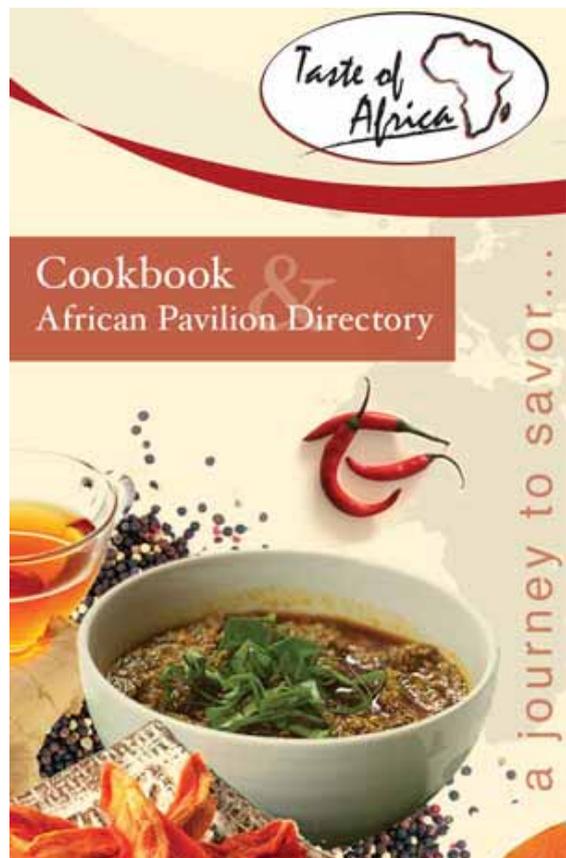
As a result of the show, at least two West African companies received their first export orders to the U.S.

As FY 2009 ended, Specialty Foods Advisor Megan Tweed travelled to **Mali** and **Burkina Faso** to assess the opportunities for and feasibility of increasing and improving mango drying in West Africa. The assessment was undertaken as a result of discussions with a major U.S. retailer and importer of dried fruit that has expressed interest in sourcing dried mango from West Africa. During the trip, Ms. Tweed met with 18 different stakeholders, including donor and local government projects working to support the mango sector, an industry association, small scale drying units, exporters of dried mango, exporters of fresh mango, and entrepreneurs interested in setting up large-scale mango drying operations. Additional information was also gathered from a logistics provider involved in the transport and export of fresh mangoes. Two viable investment models were identified, and the U.S. retailer has expressed great interest in pursuing sourcing from the region and will facilitate international mango drying experts to provide technical analysis and recommendations.

In September, a 10-day workshop involving expert consultants Jim Thaller and Raphaele Lanier of Talier Trading Group led to the development of five new food products (see case study).. The workshop addressed all aspects of product commercialization: product/recipe development, packaging design, label design and branding, and pricing. At the end of the 10-day consultancy, five new Ghanaian export-ready food products were finalized, including ready-to-eat soups, instant *jollof* rice and *gari fotor*. The next step is for the companies to begin large-scale production. Ghana's Food Research Institute (FRI) provided space as well as technical assistance. The Trade Hub and FRI have begun discussions about creating a permanent product development and business incubation project. This collaboration would standardize and institutionalize the type of work carried out during the Talier consultancy, as well as enable expertise such as Talier's to be used with greater impact. Additionally, the project with Talier Trading Group has created a model that can be replicated throughout the region.

Evaluation

The specialty foods industry represents a US\$73 billion industry in the U.S. alone. Despite current economic realities, the industry offers the potential of a robust market for West



The Trade Hub developed an African Cookbook to promote companies and West African foods. See Annex 11.

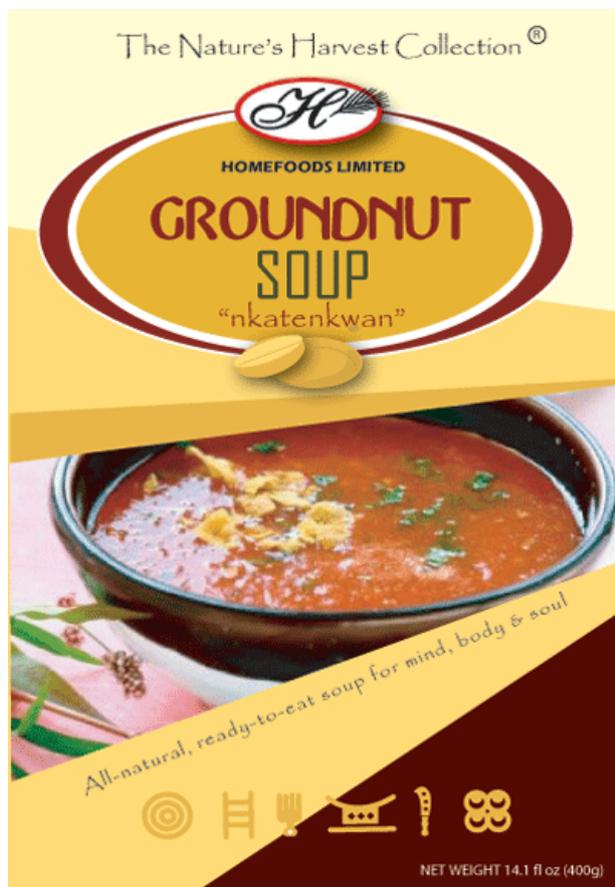
African food exporters. In calendar year 2008, the industry grew modestly (unit sales were up by 1.5%), a cause for optimism in a contracting global economy. One explanation for this growth is that as consumers cut back on “extras” such as dining out (food service sales dropped in 2008), they still treated themselves by purchasing specialty food items – a less expensive alternative to restaurants.

This is not to say that the industry has not felt the effects of the downturn. During the fourth quarter of 2008, 58% of specialty food manufacturers reported a decrease in sales, and new product introductions in 2008 decreased by 25% compared to 2007.

While there are significant opportunities for West African food processors, the local industry has yet to take advantage of the global market. Currently, West African products represent less than one percent of the market. West African foods are largely unknown outside of the region and West African diaspora communities in Europe and America.

Difficulties remain on both the production side and the market side for West African processors.

Quality and hygienic production practices continue to be a barrier for growth of export-oriented food processors. Too often, these standards are not in place or respected. Mechanisms for



Homefoods Limited of Ghana developed a groundnut (peanut) soup after a 10-day workshop with American food market experts.

with partners who have greater resources and a permanent mandate to work with West African food companies in order to catalyze sector-wide change.

Quality, low-cost packaging continues to be a constraint for local companies. For example, regionally, there are no suppliers of glass jars. The paucity of packaging options is particularly acute in landlocked countries such as **Mali** and **Burkina Faso**. Not only are the options that are locally available extremely limited, the logistics related to multiple border-crossings make the import costs completely uncompetitive.

ensuring food safety must be implemented, either in West Africa or in the country of importation. One major U.S. buyer of dried fruit is considering setting up a sanitation point in the U.S. to treat products from West Africa. While this provides a workable solution, not all buyers are willing to put in such efforts, and food safety must ultimately be addressed within the region. The Trade Hub can begin to address this constraint through trainings and case-by-case interventions. However, the Trade Hub alone does not have the resources or capacity to effect large-scale change in this area. Partnerships with local government agencies and entities such as the USDA that have a mandate to improve food safety standards continue to be explored.

Despite West Africa's rich culinary traditions, few companies are producing products that will appeal to mainstream American and European consumers. As one major buyer has pointed out, participation in trade shows is great, but the impact will be very limited unless companies have marketable products. Through projects such as the consultancy with Talier Trading Group, the Trade Hub is working to improve the supply of competitive products. However, these types of initiatives must be institutionalized

One impediment of broader adoption of international food safety and quality standards, the development of more marketable products and the utilization of quality packaging is the vastly different demands of local markets and international markets. Local and export markets differ significantly and success in the local market is neither a necessary nor sufficient condition for success in the export market. The types of investments that need to be made in development and production for the international market are not always necessary for the local market, and, a company would likely undertake them only when targeting the export market.

Given the current market, the main advantage of West African food processors is also one of its main disadvantages. West African cuisine is largely unknown, and thus represents a new niche within the industry. However in a market where new product introductions are down, West African specialty food exporters may be disproportionately impacted. Significant branding and marketing of West African foods must be undertaken. The Trade Hub does not have the resources to fund these activities, and in many cases, neither do individual food manufacturers. The support of export promotion councils and other local government agencies, such as ministries of trade and tourism must be enlisted.

The challenges presented by the current economy highlight the importance of West African specialty food exporters collaborating, perhaps through industry associations. By acting collectively, the exporters can achieve greater economies of scale. As a group, companies would have greater purchasing power and access to lower cost packaging, increasing their ability to adapt in tough markets. Furthermore, together they could pool their resources to increase marketing activities and awareness of West African specialty food products.

At the same time, West Africa's vast tracts of arable land, competence in agricultural production, ample labor supply and improving infrastructure are creating the conditions necessary for large-scale agricultural production. Opportunities to establish and expand agro-processing in the region could create thousands of jobs and increase incomes for rural farmers.

Underlying all of these technical constraints, access to affordable financing remains a major constraint for many of the Trade Hub's client companies. In the specialty foods sector, fixed asset financing along with raw material (trade) finance is required. Some of the processors, namely dried fruit processors supplying to niche European markets, are able to secure raw material financing from buyers. However, while this mechanism provides a temporary solution for individual orders, it does not address the larger problem. Their production remains limited to concrete orders, and the companies are often unable to make the investments needed in better processing and packaging machinery in order to increase their overall quality and efficiency, which would in turn lead to more competitive products and more orders.

Specialty Food Gantt Chart

ID	Task Name	Duration	Start	Finish	2007		2008				2009				2010				2011			
					tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr
1	Export Ready Companies (ERCs) Expand Capacity and Strengthen Trading Relationships with US and Global Markets	1037 days?	Mon 10/1/07	Tue 9/20/11																		
2	Identification of ERCs in the specialty food sector across the region	196 days	Mon 10/1/07	Mon 6/30/08																		
3	<i>Exporters directory updated (every six months from date of release)</i>	0 days	Mon 6/30/08	Mon 6/30/08																		
4	Specialty foods brand developed	1 day?	Fri 8/1/08	Fri 8/1/08																		
5	Strengthened business linkages through specialty food-specific tradeshows, B2B events, buyer tours and targeted matchmaking	774 days	Thu 10/2/08	Tue 9/20/11																		
6	Trade Hub provides ERCs in the specialty food sector marketing and product development assistance (packaging and labeling), as well as regulatory and quality control trainings	173 days	Thu 10/2/08	Mon 6/1/09																		
7	ERCs register to FDA, become HACCP compliant and improve marketing of products	7 days	Mon 6/1/09	Wed 6/10/09																		
8	ERCs register to FDA, become HACCP compliant and improve marketing of produ	0 days	Mon 6/1/09	Mon 6/1/09																		
9	ERCs register to FDA, become HACCP compliant and improve marketing of produ	0 days	Wed 6/10/09	Wed 6/10/09																		
10	West African firms establish market linkages at the Fancy Food Show and Buyer Tour (Jim Thaller)	0 days	Tue 6/30/09	Tue 6/30/09																		
11	Trade Hub provides technical assistance to firms for specific deals	66 days	Wed 7/1/09	Wed 9/30/09																		
12	<i>First new export order for specialty foods</i>	0 days	Wed 9/30/09	Wed 9/30/09																		
13	Trade Hub provides ERCs in the specialty food sector marketing and product developm	700 days	Wed 1/14/09	Tue 9/20/11																		

Project: Trade Hub Apparel Gantt char
Date: Thu 10/15/09

Task		Milestone		External Tasks	
Split		Summary		External Milestone	
Progress		Project Summary		Deadline	

Specialty Food Gantt Chart

ID	Task Name	Duration	Start	Finish	2007		2008				2009				2010				2011			
					tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr	tr
1	Export Ready Companies (ERCs) Expand Capacity and Strengthen Trading Relationships with US and Global Markets	1037 days?	Mon 10/1/07	Tue 9/20/11																		
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Split		Summary		External Milestone	
Progress		Project Summary		Deadline	



1.8 Fish and Seafood

Introduction

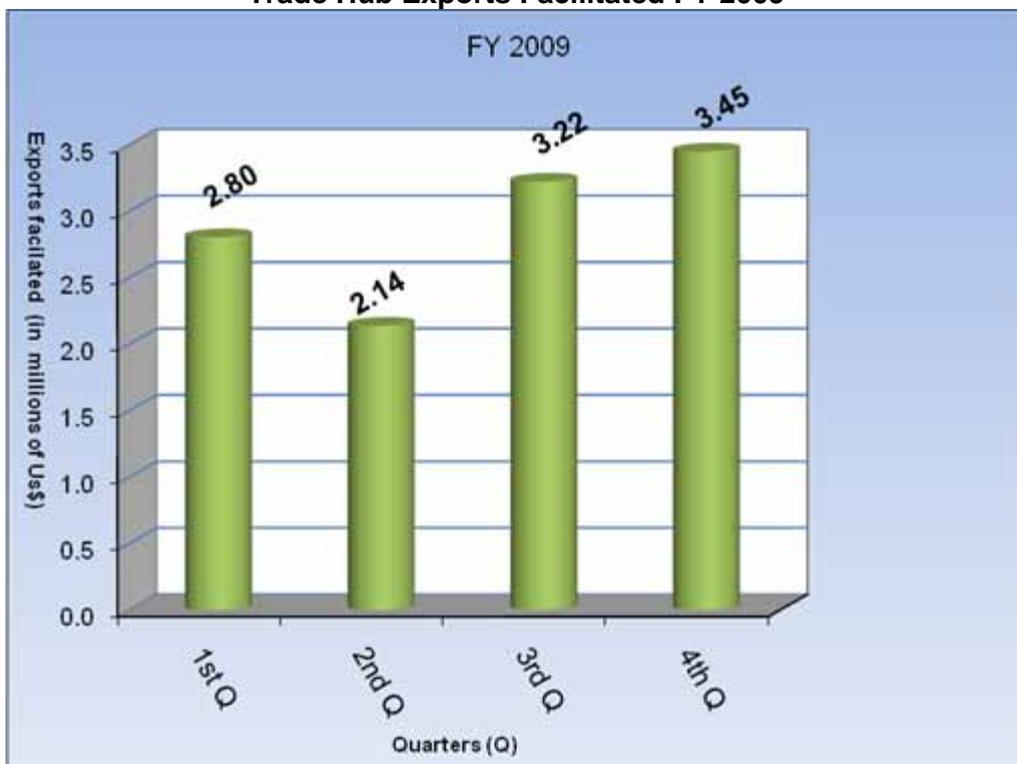
The coasts of Africa are home to a variety of the world's most popular fish species. Africa's fish and seafood sector shows enormous potential, but over-fishing in the waters of Africa seriously threatens the sustainability of its economic development. The threat emanates from a variety of sources, not the least of which is illegal fishing by trawlers from various countries far from the continent. That said, in FY 2009 the Trade Hub began to significantly modify its work in the sector in light of the threat to sustainability. Opportunities to sustainably market West African fish exist. Collaboration with other fish and seafood projects allowed the Trade Hub to contribute its market expertise, and finding markets for sustainably fished products appears to be the best way forward in this very important sector. The Trade Hub worked with 12 fish & seafood companies in FY 2009, which generated US\$11,613,345 in exports.

FY 2009 Results and Highlights

In the fourth quarter of FY 2009, the Trade Hub hired a consultant to conduct a comprehensive Impact Environmental Evaluation (IEE). Market linkages activities were suspended while the new IEE was completed.

Trade Hub-assisted companies achieved **\$3,449,202** in export sales and made **\$76,086** new direct investments during the fourth quarter of FY 2009. This constitutes 19.44% increase in total sales over the same period in 2008 and 7% increase over the last quarter. Most of the exports, 93%, were to Europe, and 6% to United States and Canada.

Trade Hub Exports Facilitated FY 2009



Market Linkages and sustainability

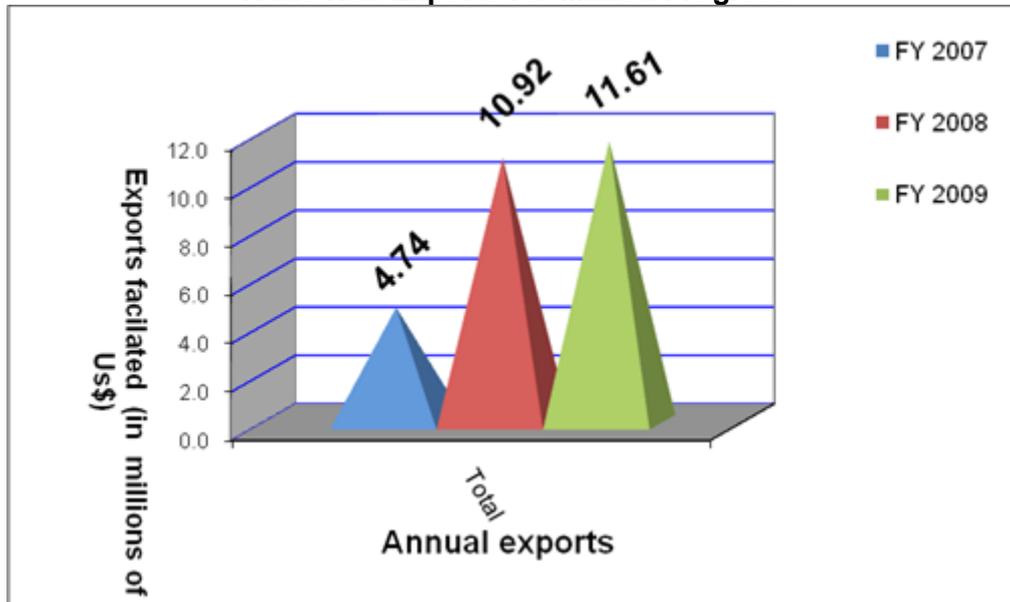
Despite the freezing of activities, the effects of Trade Hub-assisted companies' previous participation at the International Boston Seafood Show (IBSS) in March and the European Seafood Exposition (ESE) in April showed very positive results. Due to the efforts

undertaken during the last IBSS, one of Trade Hub-assisted company began to export fresh fish to the U.S. market for the first time.

The effects of the global economic crisis decreased gradually and exports are increasing, notably in the U.S. market.

Overall, despite the economic crisis and the freezing of Trade Hub market linkages activities, FY 2009 results, reached **\$11,613,345**, about \$0.65 million higher than FY 2008.

Trade Hub Exports Facilitated Progress



Makhtar Thiam attended a two-day workshop on West Africa Region Fisheries Reform, Aug. 12-13, in Dakar, organized by USAID-Senegal and spearheaded by Richard Volk, Coastal and Aquatic Advisor of USAID's Water Team, to continue the dialog of coordination and to develop a common vision and framework for coastal activities in West Africa. The discussion with other USAID projects, U.S. embassies and others projects – Wula Nafa, GIRMAC, IDEE Casamance in Senegal, Ba Nafa in Gambia, University of Rhode Island University – demonstrated many areas of possible collaboration and coordination including: same targeted species (such as work and value chains with cockles, oysters and shrimp); upstream/downstream management and water flows; trans-boundary issues; and linking companies in other USAID projects, which work sustainably and in a socially responsible fashion, to markets that the Trade Hub works with..

Environmental Compliance and Sustainable Seafood

The Trade Hub confronts myriad challenges in promoting fish and seafood while ensuring that its activities do not encourage exploitation of limited fish stocks. The Trade Hub hired a consultant to conduct a new IEE. The IEE consultant traveled in **Senegal** and **Ghana** with Trade Hub Fish & Seafood Expert Makhtar Thiam to meet with various actors in these countries, including exporters, environmental groups, research centers, fishermen, regional agencies and government institutions, to determine what activities the Trade Hub should engage in to ensure environmental compliance and promote sustainable seafood.

There are no clear-cut blacklists in the fish and seafood sector. Various studies and interest groups have differing opinions about what is endangered, over-exploited, and fully exploited. Furthermore, the previous IEE did not clearly establish what level of "exploitation" is acceptable to USAID. The newly created IEE provides guidance on how to best address these problems and clearly defines activities the Trade Hub can and cannot undertake.

The Trade Hub needs to establish a reliable screening process that restricts assistance to companies that promote only species that are not under threat and that trace the sourcing of fish, from fishermen to the factory

Illegal, Unregulated, and Unreported fishing (IUU) and piracy are significant problems throughout the world. In West Africa, countries often do not have sufficient human and technical resources to monitor where and how fish are caught. One possible solution to the problems of inadequate screening and illegal fishing is to work only with companies that practice sustainable sourcing or have established eco-labels. However, limiting our assistance to only to these companies would dramatically reduce our export targets.

Increasingly, illegal and uncontrolled fishing activities are depleting stocks of fish. The scarcity of stocks is increasing the price and making exporting these fish legally to international buyers more difficult to manage. At the producer level of the value chain, illegal fishing is heightening competition among artisanal fishermen and inciting protests of perceived government inaction. Helping companies and institutions organize to address illegal fishing could improve the situation, but the funding available to expand the WASSDA initiative is too limited to address the vast scope of this problem.

Finally, the new IEE provides clear environmental compliance thresholds and follow-up actions for the Trade Hub to take.

When the new IEE is authorized and screening procedures are approved, the Trade Hub will seek to strengthen links between companies and organizations that are interested in sustainable fishing practices and promotion of sustainable fisheries. These activities do not have a negative effect on the environment and will attract markets to sustainable fisheries in West Africa.

WASSDA's webpage (ww.wassda.org), blog and brand will be a very useful tool for the Trade Hub to identify and promote sustainable sourcing activities in the region for subsequent business linkages activities. Other alliances and sustainable fish projects would all be enhanced by the market linkages that the Trade Hub would offer. The alliance will work closely with all USAID fisheries activities in the sub-region, and will also work to coordinate with all fisheries actors. The alliance will coordinate with USAID fisheries activities as well as other donor and private sustainable fisheries programs. The alliance will be a value-chain, market-focused alliance.



Evaluation

Some recent issues concerning international trade in fishery products have been:

- Introduction by buyers and international retailers of private standards for food safety and quality, animal health, environmental sustainability and social purposes. Rather than import tariffs, the principal barrier to increased exports from developing countries (beyond the physical availability of product) is the lack of ability to adhere to quality- and safety-related import requirements. This is making it more difficult for African small-scale fish producers to enter international markets and distribution channels.
- Growing concern among consumers and the retail sector about over exploitation of certain fish stocks
- Use of eco-labels by importers or major retailers, like Wal-Mart.
- Expansion of regional trade areas, and regional and bilateral trade agreements. The trade in fish between developing countries represents only 25% of the value of their fishery exports. This trade should increase in the future, partly as a result of the emergence of more liberal and effectively implemented regional trade agreements, and partly driven by the demographic, social and economic trends that are transforming food markets in developing countries. For example, the Government of Senegal has signed several agreements with Mauritania, The Gambia and Guinea-Bissau. The value of Senegalese fishery exports to the sub-region is increasing by 10% annually and now represents 40% of the exports.
- Rising energy prices and their impact on producers as well as consumers.

Consumers are increasingly seeking products that come with guarantees that they have been produced, handled and commercialized in ways that are not dangerous to their health, respect the environment and address various other ethical and social concerns. Consumers, as well as major distributors, are increasingly concerned about the sustainability and risk of depletion of marine stocks. There are increasing calls for transparency in traceability systems in order to attest to the source, the quality, and the environmental and social impacts of food production and distribution. Markets have become more flexible and new products and species have found market niches. Eco-labeled seafood products represent roughly 5% of the world's total wild seafood market. It is difficult to estimate the volume of eco-labeled products on the international market. The real volume of traded MSC-labeled products – MSC as the largest multi-species scheme – is likely to be significantly less than 1% of the global fish trade. Five markets – Germany, Sweden, Switzerland, the United Kingdom and the United States – account for almost three-quarters of MSC sales. While the current market penetration of eco-labeled products is relatively modest, it is growing significantly and rapidly. Markets of eco-labeled products appear to be those where consumers are aware of environmental issues and media and civil society are active on the issue and where fish and seafood are sold in supermarkets. The benefit promoted to producers have included: price premiums, access to new markets, potential for more value-added, improved product quality and more stable supply relationships with related reductions in price volatility.

It is a great challenge for West African countries to meet sustainable fisheries criteria like those set by the Marine Stewardship Council. A more appropriate basis for sustainable fishery schemes for West African countries, and perhaps a more relevant and achievable indicator of fisheries sustainability, may be compliance with and implementation of the FAO Code of Conduct for Responsible fisheries or based for example on the Eco-Mark approach, in small-scale and artisanal fisheries – the use of selective fishing gears, the seasonal closure of fishing grounds, the demarcation of no-take zones, the self regulation of fishing effort etc. – could be considered as “environmentally friendly” processes, and potentially certifiable. Instead of requiring high quality data and effective management systems to be in place, the requirement would be to demonstrate that the fishing technique being used, or the

exploitation strategy in place, for example, is more environmentally friendly than others being used in the same fishery area.

WTO is also interested in labeling for environmental purposes, to determine what its impact on international trade is. In the fisheries sector, a number of eco-labels exist. Their goal is to create market incentives that encourage better fisheries management, by increasing consumer demand for seafood from marine property stocks managed or sustainable aquaculture. Although products with an eco-label are not yet widely available on the market, there is an absence of international guidelines agreed to the labeling and certification of products, the choice of disclosure and transparency of the process, the role of governments in the voluntary labeling schemes and certification and the requirements of specific countries development on the labeling of fish products.

Illegal, Unreported and Unregulated fishing calls on market states to implement internationally-agreed market measures, consistent with WTO rules, to prevent the trade in IUU-caught fish. Only internationally-agreed market measures, consistent with WTO rules, could reduce or prevent trade in IUU fishing.

Furthermore, several countries and organization have adopted catch and trade traceability schemes to ensure that only documented and legally-harvested product is offered for sale in their market. Tuna market is a good example - the Tuna Commission (IATTC), for example, operate such schemes. The combination of national measures to block the importation of IUU-caught fish, traceability schemes, the implementation of flag state certification of catch schemes and enhanced port state measures should reinforce one another and reduce the opportunities for IUU products to enter international trade.

Supermarkets in many countries have started to adapt their fish purchasing policies.

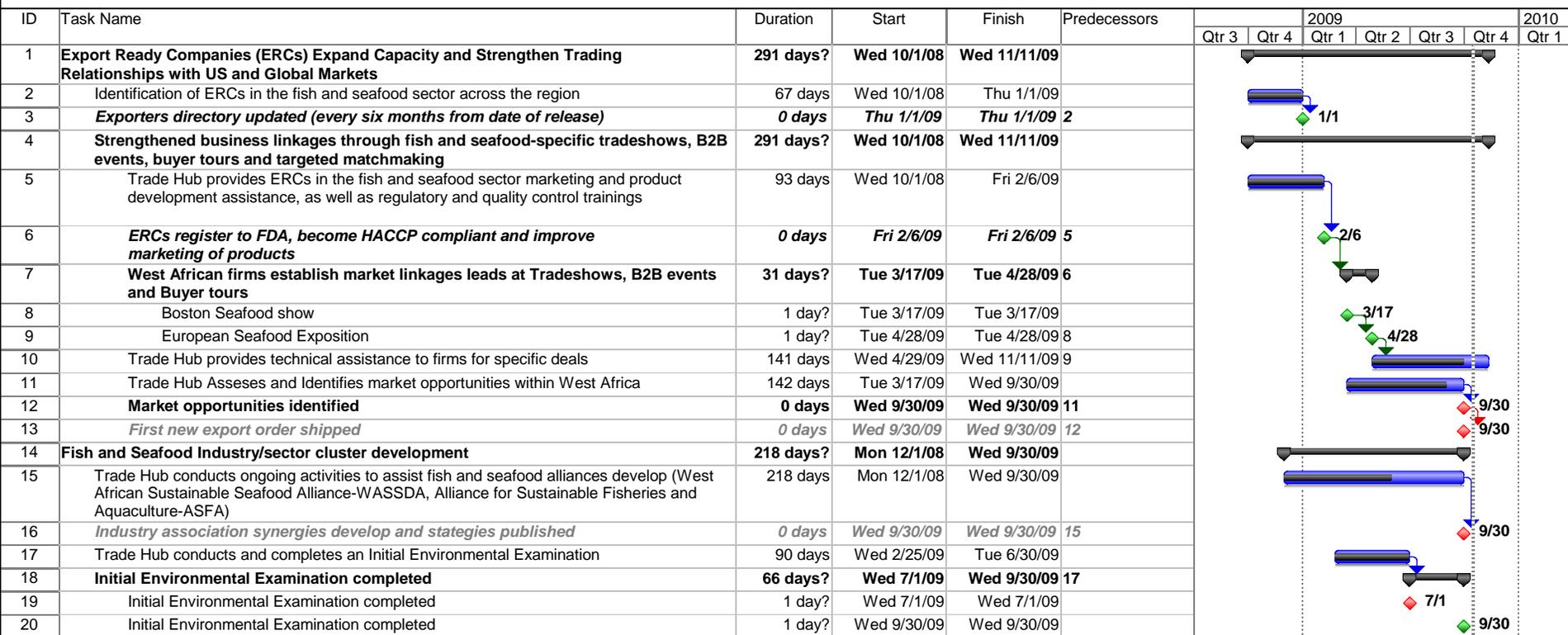
Many retailers, like Norma and Lidl in Germany, Marks & Spencer in the United Kingdom and Wal-Mart, have developed sustainable fish-purchasing guidelines and, as a minimum, most companies have stopped selling a number of overfished or destructively fished species, such as dolphin, skate, rays and shark.

Another major trend is the increasing importance of fresh fish. Unlike many other food products, fish is still more favorably received on the market when it is fresh rather than processed. However, historically, fresh fish has been of little importance in international trade owing to its perishable nature and limited shelf-life. Improvements in packaging, reduced air-freight prices and more efficient and reliable transport have created additional sales outlets for fresh fish.

Food chains and department stores are also taking an increasing share of the fresh fish seafood sector. The analysis of the Trade Hub sponsored companies exports during the FY 2009 shows that 90% of their exported products are fresh. Fish is still more favorably received on the market when it is fresh rather than processed. Restaurants are great consumers of fresh fish, and that explains the higher value and prices obtained for demersal fresh fish like sole, red mullet, john dory, sea bream etc. The under-exploited or abundantly available species are mostly pelagic. They are often frozen and are well appreciated by the African and Asian market for their low price.

Finally, one of the biggest challenges that the fish sector will face in coming years is climate change. There is considerable uncertainty over how climate change will impact marine ecosystems. The extent to which fish stocks are likely to be affected by climate change is difficult to determine based on current information, and it will take some time for trends to emerge.

Fish and Seafood Gantt Chart



Project: Trade Hub Apparel Gantt chart Date: Thu 10/15/09	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	



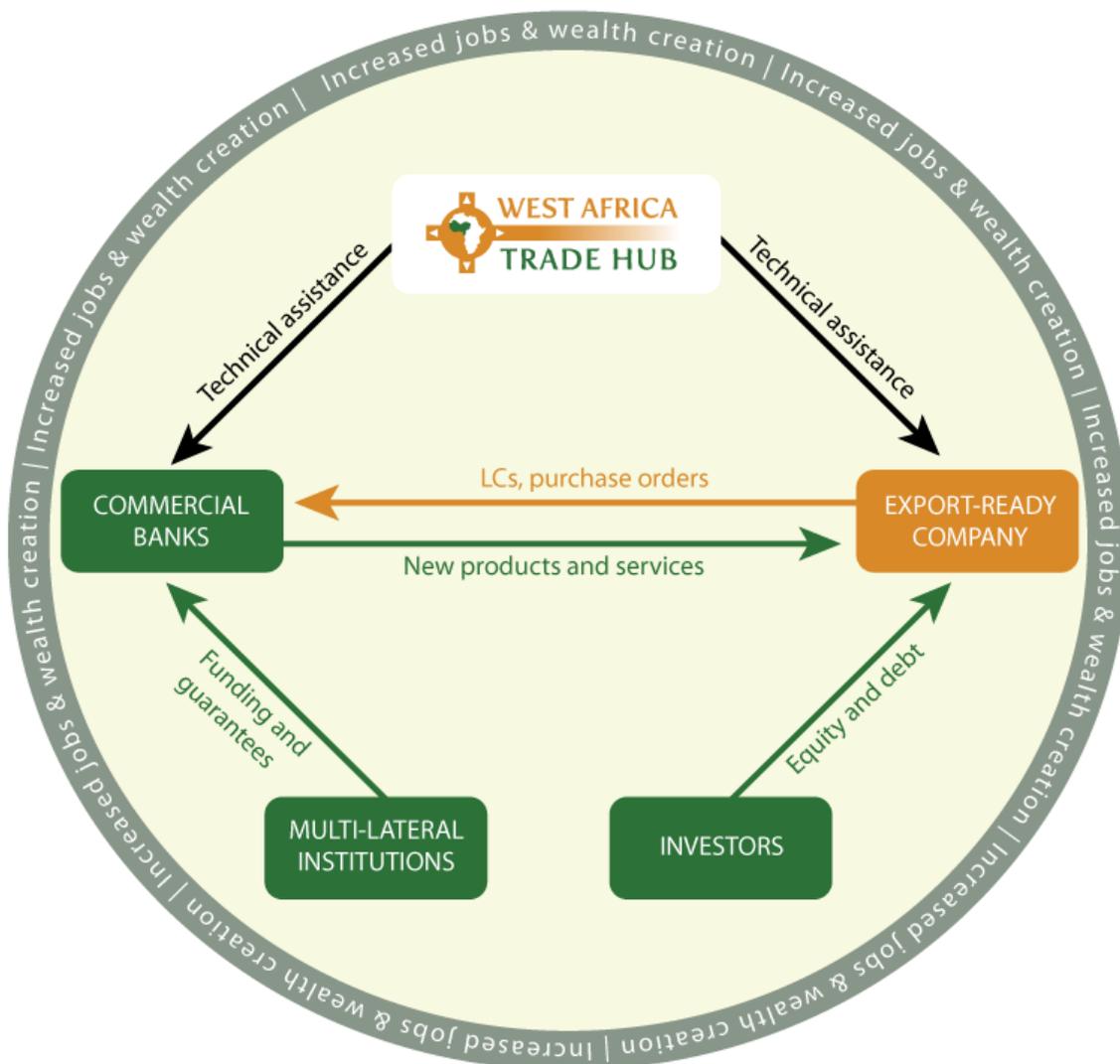
2 Financial Services

2.1 Access to Finance

Introduction

Access to finance remains a critical constraint to the competitiveness of West African SMEs in all of the Trade Hub-assisted sectors. Companies need financing to purchase raw materials and other production inputs, to operate their factories, as well as to expand or modernize their facilities. In FY 2009, the Trade Hub began vigorously implementing an intensified access to finance strategy based on its experience with the USAID-Ecobank pilot project in FY 2007 and on the “Institutional Analysis - Access to Finance by West African Export Ready Companies and Regional Traders” completed in third quarter FY 2009 (see Annex 12). This strategy integrates the activities of international financial institutions, donors and commercial banks with sector specific guarantees and funded lines as shown here.

STRATEGIC APPROACH TO ACCESS TO FINANCE



The strategy provides technical assistance and introduces SMEs to commercial banks and non-bank financial services organizations by the Trade Hub's team. In particular the value chain approach to each sector demonstrates additional opportunities for the banks to diversify their portfolios and mitigate their risks.

During FY 2009 the banks began to participate actively and sponsor Trade Hub conferences. They became familiar with the Hub's approach towards access to finance and vetted that approach during the "Trade Finance 2009 – Untapped Markets" Conference in July.

Equity fund management companies also engaged actively with the Trade Hub in the interest of reducing their transaction costs by leveraging the Trade Hub's Business team due diligence on viable deals. Organizations such as Root Capital, Greylock, and Grassroots Business Fund participated in Trade Hub-facilitated business-to-business meetings in the fourth quarter creating a pipeline of alternative financial solutions for exporters.

In the fourth quarter the ECOWAS Private Sector Directorate created an initiative through the ECOWAS Bank for Investment and Development (EBID) to provide much needed guarantees along with other socially responsible investors and bi/multilateral institutions which have introduced guarantee programs.

Throughout FY 2009, buyers shifted their purchasing terms to more strategic partnerships as well as flexible financial approaches which included: confirming letters of credit, providing advances, directly purchasing raw materials, providing technical assistance to assure production specifications are met and providing purchase guarantees for new equipment loans to be obtained.

Parallel efforts were initiated in a top-down approach to gain support for systemic change and advocacy for an improved and harmonized regulatory environment through the regional private bankers' initiative, the Private ECOWAS Financial Improvement Board (PEFIB).

Trucking and logistics companies were considered eligible to participate in the Trade Hub's Access to Finance activities bringing opportunities for banks and investors to finance new more efficient fleets.

FY 2009 Highlights and Results

1. Regional Conferences and Workshops (INSERT TRADE FINANCE 2009 PHOTO)
 - "Trade Finance 2009: Untapped Markets": The second annual trade finance conference in Dakar, Senegal, July 7-9 brought together 85 participants including 21 export-ready companies, 12 financial institutions and investors, four multilateral organizations, and buyers. The strategy for internationally competitive access to finance based on the value chain approach was presented by the Trade Hub team and break-out group sessions enabled targeted presentations and in-depth dialogue. Following the conference a business-to-banks-and-investors (B2Bi) forum featured one-on-one meetings for nine bankers/investors and 15 export-ready companies (ERC) which resulted in eight transactions entering the pipeline for negotiations with a value in excess of US\$10 million. A presentation of the Trade Hub's institutional analysis appears in Annex 13.
 - Two other major conferences organized by the Trade Hub in FY 2009 were: the "Global Shea 2009" Conference in Ouagadougou and the "African Cashew Alliance Annual Conference" in Abidjan. Approximately 450 stakeholders became familiar with the Hub strategy, panels of experts and stakeholders discussed financial constraints and solutions to increasing lending and investment in West Africa.
 - Nine mini-workshops were held during FY 2009 in the region: "Financing Shea in Nigeria" in Minna, Nigeria; Fordham University workshop in Accra, Ghana; GTZ Expert Meeting in Frankfurt, Germany; Cashew workshop in Banfora, Burkina Faso; NEPC meeting in Abuja, Nigeria; TIFA meeting in Lagos, Nigeria; CESAG meeting in

Dakar, Senegal; ACi meeting in Accra, Ghana; and, AGOA workshop in Lagos, Nigeri. A total of 700 participants, including businessmen, bankers, international institutions, government agencies, investors and buyers participated. These workshops led to a greater awareness of the constraints to finance as well as alternative solutions for the stakeholders.

2. One-on-One Technical Assistance with Selected ERCs

- In FY 2009, 19 ERCs were directly assisted by the access to finance initiative. These ERCs represent the six Hub assisted sectors in 8 different countries. Through these specific efforts by the access to finance initiative the exporters gained a greater appreciation of financing requirements and were linked with eight banks, five investment companies and two buyers. 16 financing requests were submitted, equivalent to US\$4.9 million. About half of the requests were approved by banks, which are worth US\$2.5 million. Specifically, buyer financing resulted in at least US\$1 million in support for processors and created an environment for sustained operations of those companies.

3. Partnerships Established

- One Memorandum of Understanding was signed with the Bank of Industry, Nigeria, as a result of continuing efforts by the Trade Hub (TIC, AGOA and A2F components) through four workshops and concerted follow up in FY 2009. This partnership has resulted in:
 - An enhanced AGOA Resource Center and Access to Finance Desk which provides monthly training workshops. So far, 23 companies have attended resulting in the identification of two financeable businesses. Banks have signed up to attend future workshops along with the SMEs.
 - A matching fund was set up between BOI and Niger State in the amount of one billion Naira (US\$6.5 million), primarily for the shea sector stakeholders.

4. Pending Partnerships

- Regional Commercial Banks: Four strong relationships were established with regional commercial banks, including Ecobank, UBA, Stanbic and Banque Atlantique, which cover Francophone, Lusophone and Anglophone West Africa. In FY 2009 the Trade Hub met with over 35 managing directors and staff at financial institutions. Three of the regional banks requested and were provided with introductions to 16 Trade Hub clients. These relationships include close collaboration with group headquarters for three banks – Attijariwafa, Bank of Africa (BOA) and Banque Regionale de Solidarite (BRS) – resulting in specific requests for technical assistance and workshops. Initial meetings with additional regional banks have resulted in strong interest in following the same path with the Trade Hub.
- IFC (International Finance Corporation) Global Trade Finance Program (GTFP) and SME Program: The Trade Hub participated in a joint training program for 12 Bankers and three ERCs in June 2009, providing them with a greater awareness of trade cycles and cash flow financing. This type of joint training will continue in FY 2010. Additionally, we are collaborating with IFC's SME line of credit product and associated training for commercial banks in the region to expand their SME lending portfolio at more competitive rates. Ecobank, for example, benefits from both of these IFC products and trainings, and the Trade Hub access to finance team can push utilization rates up now that we are collaborating.
- Root Capital: This organization specializes in Trade Finance, made the decision to expand their operations to Dakar, West Africa and obtained funding from Gates Foundation to support trade transactions relating to client needs such as those assisted by the Hub. Root Capital is primarily providing receivables-based financing and inventory financing for up to 60% of short term transaction requirements. Trade

Hub linkages with ERCs have provided this NGO with six pending trade finance transactions.

- Grassroots Business Fund: provides both equity facilities and short term lending opportunities through their crafts Incubator Facility to which began focused on Handicraft ERCs and has expanded from there with short term loans up to US\$100,000.
- Databank Private Equity Ltd, Ghana, has manifested its interest in working with the Hub by requesting and commencing due diligence on 11 agribusiness clients proposed by the Trade Hub.
- OPIC: underwritten an Africa Fund in the amount of US\$300 million which is managed by Greylock Capital which is looking for ways to provide a sub-fund for Trade Hub clients.

5. New Finance Initiatives and Offerings in FY 2009

- ECOWAS: The Private Sector Directorate launched a cluster initiative, which should provide technical assistance and guarantee mechanisms through EBID, a regional development bank with capital of \$750 million.
- STANBIC Bank: Agricultural Facility with the African Development Bank (AfDB) and the Alliance for a Green Revolution in Africa (AGRA) in the amount of \$250 million.
- African Development Bank: has developed an equity fund approach and the initial effort with Makeda Fund targeting Hub clients.
- USAID DCA is creating a Partnership for Agricultural Enterprise Finance in Africa with both an equity fund and debt component in an effort to create an SME fund as well as possibly affiliating partial guarantees.
- UBA & 1st Bank Nigeria have been designated as managers of a US\$200 million Agricultural Facility funded by Central Bank of Nigeria through a public bond issue;
- ECOBANK and UBA have installed proprietary regional switches (convertibility, clearing settlement) in FY 2008 which are now translating into products facilitating regional payments.
- GATES FOUNDATION is exploring financing and matching funds to support SME activities in Africa such as a recent grant to root capital.

Results of Studies

ECOBANK/USAID access to finance pilot program assessment feedback provided insights into the usage of DCA guarantees and financing ERCs that can be summarized as follows:

- Constraints relating to non-traditional sectors' specific context are not understood by bankers.
- Dissemination of knowledge about export related issues to other officers in the bank was not done effectively due to an apparent lack of communication and rapid expansion limiting management capacity within the bank.
- Unwillingness or inability of banks to shift from or broaden their portfolios to include non-traditional export transactions.

The Trade Hub's "Institutional Analysis - Access to finance by West African export ready companies and regional traders" revealed that legal and regulatory barriers are not the primary constraints to competitive access to finance for SMEs in the region. The study laid the foundation for our FY 2010 strategy to facilitate financing non-traditional exports through synergies among international buyers, financiers, NGOs and international institutions. The analysis' key findings included:

- West African financial systems are both small and shallow.
Limited money is held on shore due to lack of confidence in liquid asset holders.
Bank credit is outstanding, below the world median.
Only a low proportion of resources is dedicated to private sector.
Use of credit and collateral registries is not institutionalized.
There is a lack of adequate insurance policy and products.
Cost of services is high for a low delivery of services.
- Private sector lacks a lending focus
West African banking system is the weakest in both volume and cost due to perception of risk and other profitable business.
Depositors are reluctant to entrust their resources to West African banks, leading to insufficient lending capital.
Institutional investment is not responsive, e.g. guarantee facilities in the absence of lending, non-competitive lending facilities housed in public sector institutions.
Poor governance and management is the rule among private sector borrowers.

6. Value Chain Approach

Studies on the market forces which create demand for processed or raw materials from Africa were analyzed by the Hub sector heads, and the transport and access to finance teams. These value chains resulted in a visual and practical management tool which explains the inter-relationship among all stakeholders in any given sector.

Evaluation

The Trade Hub's approach for access to finance is to:

1. Support of the multi-lateral and bi-lateral institutional shift away from funded lines and guarantees for governmental finance agencies to commercial banks providing incentives for financing trade in non-traditional sectors;
2. Support initiatives by world class investors to develop equity funds focused on strengthening the balance sheets of ERCs through the infusion of capital under risk tolerant criteria;
3. Support civil society initiatives in the area of advocacy for change in the regulatory environment;
4. Support the delivery of technical assistance and training from the Hub using the value chain approach particularly focused on financing trade and investment.
5. Support and encourage "Business to Banks and Investors" one-on-one meetings to verify interest in financing ERCs whose requirements are approximately US\$100,000 to US\$5,000,000.

Likewise, strategic international development partners along with national and regional regulators are beginning to join hands in pulling together their resources to build the very framework that will help the various parties to move up quickly to the next stages of planning and implementation. It is at that point that measurable results and impacts will be measured on the local economies.

The banks' willingness to join the Access to Finance concept has not been as spontaneous; the willingness to partake was developed as a result of the Hub's efforts to bring them together at conferences and in meetings with ERCs, buyers and International Institutions; thus making them familiar with the market. It was only in the last quarter 2009 that they began to open up and specifically request assistance and training.

The impact of the global financial crisis has caused a slowdown, albeit less severe than on the developed economies, on the African financial community which is relatively isolated; however, investors have begun to look at Africa as a viable alternative for risk taking particularly in the non-traditional exports sectors. Similarly, the Global Food Crisis has resulted in Food Security Programs which are providing significant funding for the agricultural sector in Africa. Ironically these two crises have improved the overall financial opportunity profile for the agricultural and non-traditional export businesses in Africa.

FY 2009 was a formative year with many new innovations and approaches addressing the inability of the commercial banks to provide timely, appropriately priced products and services to SMEs in West Africa. This slow response on the part of the commercial banks has generated interest in the international community to find incentives to encourage the banks to diversify their portfolios as well as opportunities for alternative financing solutions through private sector initiatives by investors and buyers.



At business-to-business meetings across West Africa, the Trade Hub is bringing together exporters and bankers, investors and public sector representatives to discuss specific opportunities.



CASE STUDY

Loosening the purse strings

With a dynamic new approach, the Trade Hub is overcoming the most critical obstacle for business: Access to finance



Photo/Olivier Asselin

Bringing business, banks and investors together is helping financial institutions see the opportunities for profitable lending in West Africa.

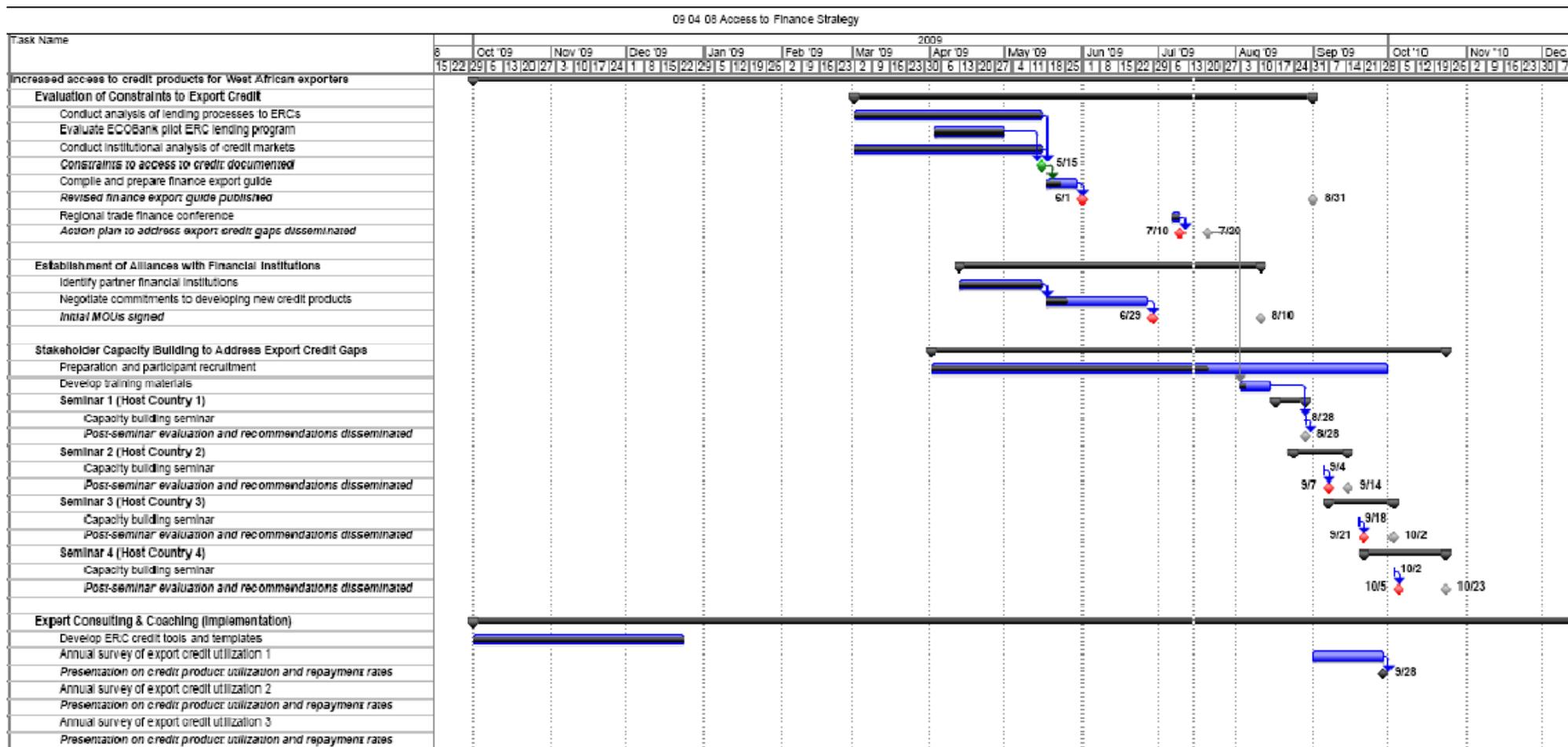
At business-to-banks-and-investors forums conducted at major conferences and workshops across West Africa, bankers, investors and companies are meeting one-on-one to explore the opportunities for profitable lending.

CHALLENGE Despite the profits many traders enjoy in West Africa, companies across the region face great difficulties obtaining loans from banks and other financial institutions to finance their activities. Yet, access to finance is essential for business and, the inability to finance their activities limits the growth of many companies. While most commercial banks are unfamiliar with these sectors, companies are not familiar with how these institutions function and sometimes do not know how to package their needs. Further, public sector stakeholders have found it difficult to respond at the growing rate of interest of the international markets.

INITIATIVE Starting in 2007 with the USAID and Ecobank partnership focusing on increasing lending, by 2009 the Trade Hub brought in more financial service providers, private equity fund and international investors, diversifying the portfolios for banks and companies. The Trade Hub's new access to finance program brings bankers, investors, companies and government officials together to engage on value chain, market-driven opportunities and provides the Trade Hub's respected technical expertise on value-addition in sectors like shea, apparel, handcrafts as well as transport. "The Trade Hub is playing a critical role in identifying businesses with growth potential, providing hands-on support to build their capacity, and facilitating market linkages and access to finance," said Brian Milder of Root Capital, a social investment fund.

RESULTS In FY 2009, Trade Hub-assisted companies reported US\$1.7 million in loans, much of it attributable to the Trade Hub's new approach. At its three major conferences during the year, companies, bankers and investors discussed more than 50 specific deals and of these 12 are in the pipeline according to the parties involved. The recent G8 focus on Global Food Security has loosened billions creating initiatives with millions of dollars in credit available to agribusiness companies in Trade Hub-assisted sectors, while investors are targeting new opportunities throughout Africa.

Gantt Chart Tracking¹⁸



¹⁸ Analyses were delivered on time. The Access to Finance Regional Conference was delayed by one month due to venue availability. Partnerships progressed well although only one MOU was signed. Banks willingness to buy-in the Access to Finance concept has been more difficult to obtain than expected. Training workshops had to be pushed to FY2010 due to lack of resources and late start in FY2009.

2.2 Mobile Money

Introduction

The use of mobile phones in West Africa is widespread and continues to grow. By 2015, fully three quarters of all West Africans will have cell phones, according to the International Telecommunications Union. Cell phones are miniature computers, their capabilities expanding with each new generation of devices. Taking advantage of these low-cost, portable and increasingly powerful instruments will fuel development initiatives for years to come and has been the basis for the Trade Hub's efforts to enable traders to use mobile money products to transfer up to US\$10,000¹⁹ at one time across borders in multiple currencies. Given that billions of dollars of business is conducted entirely in cash in West Africa, a secure mobile money product could immediately resolve security issues for traders; coupled with the fact that electronic credits and debits are traceable and therefore can create a credible history of business transactions.

Making modern financial services available to the West African business community will greatly facilitate regional economic growth and integration and is a primary long-term objective of the Trade Hub's work in the financial sector. In the second year of the project, the Trade Hub's mandate is to support the development of new products and processes that respond to traders' needs for access to faster cross border transactions and lines of credit.

On July 21, 2009, the Trade Hub's partner, MTN, launched domestic Mobile Money (MM) in **Ghana**, in partnership with nine banks²⁰. The product is the first of its kind in Ghana and in addition, as a result of Trade Hub efforts, MTN will provide high-value transaction capabilities to suit traders' commercial needs, through a phased approach.

FY 2009 Results and Highlights

In FY 2009, the Trade Hub established a partnership with MTN, the largest mobile network operator in Africa, to develop a mobile money (MM) product that is both trader- friendly and has cross-border regional payment capabilities. The Trade Hub has been the sole champion of the commercial trader and has raised awareness of the differences between "traditional" mobile money products that are of small value in nature, (average transaction is US\$50 in Kenya) and opportunities to adapt the product to traders' high value commercial needs.

Under our partnership with MTN, the Trade Hub conducted focus group interviews with traders in **Nigeria** and **Ghana**. Trade Hub enterprise development and transport sector clients that trade intra-regionally participated in the focus group meetings. Traders represented businesses working in cashews, shea nut products, apparel, cattle, fisheries, travel, sports, and home décor and fashion accessories. As a result of the focus group meetings and the Trade Hub's influence, MTN Ghana's domestic MM product will have high value capabilities. In addition, they can adapt their technology to service cross border transactions between MTN **Ghana** and MTN **Nigeria**.

On July 21, 2009, MTN **Ghana** was the first country in the MTN Group to launch its mobile money product in West Africa. MTN's new MM product will begin with domestic service capabilities, in partnership with nine Ghanaian banks. The product is the first of its kind in **Ghana** and will soon have high-value cross-border transaction capabilities to suit traders' commercial needs.

In FY 2009 the Trade Hub also developed a three-phase proof of concept (pilot) to aid in obtaining international approvals and accelerate the testing of MTN's new cross- border mobile money product. (See evaluation section.)

¹⁹ Cross-border transactions above US\$10,000 are subject to international anti-money laundering legislation and regulations.

²⁰ CAL Bank, Ecobank, Fidelity Bank, GT Bank, Intercontinental Bank, Merchant Bank, UBA, Stanbic, Zenith Bank.

Legal and Regulatory Report

The legal and regulatory report, white paper and matrix summarize the approaches that each of the three jurisdictions, Ghana, Nigeria and Senegal (UEMOA), have taken towards mobile payment services. Taking into consideration that legal and regulatory reform is risky, time consuming and faces much opposition, the Trade Hub developed a strategy that identifies methods to quickly implement cross border MM transactions under the existing legal and regulatory framework. The report also identifies longer term issues that impact the ability to offer international mobile payments in West Africa. The report's executive summary appears in Annex 14.

While the three jurisdictions have taken different approaches to allowing mobile payments to take place, these are under different rules and conditions; however, because the banks are ultimately settling the international transaction, the major impediments to cross border transactions in West Africa are problems engrained within the financial sector relating to settlement, balance of payments and perceived trade deficits between countries in the region and currencies. The Trade Hub raises these issues in the report and sets forth a proposed approach to address them in the Working Group meeting.

Working Group Meeting

The Trade Hub will pass ownership of this activity over to ECOWAS at a Working Group meeting to be scheduled in FY 2010.

The Trade Hub and ECOWAS will convene a *steering committee* to develop the agenda, as well as a strategy for the meeting and any subsequent implementation activity. ECOWAS will convene. The *working group* will be comprised of the following stakeholders: USAID, the Trade Hub, ECOWAS, the West Africa Partnership for Co-Prosperity, the West Africa Monetary Institute (WAMI), the West Africa Monetary Authority (WAMA), decision-makers from the Central Banks of **Ghana**, **Nigeria** and the *Banque Central des Etats de l'Afrique de l'Ouest* and MTN.

Proof of Concept

MTN **Ghana** has suggested that it would like to launch cross-border transactions between **Ghana** and **Nigeria** by the end of the calendar year. However, in consultation with MTN **Nigeria** representatives, the Trade Hub became aware that domestic approval, a pre-requisite to international approvals has proven to be more challenging due to a slow moving bank partner²¹. MTN **Nigeria** is working aggressively to obtain necessary domestic approvals by the end of the first quarter of 2010. As a result, the Trade Hub will reinvigorate this activity once domestic approvals in **Nigeria** are obtained. Once Phase I of the Proof of Concept is completed, this would represent completion of the final performance indicator: "*Number of countries that offer cross border, cross currency funds transfer services.*"

Evaluation

Proof of Concept and Legal Issues Analysis

The Trade Hub had initially sought to conduct the cross border proof of concept on a three country axis that included **Ghana**, **Nigeria** and **Senegal**. From an operational perspective, the **Ghana – Nigeria** corridor is most ripe for testing.

From a legal perspective, central bank approvals in **Ghana** and **Nigeria** will be required and the strategy that the Trade Hub has developed in the legal and regulatory analysis will be vital to convincing regulators to allow the service to occur since the banks are ultimately involved in the settlement of the underlying transaction. The Working Group meeting will play an essential role in convincing decision makers to allow the cross border test to take place.

From a technological perspective, testing cross-border transactions between affiliates running the same platform is desirable since it is easier to adapt the platform to interoperate with

²¹ Unlike MTN Ghana, MTN Nigeria only has one bank partner.

services in both countries. MTN has operations in Ghana and in Nigeria, but not in Senegal, where it has determined that obtaining a telecommunications license is not cost effective.

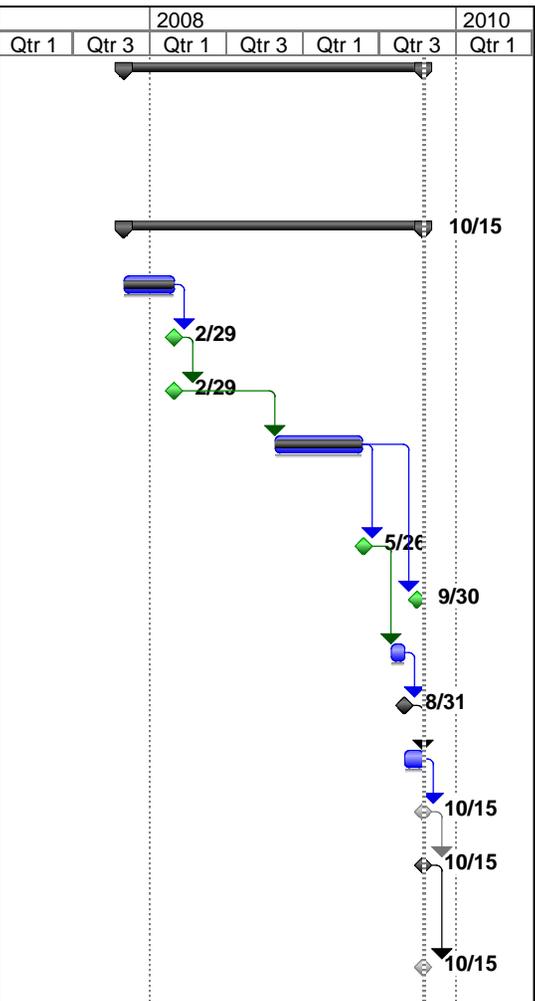
Interconnecting Orange in Senegal and MTN in Ghana and Nigeria represents Phase II of the proof of Concept but Orange is not ready to conduct cross-border transactions outside of the UEMOA zone and will not be until at mid-to-late 2010 or 2011. Connecting two competing mobile money providers represents a more challenging task and requires the willingness of both partners to invest significant resources to interconnect platforms and engage with regulators in their domestic markets. United Bank for Africa and Ecobank have proprietary switches to facilitate mobile money or card bank cross-border multi-currency transactions as well, which is another technology vehicle for these transfers.

Value Chain Evaluation and Analysis

West African exporters and traders, particularly within the region, face severe constraints when they seek to make or receive electronic or wire payments relative to their businesses. Exporters conduct large volumes of their business in cash, which adds significantly to their costs, exposes them to the risk of robbery and theft and does not allow them to establish a credible history of conducting business. Other constraints that exporters confront include difficulties with traceability of cash transactions along the value chain. . The mobile phone can facilitate financial transactions particularly sending and receiving money efficiently and helping to organize financial data that can be used to develop credit histories.

As a result of MTN's domestic development of its new mobile money product virtually stakeholder within the Trade Hub's targeted value chains, including producers, processors, exporters, and transporters, will be able to do business more efficiently and cost effectively if they adopt the new technology into their systems.

ID	Task Name	Duration	Start	Finish	Prede	2008						2010	
						Qtr 1	Qtr 3	Qtr 1	Qtr 3	Qtr 1	Qtr 3	Qtr 1	
1	Worldwide industry-standard processes and innovative technologies for export finance and business investment available to West African exporters	511 days?	Thu 11/1/07	Thu 10/15/09									
2													
3	Facilitate launch of cross-border, multi-currency M-banking services	511 days?	Thu 11/1/07	Thu 10/15/09									10/15
4	Trade Hub analysis of planned service launches by banks and telecoms	86 days	Thu 11/1/07	Thu 2/28/08									
5	Matrices of service offerings and project partners	0 days	Fri 2/29/08	Fri 2/29/08	4								
6	Matrices of service offerings and project partners completed	0 days	Fri 2/29/08	Fri 2/29/08	5								
7	Trade Hub conducts review of legal and regulatory framework for planned offerings	150 days	Mon 10/27/08	Fri 5/22/09	6								
8	Report and matrix of legal and regulatory environment for M-banking co	1 day	Tue 5/26/09	Tue 5/26/09	7								
9	Revised legal & regulatory environment report completed	1 day?	Wed 9/30/09	Wed 9/30/09	7								
10	Trade Hub solicits private and public sector validation of the report	22 days	Fri 7/31/09	Mon 8/31/09	8								
11	Final legal and regulatory analysis disseminated	0 days	Mon 8/31/09	Mon 8/31/09	10								
12	Trade Hub assists banks and telcos in planning and testing new services	33 days	Tue 9/1/09	Thu 10/15/09	11								
13	First pilot completed	0 days	Thu 10/15/09	Thu 10/15/09	12								
14	Trade Hub assists private sector in analysis of pilot results, further product development and regulatory approval	0 days	Thu 10/15/09	Thu 10/15/09	13								
15	First M-banking product launch	0 days	Thu 10/15/09	Thu 10/15/09	14								



Project: Financial Sector Gantt Date: Thu 10/15/09	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	



3 Transportation Infrastructure

Introduction

The costs of transportation and logistics in West Africa are among the highest in the world and a significant obstacle to the competitiveness of exporters. The Trade Hub Transport Infrastructure component aims to reduce the costs of transport, transit and logistics that regional exporters pay. The component employs a strategy of stakeholder empowerment: providing stakeholders with credible, useful information about inefficiencies along the corridor and then supporting stakeholder advocacy to reduce these inefficiencies.

The component focuses on key trucking corridors, particularly those linking landlocked capital cities with West African ports. On these corridors, it tracks and analyses different cost elements through its Reduced Road Transport Costs work and focuses on road-transport corruption through its reporting system. A second activity, the Improved Road Transport Government initiative, targets one particular source of inefficiency: corruption associated with the harassment of truck drivers at checkpoints along transport corridors.

The results gathered by the transport team feed into a communications and advocacy program that makes available analysis and statistics to transport-sector operators and industry stakeholders, allowing them to better appreciate the weak links in their value chains and improve their advocacy to the public sector with a view to improving government regulation. In FY 2009, the Trade Hub sought to hone its strategic communications and the outline of a new campaign that unifies the transport messages was developed (see Annex 15).

During FY 2009, the Trade Hub has continued to work with the *Union Economique et Monétaire Ouest Africaine* (UEMOA) to produce and publicize quarterly reports that quantify road-transport corruption in **Burkina Faso, Ghana, Mali and Togo**. See Annex 16 for the 8th report, produced during the fourth quarter of FY 2009. Trade Hub staff has promoted these reports through meetings with truck drivers, truck owners, representatives of the police and customs services, other government officials and other stakeholders. Data collection has started on a new corridor (Bamako-Dakar) and staff has built the institutional foundations that permit the imminent start of work on other corridors including Abidjan-Ouagadougou, Abidjan-Bamako, Niamey-Cotonou²² and Abidjan-Lagos.

In FY 2009, the Trade Hub began collaborating with the USAID-funded Agribusiness and Trade Development (ATP) project and with the World Bank-funded Abidjan-Lagos Corridor Organization (ALCO). Both of these organizations quantify and document road-transport corruption using methodologies that are different from and complement that of the Trade Hub: the Trade Hub collects data through volunteer truck drivers and makes a point of only collecting data from trucks and drivers meeting legal requirements and with all papers in order. ATP collects data only on one corridor, at present – the “onion corridor” from Madaoua, Niger to Bitou, Burkina Faso – from any driver/truck carrying onions, whether it is legal or not. ALCO collects data through a consultant on both freight and passengers. The Trade Hub and ATP work was published jointly in the 8th IRTG report. The Trade Hub signed a Memorandum of Understanding with ALCO according to which the two organizations will start publishing joint reports starting in the first quarter of 2010.

Anti-corruption work has evolved from working directly with transport stakeholders to an indirect approach that makes use of the skills of civil-society organizations (CSOs) to undertake the advocacy and publicity needed to reduce bribery. During FY 2009, the Trade Hub awarded eight grants to CSOs, a total of US\$97,972, for communications and advocacy work on transport-related corruption. Over four months, CSOs undertook a combination of public events, meetings with uniformed services and public officials, radio talk shows, and TV programs. In addition, anti-corruption staff continued to promote the anti-corruption results through their own outreach work, such as website development and the production of materials publicizing the impact of anti-corruption findings for West African economies, particularly the impact on trade.

²² Political circumstances in Niger have led to a suspension of work on this corridor.

Reduced Road Transport Costs activity has resulted in a detailed analysis of inefficiencies on the Ouagadougou-Tema trucking corridor, including ports and borders. Transport-cost analysis shows that exporters would save almost US\$1.5 million annually and importers almost US\$5.5 million if inefficiencies identified were eliminated (or 11% of import costs and 8% of export costs for 2006). The impact on trade of eradicating these inefficiencies would be significant given that a 10% drop in transport cost increases trade by 25%²³, thus helping West African companies to compete more successfully on world markets and likely lowering the prices of traded goods for consumers within the region.

The Trade Hub has sought to learn from experience with trade and transport facilitation from around the world. In May, Transport Direct Niels Rasmussen presented his research comparing the regional project in southeast Europe to the Trade Hub's activities in West Africa. The presentation appears in Annex 17.



Enforcing regional axle-load restrictions in Niger paralyzed truck traffic to the country in April, but has led to a commitment by UEMOA member states to enforce the rules by June 2010. Overloaded trucks were forced to off-load excess cargo at the Niger-Burkina Faso border when Niger began enforcing the rules.

- The transport sector is male-dominated and the fact only 3% of those trained are female is not surprising.

²³ Limao N. and Venables A.J. (2001), "Infrastructure, Geographical Disadvantage and Transport Costs," *World Bank Economic Review* Vol. 15, No. 3, pp. 451-479, The World Bank, Washington, D.C. Quoted by Raballand in *Transport Prices and Costs: The Need to Revisit Donors' Policies in Transport in Africa* (2008).

- For the “Percentage annual reduction in the number of barriers along priority West African trucking corridors” indicator, the “Achieved FY 2009” value equals the Q4 value.
- To operationalize this indicator, the Trade Hub proposes to gather data from shipping companies on the costs of sending containers along standardized export corridors. In September 2009, Trade-Hub staff will gather baseline data for this indicator. In September 2010, it will gather comparable data and note the percentage change. Note, however, that parts of West Africa are in the throes of significant change in trucking rates because of the reduced loads that trucks can carry and still meet new limits on (a) axle weights and (b) total gross truck weight. Ghana, Mali and Niger introduced these limits in June 2009; Togo followed suit in September 2009. Other UEMOA countries are due to introduce them in June 2010. Changes in trucking rates along certain corridors have risen by approximately 50% since June 2009 and may increase again and/or along other corridors in June 2010. This useful indicator will capture these changes well but the target of 5% reduction sought seems infeasible.

FY 2009 Results and Highlights

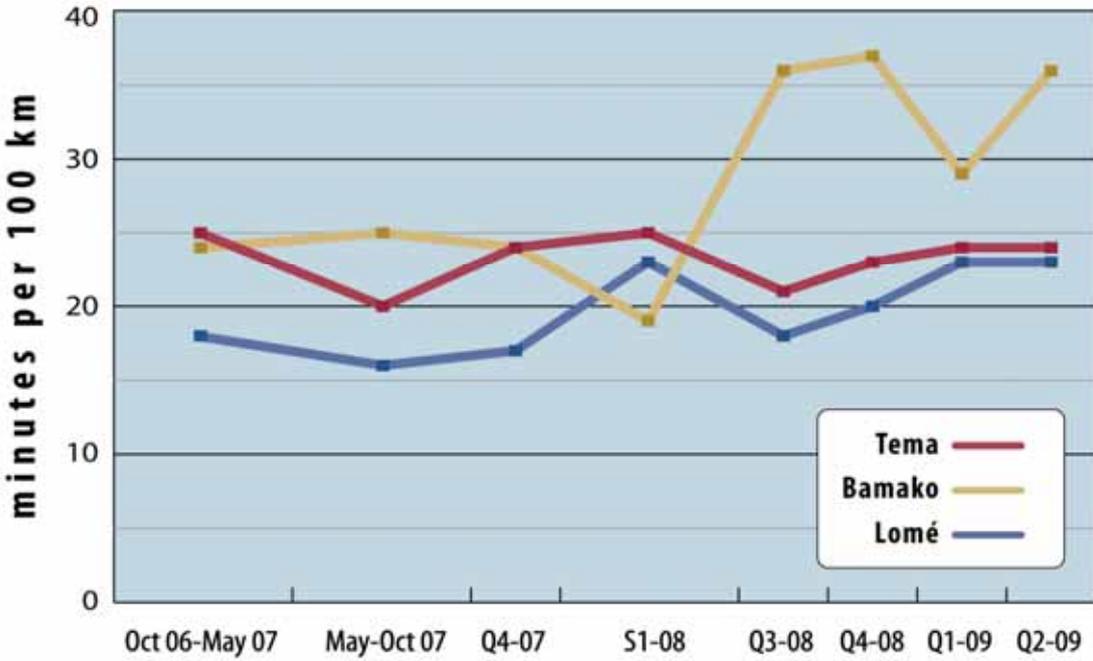
Anti-corruption activities and results

Stakeholders at the national, regional and international level have continued to express interest in the reports detailing corruption on West Africa’s principal trucking corridors. In particular, the iconic four-country corruption map featured in the World Bank’s Global monitoring report 2009 in its section on “Improving the private investment climate for recovery and growth.”

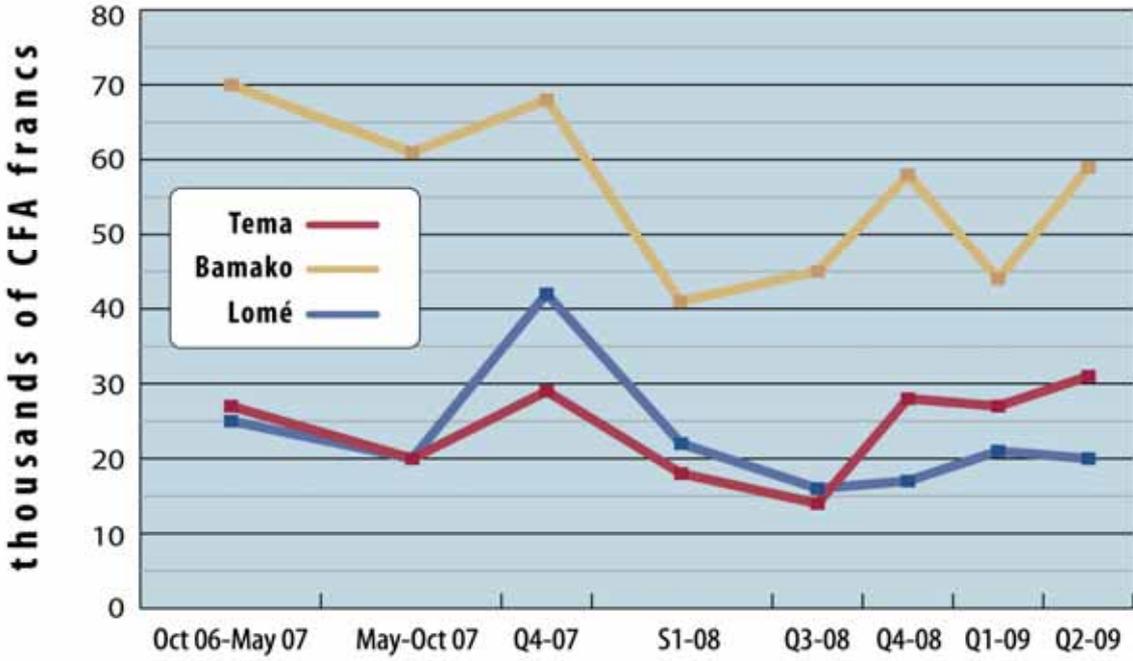
The reports themselves show no evidence for a reduction over FY 2008 of barriers at which uniformed officials take bribes from truck drivers. Indeed, graph 1, generated from statistics gleaned from these reports, shows that the number of controls on the Bamako – Ouagadougou has averaged 34 during the first three quarters of FY 2009, compared to 26 for the last three quarters of FY 2008.²⁴ Moreover, following a noticeable drop in the level of bribes paid in FY 2008, average payments have since risen and remained at higher levels during FY 2009, as graph 2 shows. Graph 3 shows that delays induced by the barriers have remained stable during FY 2009, except on the Ouagadougou-Tema corridor where they have risen somewhat since FY 2008.

²⁴ This analysis refers to the situation as of the latest available analysis, i.e. second quarter 2009. However, recent news from the results generated from Transport Infrastructure publicity and advocacy work reports that this work has resulted in the removal of three barriers in Mali. See the [Anti-corruption outreach and advocacy activities and results](#) section below.

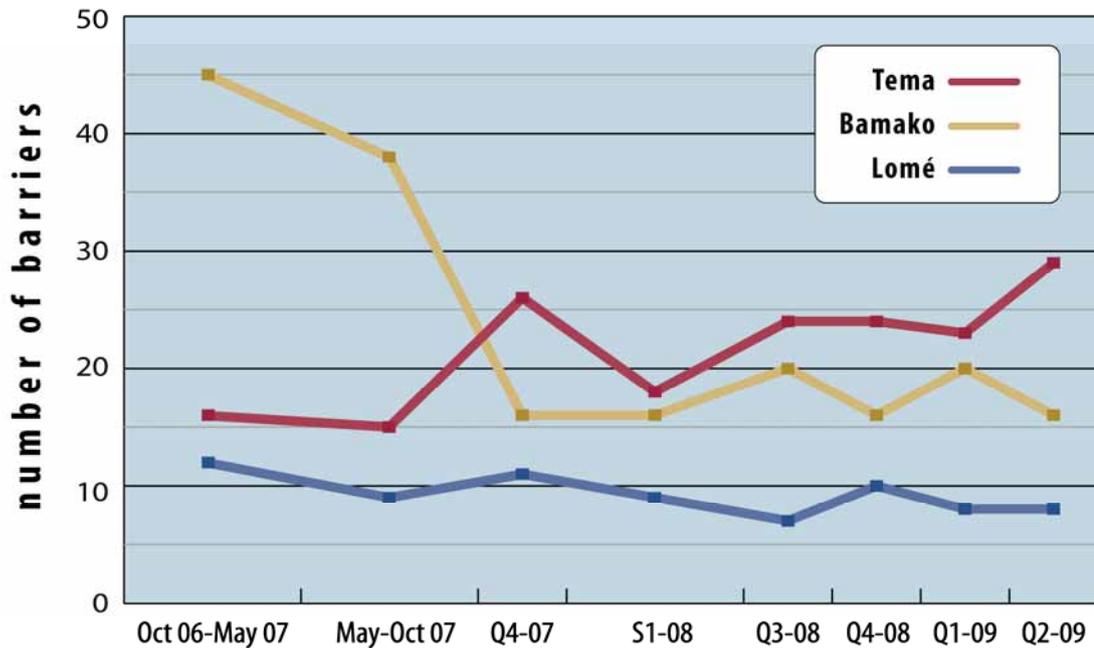
Delays between Ouagadougou and three cities



Bribe level between Ouagadougou and three cities



Controls between Ouagadougou and three cities



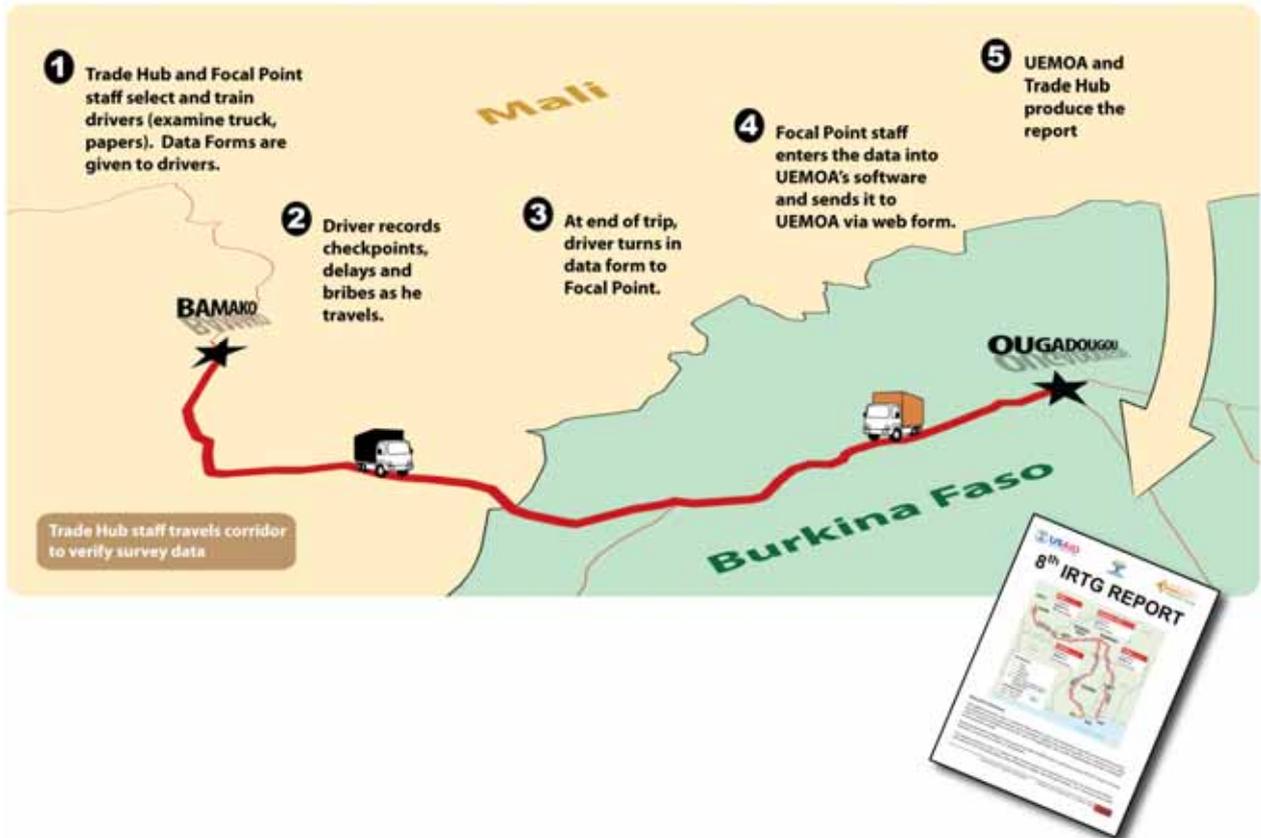
UEMOA's production of the four anti-corruption reports in FY 2009 testifies to the strong institutionalization of this activity. Trade Hub staff still ensures that field data reach UEMOA and staff verifies the analysis written by UEMOA but, otherwise, this is now an UEMOA activity. More generally, the Improved Road Transport Governance system that collects, verifies, transmits and analyses the data and that publishes quarterly reports on road-transport corruption is evolving towards its own separate existence. The fourth meeting of the anti-corruption system's steering committee took decisions to formalize it as a stand-alone organization with its own legal identity. It will be easier for UEMOA to create a budget line to support an institution with its own legal identity, among other advantages. The meeting also drafted templates for agreements between UEMOA and each national coordinator (the government agency responsible for the system).

Separately, the Trade Hub has concluded service agreements governing its relations with the focal points in **Burkina Faso, Ghana, Mali and Togo** that oversee the system's day-to-day national operations. These new agreements are aimed at providing a firmer accounting basis for payments that the Trade Hub makes to the focal points and facilitating the transfer of existing focal points to UEMOA's management in FY 2010.

The IRTG data collection process, which involves volunteer truck drivers, national coordinators and focal points, as well as UEMOA and the Trade Hub, is illustrated in the figure below.

How the Data is Collected

The Improved Road Transport Governance initiative consists of a robust reporting system. These are the steps involved for collecting data on the corridors.



Trade Hub staff continued quarterly trips along corridors of interest to verify the quality of data collected by drivers. Separately, they verified variable values in a sample data set compiled by UEMOA's IT department, which provided direction for (a) a retraining program for focal-point staff and (b) a plan to improve the structure of UEMOA's anti-corruption database, to clean the data, and to increase the analysis done with data available.

To better understand the milieu in which road-transport corruption takes place – and the general context for transport and transit – Trade Hub staff undertook three fact-finding missions in FY 2009: to **Niger** to better understand the causes and effects of 500 trucks blocked at an entry post into **Niger**; to **Togo** to examine the impact of a collapsed bridge on the Ouagadougou-Lome corridor; and, to **Senegal** and **Mali** to evaluate the constraint to the Bamako-Dakar corridor caused by the ferry that is replacing a bridge over the Senegal river during the reconstruction of a bridge.

The Trade Hub reinforced its partnerships with governments through the anti-corruption system's national coordinators, mainly based in ministries of transport. Trade-hub staff increased their meetings with uniformed services (principally police and customs) and is increasingly working with them.

The Trade Hub has expanded its geographic coverage through its activities and through collaboration with other projects:

- With enthusiastic endorsement from government agencies in **Senegal** and **Côte d'Ivoire**, the anti-corruption system has initiated activities on three new corridors: Bamako-Dakar, Cotonou-Niamey and Abidjan-Ouagadougou. Data collection along the Bamako-Dakar corridor began in the fourth quarter of FY 2009. Joint teams of staff from UEMOA and the Trade Hub have already identified organizations to host focal points in **Benin**, **Niger** and

Côte d'Ivoire. Due to the current political situation in **Niger**, the Cotonou-Niamey corridor is temporarily on hold.

- The Trade Hub and the Abidjan-Lagos Corridor Organization (ALCO) signed a memorandum of understanding in July 2009 covering their work together during FY 2010, including joint reporting and a joint workshop for the ECOWAS-mandated National Road Transport & Transit Facilitation Committees in ALCO and Trade Hub countries. ALCO is the regional organization through which the World Bank will monitor and evaluate the impact of its Abidjan-Lagos Transport & Transit Facilitation Project starting in 2010 under ECOWAS' aegis. Both ECOWAS and UEMOA had expressed a desire for the Trade Hub and ALCO to collaborate and publish joint reports. Separately, the project continued its collaboration with USAID's Agribusiness & Trade Promotion (ATP) project: UEMOA's anti-corruption report covering 2Q08 included corruption statistics based on data collected from the ATP "onion corridor" from Madaoua (**Niger**) to Bittou (**Burkina Faso**) and future collaboration is likely to cover transport of foodstuffs along corridors important for trade-based food security.

Anti-corruption outreach and advocacy activities and results

Trade Hub staff sent the four road-corruption quarterly reports now principally produced by UEMOA to a target audience of over 1,500 Anglophone and Francophone recipients. Nonetheless, the UEMOA document is principally aimed at governments. Negotiations with UEMOA now allow the Trade Hub to produce its own materials based on the UEMOA report's findings and thus circulate in parallel a shorter document that is more accessible in the hope of making the anti-corruption situation clear to a wider audience. The figure below shows how the IRTG reports are used to advocate for change.

What Happens to the Report

Advocacy plays an integral role in Improved Road Transport Governance initiative. Once written, the Trade Hub-UEMOA report is used to advocate for real change.



In addition, staff also continued to update drivers through "road shows." These are quarterly feedback sessions in each country at which truck drivers learn about progress documented in the quarterly reports. These meetings have always served to promote the drivers' voluntary completion of data collection sheets and as conduits for communicating drivers' concerns to Trade-Hub staff. However, during FY 2009, staff has also made a point of inviting representatives of the uniformed services to the road shows, so that they can answer drivers'

questions about the behavior of customs agents, police officers and gendarmes at road barriers, as well as the rules governing national and regional road transport.

The Improved Road Transport Cost initiative's renown means that journalists all over the region are now much keener to cover anti-road-corruption events. The launch of the quarterly reports as a dissemination strategy has become an attractive media event: the report is seen as a credible source of information on road governance issues. National and worldwide media are also supporting an ongoing outreach effort. A German-based Voice of America journalist interviewed the team on road governance issues; Togolese national television offered 15 minutes of free air time to the project to spread the word about its work across the region and specifically in Togo; and, now UEMOA organizes publicity events in Ouagadougou.

The major new outreach activity for FY 2009 has been the grant aided publicity and advocacy campaigns. (A summary of CSO activities appears in Annex 18.) During FY 2009, the Trade Hub allocated grants to civil society organizations (CSOs) to (a) raise awareness among the population at large through the media of UEMOA's published findings on road transport corruption and (b) advocate reductions of road barriers, bribery and delays to decision-makers. From 33 candidate CSOs, two in each of Burkina Faso, Mali and Togo received grants, as did three in Ghana. (The work in Ghana started two months later than in the other three countries.) Each four-



Civil society campaigns to raise awareness of road harassment were widely covered in newspapers in Burkina Faso, Mali and Togo. From top to bottom: "Bamako-Ouagadougou: A pain for transporters," "Free movement of people and goods: Laws difficult to apply," "Despite measures, road harassment continues," "Lome-Cinkasse: More than 600 km of pain for road users," and "Malian police subject to accusation."

month grant was for approximately \$10,000. CSOs attended an orientation workshop and then had four months to undertake their program of activities. Trade Hub staff provided technical support and monitored and evaluated the activities. Trade Hub Monitoring and Evaluation Specialist Yakubu Iddirisu designed and implemented a baseline corruption awareness survey with Transport Infrastructure Outreach and Advocacy Coordinator Lacina Pakoun (see Annex 19). The report used convenient sampling to gauge the level of awareness of road corruption and will be used to evaluate the impact of CSO activities after a second convenient sampling activity is undertaken early in FY 2010.

Although the activities continue at the end of FY 2009, it is not too early to report that the results have been diverse and multiple: Televised public debates, radio interviews with senior police officers, production and broadcast of video documentaries, peer education of gendarmes, public meetings, and debates with stakeholders in the transport sector at the borders. In **Mali** alone, over 40 newspaper articles on road transport governance have appeared during this period. In **Togo** and **Burkina Faso**, ministers of security held workshops focusing on the problems of

corruption amongst gendarmes, police, and customs. The Togolese Minister of Trade asked CSOs to formally suggest possible areas of collaboration to fight road corruption.

Successes so far include:

1. Burkina Faso:
 - Removal of all fixed police checkpoints
 - Wearing of nametags to be compulsory for all police to eliminate impunity through anonymity
 - Weekly police meeting to decide on corruption issues and jail for 45 days any corrupt agent caught
2. Togo:
 - Road patrol set up by government to dissuade corrupt agents from taking bribes and harassing transit cargo on trucking routes
3. Mali:
 - Four road barriers removed:
 - on the Bamako-Ouagadougou corridor:
 - one manned by the Bougouni West mayor's office
 - another at Sikasso East housing controls from the police, gendarmerie, National Transport Office and the mayor's office
 - on the Bamako-Dakar corridor:
 - one manned by the Diema housing controls from gendarmerie
 - another at Sebabougou housing gendarmerie
 - An account of a road harassment roundtable on the Mali prime minister's website
 - Revision of border crossing legislation underway
 - Satellite tracking for transit trucks underway since Aug. 20, 2009
 - National Road Transport & Transit Facilitation Committee starting to control government agents in the field for the first time

Communications and advocacy staff have started negotiations with Ghana Customs' internal policing department about joint activities to reduce road-transport corruption.

Transport Cost activities and results

Reducing costs for West Africa's exporters depends on more efficient trucking services and on lower corruption in ports, at borders and along the transport corridors. The Trade Hub's Reduced Road Transport Cost team undertook an analysis of the costs that shippers face on the Ouagadougou-Tema corridor, for both exports and imports, and have started data collection on the Bamako-Tema and Ouagadougou-Lome corridors.

They held a workshop to verify the provisional findings and then they proceeded to identify inefficiencies that contribute to high costs.

The study, the executive summary of which appears in Annex 20, revealed that the most important step that can be taken to improve trucking in West Africa is to deregulate the trucking markets. This would also advance the regional integration process that ECOWAS and UEMOA have been working towards since they were established.

The only trucking deregulation experience in the African region so far took place in Rwanda in 1994 and had a huge effect on transport prices. After deregulation of international transport, prices declined by more than 30% in nominal terms and by almost 75% in real terms when taking into account the continued increase in input prices.

Following in importance after deregulating the trucking market comes streamlining and modernizing Customs procedures in both Tema port in Ghana, and the Ouagadougou terminal in Burkina Faso which each account for about 20% of the Tema - Ouagadougou transport cost.

The cumbersome customs procedures encourage the offer of, or demand for, “facilitation payments” to the extent that custom is responsible for collecting about 50% of the informal payment changing hands along the Tema-Ouaga corridor. It takes more than 11 days to clear goods through the Tema port. In Ouagarinter where cargo is inspected by a specialized inspection company, Cotecna, to ensure that it is correctly declared, it usually takes about 6 days to clear goods. During this time the cargo usually remains on the truck resulting in importers paying a trucking demurrage charge of FCFA 75,000 (US\$179) per day after the third day.

Other reforms or investments that would improve transport services and reduce costs and delays include enlarging the Tema container terminal so as to eliminate the 2-day waiting time at anchor; abolishing the GHS 200 Ghana (US\$180) fee on southbound transit traffic which is unfair and against international commitments in regards to such traffic; extending the use of GPS tracking to the southbound Ghana leg from Paga to Tema and throughout the UEMOA region in order to eliminate the need for customs escort; align customs working hours at the Ghana Burkina Faso border, just to mention some. The table below summarizes the most important recommendations resulting from the study together with rough estimations of the savings per ton they might bring about.

No.	Description	Benefits	Estimated net benefit in USD/tonne
1	Deregulate the West Africa trucking markets	Reduce transport prices by 30% or more	US\$65.00 (Speculative)
2	Speed up the Cotecna inspection at Ouagarinter	Reduced truck demurrage cost from 3 days to 1 day @ CFA 75,000 per day	US\$18.00
3	Create more berth space for the MPS container operations	Reduction in vessel waiting time before berthing and elimination of the port surcharge	US\$10.00
4	Abolish the Ghanaian GHS 200 (USD 180) transit fee	Reduce the cost and paperwork related to export from Burkina Faso	US\$7.69
5	Develop an electronic platform for matching cargo and trucking from Tema port	Reduced costs of allocating freight to trucks and improved transparency and truck rotation times.	US\$3.25
6	GPS tracking from Paga to Tema	Eliminate formal and informal costs and delays related to the escort system	US\$3.00
7	Simplification of cargo clearance procedures at Tema port	Port clearance reduced from 5 to 2 days. A reduction of the amount of bribes paid to customs and others by about 60%	US\$1.38

The recommendations, if implemented, would result in direct savings to traders of about US\$8 million per year. This represents savings of 11% on import and export costs. Based on trade volumes recorded in 2006, successful implementation of all recommendations could result in savings of almost US\$2 million annually to exporters and almost US\$6 million to importers. The study revealed that the highest cost faced by traders on the corridor is the cost of trucking: 59%

to 64% of total costs in the case of imports and 50% to 58% in the case of exports. For improved import efficiency, the study identified the development of an alternative system to allocate transit cargo bound for Burkina Faso to trucks at Tema port as a measure to achieve significant savings in trucking costs.

The study's analysis looked at four cost categories: port costs, customs costs, trucking and logistics costs and forwarding costs. Throughout these categories, informal costs abound. Informal costs constitute 10-12% of total costs for imports and 2-3% of exports. In general, customs costs had the highest informal costs component (44-68%) of total customs costs, depending on the transport mode employed.

The transport cost team and its consultants have started data collection on the Bamako-Tema and Ouagadougou-Lome corridors, and is in the process of recruiting consultants also for the Abidjan-Ouagadougou corridor.

Since the start of 2009, the transport cost team has been collaborating with USAID/Washington's TCBoost project that uses *FastPath* software to evaluate constraints to competing transport and logistics corridors. The two projects share data and generate analyses yielding complementary insights into bottlenecks along trade corridors.

FastPath is designed to look at a range of routes and transport modes emanating from a port, and can perform "What if?" and cost-benefit analyses, which the Trade Hub methodology can do only manually. However, *FastPath* deals only with containers (rather than bulk cargo) and therefore cannot (a) model the common West African transfers of freight from container to bulk shipment along the corridor, (b) separate formal and informal costs, or (c) include scenarios with one inland destination linked to several ports.

Other studies and other considerations

The results of a Trade Hub study, the "West Africa Road Transport Market," (see Annex 21) suggests that restrictive practices in the allocation of northbound freight in West African ports are significant and does not contradict the conclusion of a 2008 World Bank report²⁵ that this effect is the root cause of inefficiency in regional trucking.

The Trade Hub has closely followed changes in the application of regional rules on the maximum weights of trucks and on the maximum weight per axle. During FY 2009, **Ghana, Mali, Niger and Togo** have begun implementing these rules, with their enforcement starting at different times and with different levels of rigor. By June 2010, all UEMOA countries and **Ghana** should have put these rules into practice. Informal sector trucks, which constitute the vast majority of the West African fleet, have overloaded in order to make a profit in a market oversupplied with trucks. With the implementation in some countries of these rules, already the majority are carrying significantly less freight. With at least partial success, they have argued that, to make a profit, freight rates must rise, leading to much higher costs for tradable goods in some countries. The key short-term effect is less overloading and a rise in the cost of trucking. Governments could have used this change as an opportunity to eliminate non-roadworthy trucks but, to date, they have allowed truckers' associations to increase their freight rates across the board, so that all members of these associations, no matter how decrepit their rigs, may charge the new rates. This puts off to another day the elimination of restrictive practices. It is not clear how this dynamic will play out in FY 2010.

Consultant Martin Sgut and Trade Hub staff studied transport and logistics costs for the cashew sector, an area in which the Trade Hub provides support to private producers and exporters. This study includes transport costs upstream from the Sahelian capital cities at which the corruption cost and more general transport cost studies have stopped. It is a prototype for considering the issues that apply to a concrete case, and which the Trade Hub intends to replicate for other sectors in which it has a particular interest. At the end of the fiscal year, the authors were completing the draft study; a presentation of the study's key findings appears in Annex 22.

²⁵ "Transport prices and costs in Africa: a review of the main international corridors" by Supee Teravaninthorn and Gaël Raballand.

ID	Task Name	Start	2008				2009				2010				2011			
			tr	tr	tr	tr												
1	Transport Infrastructure: Public private sector dialogue leads to increased investment and reduced inefficiency	Mon 10/1/07																
2	Develop a system to collect data on bribes and delays along major transport corridors with UEMOA	Mon 10/1/07																
3	System for data collection and verification in place	Tue 10/2/07																
4	Transfer data collection and reporting system to UEMOA	Tue 1/1/08																
5	Identify constraints to transportation infrastructure in West Africa	Tue 1/1/08																
6	Develop and validate a study of all transport costs on primary corridors	Thu 5/1/08																
7	Study design is validated and in place	Wed 9/3/08																
8	Disseminate results of reports on bribes and delays, transport costs	Tue 1/1/08																
9	Establish a coalition to implement recommendations of cost analysis reports	Mon 8/3/09																
10	Study volumes of freight on West African corridors	Fri 5/1/09																
11	Study backhaul constraint to transportation efficiency	Fri 5/1/09																
12	Study transport costs in targeted value chains	Fri 5/1/09																
13	Study West African trucking market	Fri 5/1/09																
14	Study West African port movements and costs	Mon 6/1/09																
15	Study causes and effects of truck overloading	Wed 7/1/09																
16	Design new systems to disseminate, implement recommendations of studies	Sun 11/1/09																
17	Design advocacy campaigns to disseminate, implement recommendations of studies	Sun 11/1/09																
18	Advocacy for private sector stakeholders	Tue 12/1/09																
19	Awareness raising for public sector stakeholders	Thu 4/1/10																
20	High level public private stakeholder meeting	Tue 2/1/11																
21	Decisions taken by public sector to implement improved road transport policies and increase investment	Wed 2/2/11																

Project: Transport 10-01-09
Date: Fri 10/2/09

Task		Milestone		External Tasks	
Split		Summary		External Milestone	
Progress		Project Summary		Deadline	

The Gantt chart for Transport Infrastructure proposes activities 8 – 18 for FY 2009. There follows an update on progress for each activity. Items in **bold** are milestones.

- Disseminate results of report on bribes and delays, transport costs: The component produced and disseminated four quarterly reports on bribes and delays but not other transport costs.
- Establish a coalition to implement recommendations of cost-analysis reports: Awaiting the completion of the Ouagadougou-Tema cost-analysis report, Trade-Hub staff did not try to achieve this indicator.
- Study volumes of freight on West African corridors: This study did not take place due to delays, followed by budgetary constraints.
- Study backhaul constraint to transportation efficiency: This study did not take place due to delays, followed by budgetary constraints.
- Study transport costs in targeted value chains: After delays, consultant Martin Sgut and Trade-Hub staff conducted an analysis of the logistics of the cashew value chain, which was being written up at the end of FY 2009. A presentation appears in Annex 18.
- Study West African trucking market: After delays, consultant Sadok Zerelli undertook this study, which was being finalized at the end of FY 2009. See Annex 17.
- Study West African port movements and costs: After delays, this study is being reconceived as feasibility study for establishing a trade and transport information system centered around port communities.
- Study causes and effects of truck overloading: This study did not take place due to budgetary constraints but, informally, the Trade Hub gathered case studies and other information about overloading.
- **Design new systems to disseminate, implement recommendations of studies:** Trade-Hub staff chose not to invest in developing these systems until studies were complete.
- **Design advocacy campaigns to disseminate, implement recommendations of studies:** Trade-Hub staff chose not to invest in developing these campaigns until studies were complete.
- Advocacy for private-sector stakeholders: This took place partially through the CSO publicity and advocacy campaigns but not at the high-level, formal-sector business level anticipated.

To summarize progress over FY 2009:

- A. delays in the completion of the Ouagadougou-Tema cost-analysis report due to the desire to incorporate the TCBoost findings and also those of the trucking-sector structure:
 - directly constrained progress towards completing activity 8 but the four quarterly anti-corruption reports represent sustained progress in this area that allowed significant development of new CSO-led systems and advocacy campaigns to disseminate anti-corruption findings (comparable to progress characterized by **milestones 16 & 17**)
 - indirectly blocked achieving **milestone 9** and (partially) in terms of **milestones 16 & 17**
- B. delays in undertaking studies has constrained progress towards activities 12 & 13
- C. delays in undertaking studies, followed by budgetary constraints, led to no progress on activities 10, 11, 14 & 15

- D. constraints A.b, B and C, in turn, meant that there was no incentive to develop new approaches to dissemination or implementation of the recommendations of studies, and therefore no progress towards completing **milestones 16 & 17**
- E. CSO-led publicity and advocacy campaigns formally met the terms of activity 18 but not at the high level initially envisaged for the formal private sector.

Transportation Infrastructure Evaluation

Anti-corruption work

Although reports of reductions in the number of road barriers suggest a significant impact from publicity and advocacy activities, graphs 1, 2, and 3 above suggest a “steady state” of corruption along the three corridors followed since 2006. Certainly no steady drop in road transport corruption has taken place, which raises the questions about our understanding of the underlying dynamic and the drivers of corruption:

To what extent do uniformed officers discriminate with respect to infringements in rent-seeking? Do they penalize non-compliant trucks, incorrect documentation and other violations or do they rather seek bribes from all trucks regardless of infractions of transport and transit regulations? Does behavior in these areas vary much between countries, uniformed services and officers?

How could uniformed services attain their security and regulatory goals with fewer checkpoints and, one hopes, less bribery and fewer delays?

Could the uniformed services meet their security obligations with fewer fixed barriers and more mobile barriers? Would this change leave the levels of bribes and delays unaffected but also lead to difficulties for the Trade Hub in tracking where the corruption would take place?

Would privatization of some of the uniformed services’ functions (i.e. removing officers from some tasks) reduce corruption or, to the extent that they would regulate the private-sector, would this change merely change the way in which the corruption would take place?

What combination of carrot and stick will be needed to significantly reduce corruption? How much would better pay for agents in the uniformed services reduce road-transport corruption? How severe and insistent would discipline have to be before bribes and delays would half?

If corruption reaches to the highest level of these services, does this change the activities that the Trade Hub should pursue?

What policing tactics within the police, customs and gendarme services could reduce corruption?

How much do all of these questions become unimportant if there is strong political will to reduce road-transport corruption? Would high-level private-sector advocacy be enough to bring about strong political will within government?

The truth is that we do not have answers to these questions. The experience of the World Bank which has worked for many years with the general issue of Governance is that each country must be treated as a special case. However, some basic principles that have consistently been found to be important are: Strong democracy so that leaders can be replaced if found unsatisfactory; an independent judiciary; openness in government and strong and independent media and civil society organizations which can keep an eye on officialdom. The Trade Hub believes that continuing to document road harassment and working with the private sector and the media to keep the spotlight on the issue will eventually bring results.

The Trade Hub should continue to collaborate closely with UEMOA to ensure that UEMOA makes resources available for its (a) assumption financial and managerial responsibility for focal points and (b) improvement of the road-corruption database and the statistical reports generated from it.

Cost-analysis work

Cost analysis done so far suggests that bribes and delays account for only about two percent of total costs of transport and logistics in exporting from Burkina Faso along this border. If this is

the case, it would seem that the Trade Hub should be allocating more of its resources to other causes of inefficiency in West African trucking. As the Trade Hub continues its cost analysis work on three additional corridors in FY 2010, it will be important to establish if corruption at road barriers, at borders and in ports is as low elsewhere as on the Ouagadougou-Tema corridor. On these additional corridors, it will also be important to quantify the inefficiencies attributable to the restrictive practices the existence of which the FY 2009 study on the market for trucking services has confirmed.

Studies of other transport dimensions and a regional workshop

The study of transport and logistics on the Ouagadougou-Tema corridor uncovered three major inefficiencies that collectively suggest the potential to cut US\$10.99 per ton from export costs. Other, more minor, inefficiencies would add to these possible savings, but not by much. While it seems worthwhile to pursue the reduction of these unnecessary costs, most observers feel that inefficiencies in the West African market significantly exceed this order of magnitude. If so, other inefficiencies must lie elsewhere. Two possibilities present themselves. First, the cost of transport, taken as a given in this study, may contain significant inefficiencies for transport of imports. Among these, the World Bank's Teravaninthorn & Raballand (2008) suggest that cartels controlling the allocation of freight to trucks at ports generate large rents for informal-sector truckers. A recent Trade Hub study has at least partially verified this concern (see Annex 17).

The Trade Hub has started cost studies on other corridors and will pay particular attention to the inefficiencies in the trucking markets. As the results from these different studies become known, along with information gathered in response to events as they unfold, the Trade Hub will gradually build a fuller integrated understanding of the structure of the trucking sector and its key inefficiencies and thus be in an increasingly privileged position to recommend if and how its Transport Infrastructure resources should be reallocated. Collaboration with others undertaking studies and policy reform, particularly the West African governments and regional organizations, the European Commission and the World Bank, is important. The Trade Hub can play an important role in ensuring that the private sector plays a part in this process.

Outreach and Advocacy

While we await a formal evaluation of the impacts of the CSO publicity and advocacy campaigns, initial results suggest that these are significant and that further work on the highest-impact activities would be even more productive. It is also important to focus efforts to forge influential high-level private-sector coalitions to advocate changes in government policy in key obstacles to cost reduction. As it validates and completes its corridor costs studies and the other set of studies it has designed, the Trade Hub should begin in earnest the advocacy phase based on these findings, recruiting a well-known champion to promote the most important recommendations and facilitate the private sector through the advocacy process to press government for reform. A second part of this process is to ensure that government fully understands the technical and economic arguments underpinning the advocacy. A third part is to make sure that other countries hear about successes achieved.

A regional workshop

As the Trade Hub gains a greater understanding of the transport and logistics situation in West Africa through anti-corruption reports, transport corridor cost studies and other thematic studies, coupled with information from Trade Hub agents in the field and their regional network of contacts, it should be possible to formulate effective recommendations for actions by both the private and public sectors. These should be shared and validated through a multi-donor-funded workshop that would reach consensus on how to reduce costs in this critical sector to West African imports and exports. The workshop should be a forum in which high-level, private sector coalitions broadly discuss their perspectives. In FY 2009, the Trade Hub began to conceptualize the transport industry as a value chain itself, so to speak, identifying the principal points where weaknesses are most glaring and reforms most likely to be successful. Ideally the workshop would take place with all studies completed and with the private sector ready to articulate its position with clarity and unanimity. However, this may take years. A regional workshop in FY 2010, even without all information and advocacy positions optimized, would advance

understanding, create links and solidify coalitions and should therefore take place, perhaps principally as a foundation for future workshops that will become the prime regional means for advancing the debate – and lowering the costs – of West African trucking and transit efficiency.



In FY 2009, The Trade Hub expanded its reporting of road harassment, an initiative implemented in close collaboration with UEMOA.



SUCCESS STORY

Changing the mentality is the first step

Civil society campaigns raise awareness of road harassment – putting pressure on authorities to tackle the problem



In Mali, civil society groups helped drivers and others voice their displeasure with the numerous checkpoints littering the nation's roads, roadblocks to economic development.

Raising awareness of road harassment is the first step to resolving the problem. People are increasingly seeing the problem for what it really is: A huge barrier to West Africa's economic development.

Campaigns to raise awareness of road harassment – supported by USAID's West Africa Trade Hub in four West African countries – are helping to change attitudes on the topic.

The campaigns, implemented by civil society groups in Burkina Faso, Ghana, Mali and Togo, reached hundreds of people directly and millions more thanks to extensive media coverage.

The groups held public debates, designed and put up posters, produced documentary films and spoke out on road harassment on newscasts and radio broadcasts, and in newspapers. They told the story of how, at numerous checkpoints along primary routes, customs, police and gendarmes, among others, extort bribes from drivers and delay trucks for what adds up to hours on trips from coastal ports to landlocked capitals and vice versa.

Transport industry stakeholders, from importers and exporters to trucking company managers, welcomed the campaigns.

"First you have to change the mentality," said Francois Agbagli of Trans Alloman, a trucking company in Togo that operates more than 100 trucks in the region. "When you can talk about something, then you have some hope of changing the behavior."

For Peace Adonsou's membership – she is the president of the Tomato Sellers Association of Togo – the campaigns spoke directly of a problem that effectively hurts their bottom line – and their ability to compete.

"We're selling a perishable food product," she said during an hour-long TV show that reached millions of Togolese. "So, we can't waste time at checkpoints. Sometimes, we lose three or four hours and with the sun shining, the produce gets hot and starts to spoil. By the time we get to Lome, it's a big loss."

Authorities have noted the campaigns. In Togo, ministers organized their own public meetings on the issue. In Mali, four checkpoints were eliminated along primary routes and Prime Minister Modibo Sidibe's website featured an article on the public debates.



4 Business Environment

Introduction

Improved regional integration would improve the competitiveness of West African exporters. The Trade Hub is collaborating with ECOWAS to assist in the full implementation of the free trade area leading to the economic and monetary customs union. In FY 2009, the Trade Hub moved closer to this goal by 1) helping member states realize the impacts of a Common External Tariff, leading to ECOWAS agreement on a fifth band of 35%, completing tariff levels set at 0%, 5%, 10% 20% and 35% and 2) conducting a study of the gaps between ECOWAS' written protocols on the transportation and free movement of people and goods and actual practices in member states (see Annex 22 for

The large scale policy, tariff and trade impact modeling exercises, study and training conducted during Year 1 of the Project under the Business Environment Activity, in part, led to the ECOWAS agreement of a 5th band of 35% for the Common External Tariff (CET) that will complete the tariff levels set at 0%, 5%, 10%, 20% and 35%. As of January 1, 2009, Nigeria reduced its tariffs for imported products to the CET levels and posted these new rates on their website. Some of Nigeria's import tariffs fell to 35% from 150%.

In order to assist ECOWAS and to meet the Trade Hub's four year objective, the Business Environment Team started a Gap Analysis study to review the implementation of the free trade area within the ECOWAS Customs Union. To date we have completed public and private sector questionnaires related to the implementation of ECOWAS Protocols in Ghana, Burkina Faso, Benin, Togo, Nigeria, Mali and Niger. The results to date have concluded that none of the member states visited are fully implementing ECOWAS protocols as written. In fact, many of the persons in charge of implementation are unaware of the actual protocols, implementing legislation and regulations. The ECOWAS protocol that is most observed is the visa free movement of persons.

FY 2009 Highlights and Results

ECOWAS has been in the process of forming an economic and monetary union since 1975, but only recently have advancements been achieved; namely the finalization of the tariff levels of the CET and a renewed interest and understanding in the importance of the proposed free trade area. Critical remaining pieces of the economic union that will forge greater West African integration are the proper implementation of the ECOWAS Trade Liberalization Scheme or free trade area and the listing of the products to be placed within the five tariff levels of the CET.

Until free trade is fully achieved within ECOWAS, the cost of regional trade will remain prohibitive, integration of producers and processors for economies of scale to increase non-oil exports will continue to be uncompetitive, and food security and job creation will be weak. The tariff and non-tariff barriers in the region are well recognized by their own leaders as contributing to the lack of growth for local industries and as a factor in investment decisions as noted in the *ECOWAS Vision Document* of March 2009: "There is a high cost of doing business in West Africa that gives other regions competitive advantage. This is due to policy uncertainty; inadequate infrastructure; poor access to investment capital; and cumbersome procedures and regulations; Slow process of economic integration: Limited evidence of the regional integration approach in the national economic development efforts."

ECOWAS has 15 member states. Due to the differing languages, currencies, size and exports of the member states, decisions on regional integration have been slow to be agreed upon and even slower to be implemented. However, in FY 2009, Trade Hub assistance has helped ECOWAS member states reach agreement on a 5th tariff band. Nigeria's average applied tariff rate prior to the finalization of 5th band was approximately 12%; once the final decision has been made on the product placement within the five tariff levels a new average figure can be calculated. The current estimate of Nigeria's average tariff level based on their posted tariffs is

somewhere between 8.8-9.5%. For comparison purposes, the average tariff level in the U.S. is 2.6%, and in the South African Customs Union (SACU) it is 7.7%.

ETLS Background

As important as the CET is to finalizing the ECOWAS Customs Union, even more crucial to the growth of West Africa is the free trade area or ECOWAS Trade Liberalization Scheme (ETLS).

Even though it is common knowledge that the ETLS is not functional due to the lack of political will to align national policies with ECOWAS protocols; and the endemic cycle of corruption, the Trade Hub is working to give voice to specific details rather than broad-overarching statements.

A Gap Analysis is currently being completed that will attempt to compare national legislation, regulations, or procedures as they relate to specific ETLS protocols, determine what is happening at the borders in regards to their implementation, and to discover and present possible solutions to the corruption cycle²⁶.

The impact of the West African business environment within the scope of other project activities is significant. Trade policies, while not the 'end all' solution, are meant to pave the way for the private sector to take advantage of possible opportunities. The connections between the business environment and other Trade Hub components are:

- *Transport* – vehicular, container and load specifications for the transit and transportation of traded goods, the procedures, time and cost of customs processing
- *Finance* – fiscal and monetary policy, the attractiveness of the region for foreign investment and investment capital
- *Enterprise Development* – labor laws, right of establishment, ability to access laws and costs associated with running a business, governance, import of inputs into production, sanitary and phytosanitary standards, tariffs, taxes, and non-tariff policies such as seasonal restrictions

Opportunities for the private sector will not materialize simply from the ratification and implementation of the ETLS. Rather, implementation of the policies creates the context for liberalization and places these opportunities within reach. This is a step forward, but the limits of a free trade area, standing alone, must be recognized. Taking full advantage of a free trade area's potential benefits will require both the governments and private sector to address a range of challenges. A free trade area can be used to stimulate opportunities for joint ventures and exports that will encourage growth.

The full implementation of the ETLS removes many obstacles and creates the distinct possibility of establishing new relationships and improvement in international trade activities; however, this is only the beginning.

All of these efforts will require support from a broad range of businesses and government within a "culture of entrepreneurship." Creative and innovative thinking across the various stages involved in the successful development and growth of business activities – research, design, planning, procurement, production, sales, marketing, customer services, productivity improvement, and human resources development – will be key to achieving success.

Results and Indicators

Total imports in ECOWAS amounted to approximately \$55 billion in 2006. Of this regional import total, Nigeria's imports are over one-half of the regions total or \$29 billion. Nigeria accounts for

²⁶ When speaking of a corruption cycle, it is meant to describe the cycle that starts with low paid public officials seeking rents to supplement their incomes and is supported by a private sector that finds it less costly to pay the unofficial fees rather than abiding by the strict code of the law and/or standing up for their rights.

52% of the total imports in the region. The average tariff level for ECOWAS is 9% (including the 5th band) and Nigeria's average tariff was 12% prior to their application of the five CET levels.

If we make a simple calculation of the average tariffs based on total imports, the tariffs paid in 2006 would have been around \$5 billion for the region and \$3 billion for **Nigeria**. By reducing their tariffs as of Jan. 1, 2009, **Nigeria's** average tariff rate is expected to be around 9%. If we utilize the same import totals, Nigeria's new amount of tariffs paid based on their application of the CET should be approximately US\$2.5 billion or a savings of US\$0.5 billion on import tariffs. A savings of US\$0.5 billion tariffs paid in **Nigeria** on the regional \$5 billion is an import savings of 1% for the region due to Nigeria's application of the CET. Sample tariff comparison charts are shown below:

Nigerian Tariff Comparison

HS Code	Goods Proposed at 50% Tariff from the Type B Exceptions List (From ECOWAS Exception List)	1995 Bound Tariffs Uruguay (From WTO)	2003 Applied Tariffs (From WTO)	Current Applied Tariffs as Jan. 2009 (From Nigeria Customs Website)	Value of imported goods, in US dollars (2007) (Trade Map, ITC ^[2])
1006	Rice	150%	100%	20%	187,642,000
1108	Wheat, maize, and potato starches	150%	45%	35%	5,466,000
1511, 1512, 1513, 1515	Crude cooking oils	150%	65%, (1515@20%)	35%	762,000
1701, 1702	Sugar	150%	30%	5%	338,308,000
2401, 2402, 2403	Cigarettes/ tobacco	150%	15%, 150%, 80%	5% unfinished 35% finished	34,325,000
3920, 3921,	Plastic sheets	Unbound	27% - 30%	10% - 20%	101,232,000
4011	Tires	Unbound	35% avg.	20%	222,989,000
7210, 7214, 7215, 7217, 7227, 7228, 7229, 7306,	Steel, iron and other flat and bar	Unbound	20% - 35%	5% unfinished 35% finished	333,455,000
8415, 8418,	Air conditioners, refrigerators,	Unbound	45%	5% unfinished 35% finished	225,289,000
8506	Batteries	Unbound	30%	20%	15,132,000

^[2] TradeMap. http://www.trademap.org/Country_SelProductCountry.aspx

Total value of imported goods: \$28,534,210,000 (2007) TradeMap. International Trade Center (ITC). http://www.trademap.org/Country_SelProductCountry.aspx

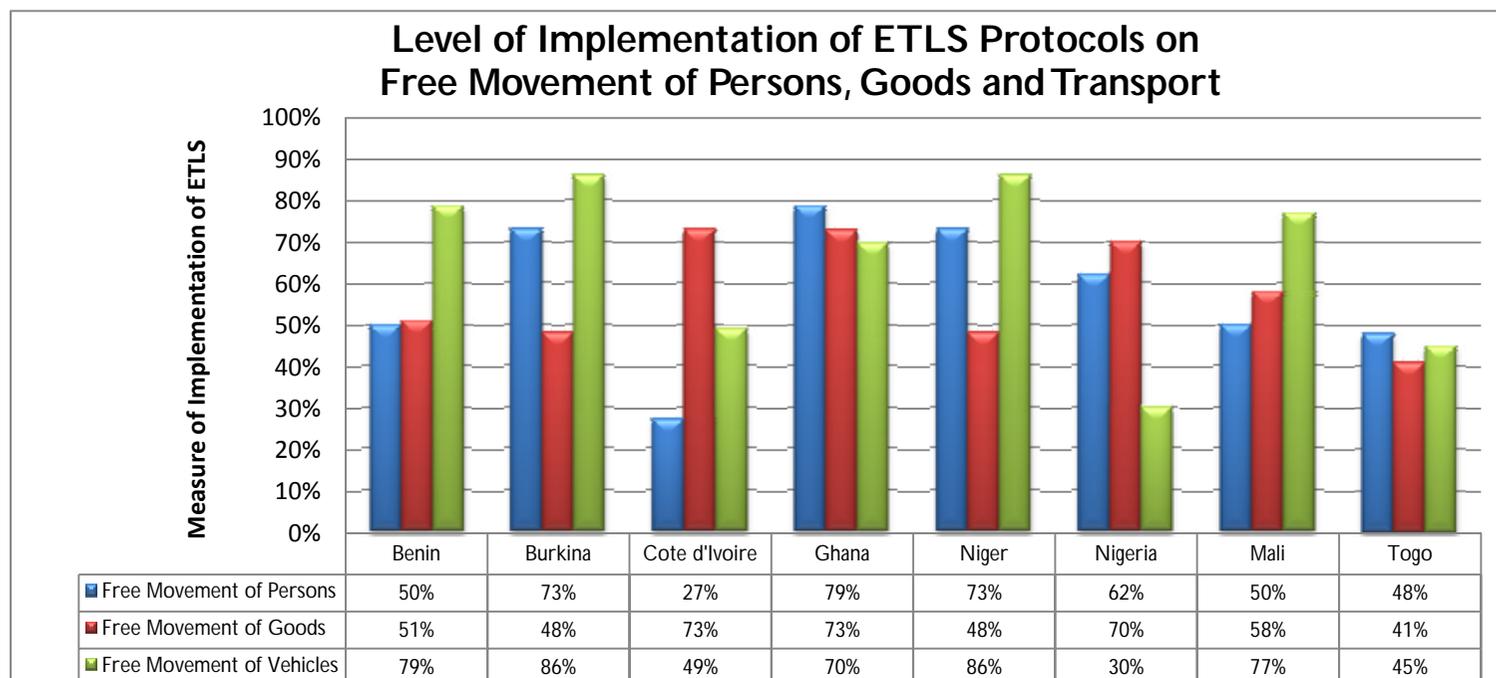
Products	UEMOA	Cape Verde	Gambia	Ghana	Guinea	Liberia	Nigeria	Sierra Leone
1006 Rice	8.8	9.4	0.0	20.0	15.0	8.8	50.0	10.0
1108 Starches, insulin	10.0	10.0	10.0	10.0	10.0	10.0	50.0	10.0
1511 Palm oil and its fractions, not chemically modified	10.0	13.8	10.0	10.0	10.0	10.0	50.0	10.0
1512 Safflower, sunflower, and cottonseed oil, fractions	16.7	16.7	16.7	16.7	16.7	16.7	50.0	16.7
1513 Coconut, palm kernel, babassu oil, fractions, refined	15.0	13.8	15.0	20.0	15.0	15.0	50.0	15.0
2402 Cigars, cigarettes, etc., tobacco or tobacco substitute	20.0	33.3	19.3	20.0	20.0	20.0	50.0	20.0
2403 Tobacco, tobacco substitute products	11.7	11.7	11.7	11.7	11.7	11.7	50.0	16.7
3003 Medicaments mixed together for therapeutic use, bulk	0.0	0.0	0.0	4.8	0.0	0.0	21.0	0.0
3212 Pigments for paint, stamping foils, dyes, retail	10.0	10.0	10.0	10.0	10.0	10.0	10.0	30.0
3920 Plastic plate, sheet, film not cellular, reinforced	9.0	22.0	10.0	13.0	10.0	9.0	42.0	10.0
3921 Plastic plate, sheet, film, foil, strip, cellular	10.0	25.0	10.0	20.0	10.0	10.0	50.0	10.0
4011 New pneumatic tires, of rubber	15.0	35.0	18.0	10.0	15.0	15.0	50.0	15.0

Source: MAcMapHS6v2.1, authors' calculations.

If the ELTS protocols were being fully and properly implemented, the Trade Hub's transport teams IRTG and RRTC work would not be needed. The Business Environment Team, in order to promote the West African Customs Union, is looking at each individual member states' promulgation and implementation of the ETLs protocols to highlight specific actions necessary for regional integration and harmonization.

Thus far, seven countries have been studied. The results to date have shown us that the protocol for Free Movement of Persons has the highest compliance by the member states, and the free movement of goods, the lowest. The reason for this is simple. People move across the borders with and without valuable goods and less documentation is required for the movement of persons; so, this is easier to implement, has less room for rent seeking behavior by officials and less preparation necessary by the private sector. When you start to look at the free movement of goods, the amount of preparation or documents, the number of persons responsible for processing that vehicle with the goods at the border, and the rules and regulations regarding the movement of goods all increase significantly. Additionally, the various monetary values and types of goods that the handler will carry will need to be processed. The table on the following page summarizes preliminary findings of the Gap Analysis.

**BUSINESS ENVIRONMENT:
ECOWAS TRADE LIBERALIZATION SCHEME GAP ANALYSIS STUDY: PRELIMINARY FINDINGS**



- The chart above highlights the current level of implementation of specific protocols relating to free movement of persons, goods and vehicles across borders in ECOWAS Member States. The data above reflects the private sector’s experience on these topics along with data collected at the border from the public sector.
- Over 200 people were interviewed in 8 ECOWAS Member States – Benin, Burkina Faso, Cote d'Ivoire, Ghana, Niger, Nigeria, Mali and Togo. Interviews comprised of both public and private sector. The public sector respondents were mainly representatives of the Ministries of Trade, Commerce, Immigration, Customs and Foreign Affairs, both at the capital and at the border. Private sector respondents comprised of companies exporting within the ECOWAS region, transporters, and export logistics companies.

ECOWAS Trade Liberalization Scheme Gap Analysis Study Results

The Trade Hub team created a Gap Analysis Team, comprised of two staff and two consultants, to survey public and private sector stakeholders on their experience with and knowledge of the ETLS. The teams focused separately on either public or private sector respondents, conducting more than 200 hours of interviews with over 200 respondents in eight countries (the list of participants appears in Annex 23). The public sector team met with officials at government offices whose work covers immigration, transport, customs and foreign affairs/African integration. The private sector team met with companies, including some that work within Trade Hub-assisted sectors and others that do not, but all exporting within the sub-region.

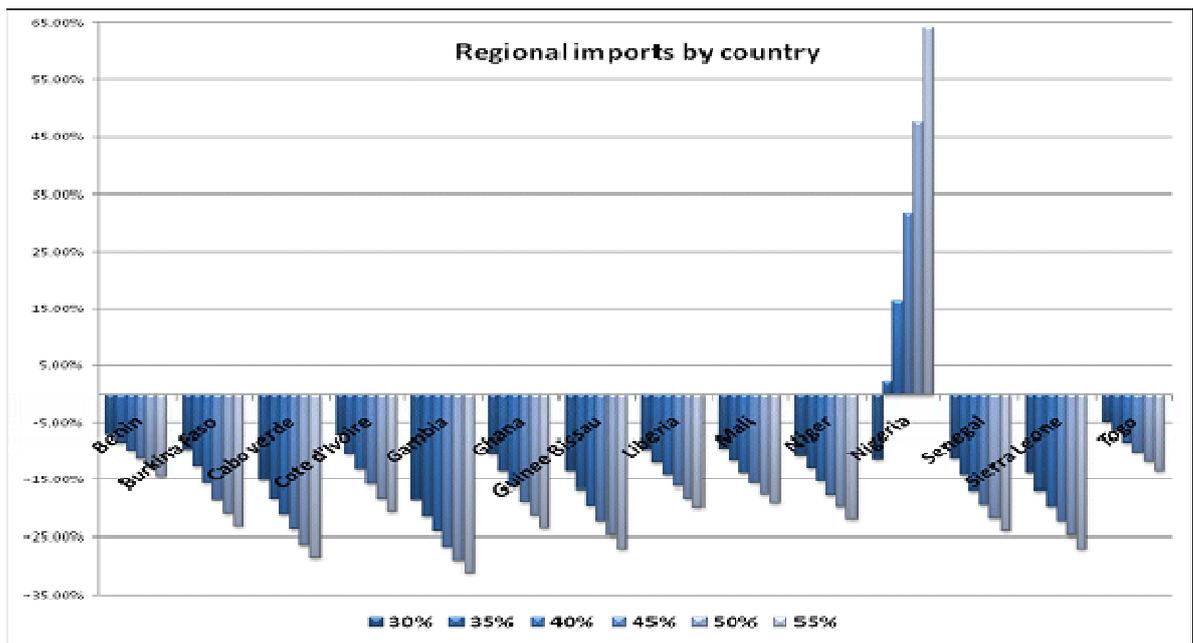
- The study has been conducted in **Benin, Burkina Faso, Ghana, Mali, Niger, Nigeria** and **Togo** with the public sector questionnaires remaining to be completed in **Cote d'Ivoire**.
- The questionnaire has been utilized by two other USAID activities; the ATP program based in **Ghana** and the Nathan Associates Transport Project in **Nigeria**. Each has made use of the questionnaire for different program objectives demonstrating the usefulness of the tool.
- For each country in which the study has been conducted, a list of agencies responsible for the different aspects of trade has been created along with the list of documents necessary for cross border transactions (see Annex X).
- Initial findings based on the study show that the ETLS protocols, as defined, are not widely disseminated, promulgated or implemented. Although the majority of the protocols are available online through the ECOWAS website, access to and understanding of the full scope and the intent of the protocols is lacking. The protocols are interpreted differently and little dissemination occurs beyond the website.
- Most central government agencies and ministries state that they are implementing most of the ETLS protocols; however, they are not able to produce or point to the legislation, regulations or procedural manuals that would legally bind and enable the implementation of the protocols.
- Interviews held with public officials at the border, in many cases, provide us with information that is different from their central government counterparts showing us the lack of understanding, training, and dissemination of information between public sector agents.
- Our private sector interviews provided us with implementation information that, in some cases, differed from both the central and border public sector officials. Due to the nature of interview dynamics, we understand that the public sector may have a tendency to tell us what they think the right answer should be, whereas the private sector uses the opportunity to complain about public services. All of this was taken into consideration when compiling the data.
- Both the public and private sector agreed that transparency and dissemination of information must happen through multiple communication methods.
- Each interview group offered its own challenge. On the public sector side, the answer for one question might be directed to up to six different sub-sections of one ministry and in most cases, the written law or procedural manuals are not available and no one knows where to get them. The private sector is also very segregated. In the trade business, very rarely does one organization produce, sell and transport the product. Therefore, trying to complete the questionnaires in their entirety became a challenge. This very discrete, one-operation way of conducting business from both the public and private sector adds significant time and cost to doing business in addition to communication disruptions, and arbitrary implementation of rules due to predatory behavior and lack of understanding.

Evaluation

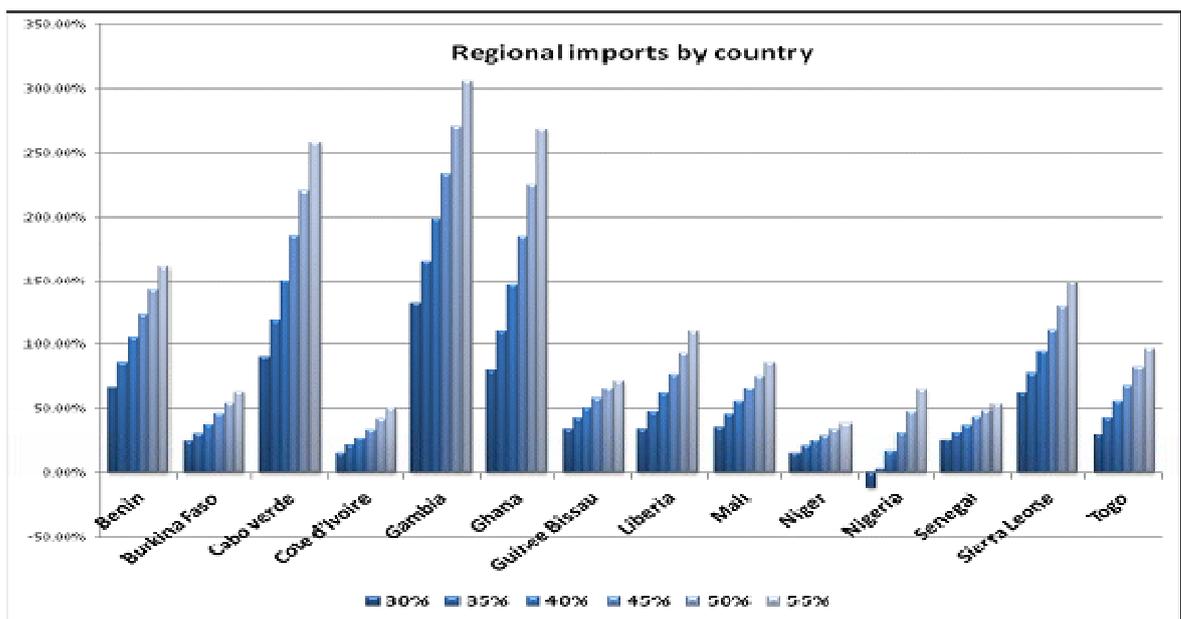
The Trade Hub seeks to solve problems by identifying and analyzing specific issues in order to help stakeholders then choose among a variety of solutions. Policy makers can either address the simplest issue to eliminate a problem bit by bit or choose a solution that may have a bigger impact but be difficult to implement. A preliminary review of the ETLS Gap Analysis shows clearly that the ETLS is not being fully implemented. So what is the impact?

The partial equilibrium model prepared in Year 1 can show trends in trade, revenue, and CPI based on perfect or imperfect regional integration. The model was prepared to assist ECOWAS in determining the impact of a 5th tariff band, so the graphs illustrated here are showing trends in overall trade but with the sensitive products given tariff rates between 30-55%. As previously stated, the 5th band has been settled at 35%.

Graph showing trends with IMPERFECT regional integration:



Graph showing trends with PERFECT regional integration:



(Nigeria is clearly the outlier here because the tariffs last year when the model was prepared were extremely high for imports versus the tariff schedules of all of the other ECOWAS member states.)

The trends are significant, but why should anyone care?

Many USAID programs talk about value addition or moving up the value chain. This is increasingly important when looking to reduce the cost of goods and to maintain quality and control of your product.

The Trade Hub is gradually determining the impact of the fully implemented ETLS on several high priority economic sectors and will highlight sector-specific opportunities where the free trade area could be used as leverage to expand existing business and generate new business growth. This will incite activity among public and private sector stakeholders alike to address the issue.

Such an analysis of the ETLS, including the status of the identified sectors, proposed capacity building measures, and the resulting sector-specific opportunities must be viewed as parts of a larger contextual whole. This larger context is West Africa's overall macroeconomic profile, the governments' high-level strategic economic and trade policies, and the cross-cutting economic development programs that are now underway.

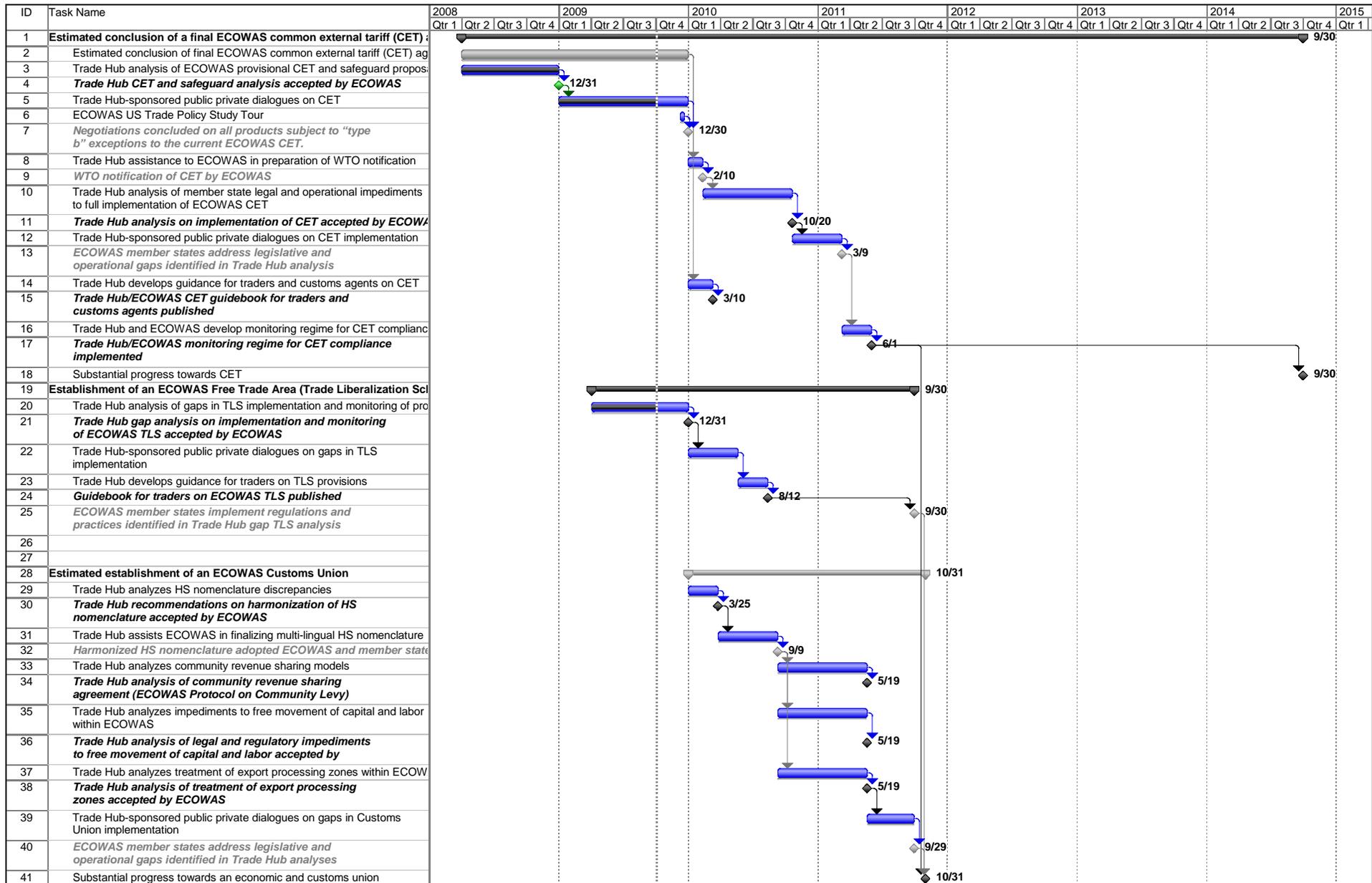
According to UNCTAD's 2009 FDI Report, "FDI inflows to the West Africa increased significantly, to \$26 billion in 2008 from \$16 billion in 2007. This was mainly the result of an increase in new projects in Nigeria's oil industry, and investments in project upgrades, especially in the mining industry, by existing TNCs in **Burkina Faso, Mali and Nigeria**. Large cross-border M&As also took place in some other countries of the region. For example, Vodafone Group (United Kingdom) acquired a 70% stake in Ghana Telecommunications Co Ltd. for \$900 million." Though these short-term figures are positive, they might mask underlying longer term issues and potential problems, including dependence on oil, increasing unemployment, and a disproportionate reliance on the public sector.

These conditions and reliance on finite natural resources make economic diversification a high priority for ensuring a healthy economic future for the West African economies. Without a fully functioning economic and monetary union, West African countries will have to continue to address the competitive disadvantage of small economies relying on natural resources. Each member state economy standing alone, with a few exceptions, lack the comparative advantage and scale to stimulate abundant international trade.

If the ETLS were fully implemented, a prospective investor is likely to value the absence of barriers to obtaining business services and the uninterrupted flow of goods through the supply chain that the free trade area signifies.

This type of leverage could work in several ways. First, the free trade area could help promote the economic union as a Trade Hub enabling foreign companies to get closer to the regional market by freely bringing together products and services from within the region and bundling or consolidating to service a larger market. Next, "regional accumulation" could make international trading opportunities available, although further analysis of rules of origins and other standards is required to assess the impact of this effort. To capture these opportunities, the sectors themselves would have to be competitive in the global market.

This is the reason that ECOWAS member states should take a strategic and integrated approach to identifying and pursuing opportunities to benefit from a fully implemented free trade area both in its existing trade relationships, in new ones it creates, and within the region. Strategic planning focused on sectors is another ingredient for successfully capturing the opportunities that can be presented by the fully functional free trade area. This approach would direct West Africa's efforts in a comprehensive and efficient manner toward opportunities with the greatest likelihood of success and support.



Project: Business Environment 10-01- Date: Fri 10/2/09	Task		Progress		Summary		External Tasks		Deadline	
	Split		Milestone		Project Summary		External Milestone			



5 Telecommunications Infrastructure

Introduction

Telecommunications Infrastructure is a critical service for exporters. The Trade Hub is implementing activities under the USAID-Intel alliance, seeking to increase access to high-speed Internet connections and use appropriate Information Communication Technology to increase the competitiveness of West African companies.

In FY 2009, the Trade Hub prepared and delivered a pilot program for a prototype ICT user tool kit with a small group of Trade Hub clients in **Ghana**. The toolkit, dubbed eBizBox, provided basic hardware, software, connectivity, and training identified through focus group research as desired by our client base. We also continued to work with Intel to find telecommunications service providers in **Ghana** and **Nigeria** that would be prepared to provide bundled wireless data connectivity services. The Trade Hub's ICT partner, Intel, experienced a severe drop in global revenues during the third and fourth quarters of FY 2009. This resulted in their curtailing local representation in **Ghana** and **Senegal** and the elimination of all SSA regional travel for U.S.-based Intel personnel. As a result, the Trade Hub is realigning its partnership activities with the SSA office of Intel, which is based in South Africa

The Trade Hub has engaged with Intel and Busy Labs to implement a three-part strategy involving standing up WiMAX connectivity solutions in two (possibly three) West African countries, designing and delivering business-useful ICT tool kits, and engaging in policy and regulatory matters affecting connectivity.

FY 2009 Results and Highlights

With the assistance of Intel **Nigeria**, the Trade Hub proposed a preliminary agreement with Zain **Nigeria** to design and roll out a wireless data connectivity solution for Trade Hub-assisted exporters in Nigeria. This initiative is on hold due to Zain's anticipated restructuring and possible sale.

The Trade Hub successfully launched and completed a pilot program for ICT tools distribution to its client base in **Ghana**. Focus group exercises were undertaken to first determine users' requirements; the information learned was used to design eBizBox, a package of hardware, software, connectivity options, and training. This work was completed in February and March 2009. During the past six months, eBizBox adopters have been gaining experience with the tools and the Trade Hub will evaluate the impact of the package in the first quarter of FY 2010. The evaluation will will guide a major expansion of eBizBox in **Ghana** in 2010.

In late August, the Trade Hub and Intel combined to co-sponsor a major gathering of ministers, regulators, and universal service fund administrators from all regions of Sub Saharan Africa. The purpose of the program - and the Trade Hub's participation - was to engage African policy makers and implementers with best practices information for expanding their programs to include business-friendly data connectivity solutions.

Evaluation

Key factors that impacted achieving positive results can be broken out into three categories: extremely high objectives set at the outset of the USAID/Intel partnership, the impact of the global economic crisis, and effectiveness of the partnership in the context of Intel in Africa.

- The original partnering agreement with Intel set the goal of rolling out, with local service providers, WiMAX connectivity solutions. It was a goal that both Intel and the Trade Hub have learned is unachievable in the current regional telecommunications market. Costs of the solution and required backhaul capacity have made this intended result to be unattainable until spectrum licenses are available, core networks have been installed and upgraded, and costs for international connectivity have been sharply reduced.

- Intel, beginning in November 2008, sharply cut back its engagement with the Trade Hub. This cut back was driven by a 20% decrease in Intel's worldwide revenues. Intel ended virtually all international travel and any significant expenditure in Sub Saharan Africa in support of its partnerships abroad. In addition, Intel fired its Ghanaian representative (a key link for the Trade Hub) and terminated the hiring process for its planned representative to be based in **Senegal**. Travel limitations continue to be in place for Intel personnel working with the Trade Hub although it appears that these will be eased with the return to profitability over the past quarter.
- Intel has been less capable of supporting field operations for the partnership than was originally envisioned. It has experienced serious coordination problems between the US-based counterparts - the initial sponsors of the USAID/Intel partnership -and Intel's Africa-based units. To date, neither Intel/US nor the Trade Hub has been able to either finalize a partnership activity with the one Intel presence in the region (**Nigeria**). The Trade Hub team has also been unable to work out a modus operandi with Intel that would enable Intel's support of partnership activities in countries, like **Ghana** and **Senegal**, where it does not have a presence..

In a more hopeful vein, Intel has restructured its Sub Saharan Africa staff with new leadership and staffing. The company is also developing a new scaling center that should be useful in providing counterpart support such as needed by the Trade Hub. These lessons learned will be useful when the Trade Hub engages with Intel Africa, as it has requested, in November 2009, to work out operational issues and objectives for the partnership.

The eBizBox pilot has shown that it is an attractive offering for businesses. Lessons learned during the pilot phase will guide the roll out in **Ghana** and possibly **Nigeria**. Among the key lessons learned include the need for a more effective fulfillment strategy and mechanism and the need for a financing option for the eBizBox solution. With solutions to these issues, eBizBox will be used by as many as a 1,000 businesses in **Ghana** and **Nigeria** in FY 2010.

ID	Task Name	Duration	2008				2009				2010			
			Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	
1	Reduced cost and improved quality of communications infrastructure for West African export enterprises	374 days												
2														
3	USAID/Intel Alliance - Broadband Connectivity and Utilization Activity	374 days												
4	Trade Hub conducts targeted client ICT needs analysis	40 days												
5	Trade Hub completes client ICT profiles	0 days												
6	Product development for broadband-enabled application packages	90 days												
7	Client-level testing of broadband-enabled application packages	30 days												
8	Refinement and pricing of broadband-enabled application packages	30 days												
9	Distribution and training for selected Hub clients on broadband-enabled application packages	0 days												
10														
11	Trade Hub maps broadband connectivity offerings in target geographic zones (Ghana)	30 days												
12	Trade Hub completes connectivity mapping	0 days												
13	Trade Hub/Intel establish partnership agreement with ISP to deploy WiMAX-enabled services (Ghana)	70 days												
14	Trade Hub/Intel support ISP in development and deployment of WiMAX-enabled services (Ghana)	90 days												
15	WiMAX broadband service deployed in Ghana	0 days												
16	Trade Hub disseminates new service information to Ghanaian client firms	40 days												
17	First new Ghanaian client firm subscribes to new service	0 days												
18														
19	GIFTEL Partnership Development	107 days												
20	Identification of potential SME groups (Nigeria)	22 days												
21	Trade Hub/Intel map broadband connectivity offerings (Nigeria)	34 days												
22	Trade Hub completes connectivity mapping	0 days												
23	Trade Hub/Intel establish partnership agreement with ISP to deploy WiMAX-enabled services (Nigeria)	70 days												
24	Trade Hub/Intel support ISP in development and deployment of WiMAX-enabled services (Nigeria)	90 days												
25	WiMAX broadband service deployed in Nigeria	0 days												
26	Trade Hub disseminates new service information to Nigeria client firms	40 days												
27	First new Nigeria client firm subscribes to new service	0 days												

Project: Telecom 10-15-09 Date: Thu 10/15/09	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	

ATTACHMENTS

Trip and consultancy reports can be found in the (separate) annex to this quarterly report, and the following three documents are being distributed as separate attachments to this quarterly report:

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- 1 Trip Reports
 - 2 Trade Export Promotion and Poverty Reduction: Assessing the Multipliers
 - 3 Trade Hub Organigram
 - 4 Tradewinds stories
 - 5 Trade Hub Exporters Directory
 - 6 Trade Hub Partners
 - 7 ACA Newsletter
 - 8 ACA 4th Annual Conference: Value & Efficiency (program)
 - 9 Shea 2009: Optimizing the Global Value Chain (program)
 - 10 Trade Hub Handcrafts Export Guide
 - 11 Taste of Africa Cookbook & Company Directory
 - 12 Transforming Trade Finance: An institutional analysis of access to finance by West African export-ready companies (Trade Hub Technical Report #26)
 - 13 Transforming Trade Finance: Access to lending by West African Export Ready Companies and Regional Traders (presentation)
 - 14 Mobile Money Report Executive Summary
 - 15 Publicis Borderless Campaign (presentation)
 - 16 8th Report of the Improved Road Transport Governance Initiative
 - 17 Increasing Efficiency in Transport & Transit: Lessons for West Africa from southeast Europe (presentation)
 - 18 Summaries of Civil Society Organization Campaigns
 - 19 Awareness of Road Corruption in Burkina Faso, Mali and Togo
 - 20 Reduced Road Transport Costs Report Executive Summary
 - 21 West Africa Road Transport Market (presentation)
 - 22 Cashew Transport Study (presentation)
 - 23 ETLs Gap Analysis Participants List
 - 24 Certification Guide (draft)
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