



USAID
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AFRICA'S GROWTH AND COMPETITIVENESS IN 2009

AFRICAN GLOBAL COMPETITIVENESS INITIATIVE

Economic growth is critical to reducing poverty and building a better future. The African Growth and Opportunity Act was signed into law 10 years ago to support free markets and growing economies throughout Africa. USAID has been building on AGOA through the African Global Competitiveness Initiative by supporting entrepreneurs, promoting exports, and creating trade networks. Successes ranging from fair-trade cotton farmers in Senegal to a blooming flower market in East Africa illustrate how trade improves lives. In 2009, USAID's African Global Competitiveness Initiative provided investment training to nearly a quarter million Africans. More than 100,000 firms improved their export competitiveness. Ten countries passed or approved policy reforms, regulations, and procedures that enhance governance or facilitate private sector participation and competitive markets. Each of these efforts is playing a role in improving Africa's growth and competitiveness—and directly contributing to lower poverty.

BACKGROUND

The African Global Competitiveness Initiative (AGCI) aims to promote the competitiveness of Africa's exports and expand African trade with the United States and other countries both inside and outside the continent. AGCI builds on the African Growth and Opportunity Act (AGOA) to improve African countries' business and regulatory environments, develop enterprises, improve access to finance, and facilitate investment in infrastructure.

A \$200-million, five-year program, AGCI strives to achieve greater impact through a multiplier effect. AGCI's projects can be continental, regional, or national and can be linked to each other, to other donors, or to private sector investments.

The ultimate goal is to support African policymakers in advancing trade-led economic growth, complementing existing projects with additional resources.



For instance, AGCI supports the U.S. Government's Feed the Future Initiative through projects and policies that promote agriculture sector growth, increase access to markets, and facilitate trade. Based on lessons from the Comprehensive African Agricultural Development Program, programming has gradually shifted to emphasize regional trade capacity building as a critical element of food security—that is, getting the right food to the right people at the right price. AGCI also collaborates with other donor initiatives, including the World Bank's Making Finance Work for Africa and the multilateral Infrastructure Consortium for Africa, and adds value to its field-based technical assistance by improving knowledge sharing practices, systems, and tools among stakeholders.

IMPACT

After more than a decade of economic reform, improved governance and export competitiveness, and increased investment in the education, health, and social sectors, the Africa of today is better able to withstand shocks than in the past. Working with development partners like USAID, African countries have made great strides in laying the foundation for sustained economic growth, integration into the global economy, and rising prosperity.

Today, AGOA grants duty-free access to the United States market for more than 6,000 products from qualifying African countries. AGCI has made important contributions to realizing short- and long-term progress in improving the enabling environment for trade and investment, boosting firm-level skills and capacity, increasing access to finance, and overcoming infrastructure constraints. Projects have an impact on

all countries eligible to trade with the United States under AGOA and are undertaken primarily through USAID-managed Trade Hubs in Accra, Ghana; Dakar, Senegal; Nairobi, Kenya; and Gaborone, Botswana. USAID Trade Hubs provide a range of trade capacity-building assistance to help African countries improve their trade competitiveness and increase their ability to take advantage of the opportunities offered by free and open trade.

Now in its fourth year, AGCI has continually refined its approach—learning from experience and programming new iterations of activities based on these lessons learned. Through this process of constant improvement, AGCI's activities have adapted to focus on creating systemic change and catalyzing even greater returns. During the global financial crisis, USAID continued to support work to eliminate behind-the-border constraints to trade and investment. As economies begin to rebound and demand from export markets begins to recover, these systemic reforms will allow African businesses and farmers to be more competitive than ever.

When times are tough, a country's commitment to reform can be the difference between success and failure. Two-thirds of African economies implemented reforms during the global financial crisis to make it easier for investors and businesses. In 2008–09, Rwanda completed seven reforms measured by the World Bank's Doing Business project; Mauritius six; and Burkina Faso and Sierra Leone five each. Indeed, Rwanda's and Liberia's measures were so significant that they both were named "top reformers" by the Bank: Doing Business 2010 ranked Rwanda the number one reformer worldwide and Liberia number ten.



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USAID's next generation of trade hubs came online with the inauguration of the East and Central Africa Competitiveness and Trade Expansion (COMPETE) program. The COMPETE approach integrates agricultural value chains with local, regional, and international markets by harmonizing regional trade and transit policies and procedures, developing financial markets, supporting private sector trade associations, developing value chains in staple crops, and building the capacity of regional businesses to take advantage of preferential trade opportunities. This approach supports competitiveness all the way from the farm to the port, from the enterprise to the global marketplace.

ACHIEVEMENTS

Improving the skills and abilities of the private sector is a core focus in the **Southern Africa Trade Hub**. During 2009, the Hub worked on establishing buyer/seller linkages and building capacity for firms to export. This work reflects a strategic emphasis by the Hub on providing marketing assistance to regional exporters at major international trade shows. In 2009, USAID also supported the ongoing expansion of major regional market linkage events such as the African Textile and Apparel Business-2-Business networking and marketing event. With U.S. assistance, \$40 million in textiles, apparel, specialty foods, and other AGOA product categories was traded, 852 buyer/seller linkages were established, and 137 firms built their export capacity.

The **West Africa Trade Hub** worked in 2009 to train thousands of entrepreneurs and assist firms by

facilitating travel to market exports at trade shows in the United States and by providing links to the services of skilled mentors and specialized export training. The Hub works in sectors such as home décor, processed cashews, shea for confectionary and cosmetic products, apparel, and specialty foods. In west Africa, this direct assistance led to \$20 million in new exports, more than \$1 million in new investments, and 755 new jobs, including 306 jobs for women. These results resonated within the economy, resulting in subsequent repeat business, demonstration effects, and manufacturer demand for raw materials.

The Hub was successful in providing better access to finance for trade. Export-oriented manufacturers in west Africa cite access to finance as their most intractable constraint. Large orders from major American buyers cannot be completed in time if the financing is not in place to secure raw materials, hire overtime labor, or prepay shipping and insurance during the 90 days it often takes until goods are received and inspected by the buyer. In 2009, the Hub sponsored a major trade finance conference bringing commercial bankers and export-ready companies together to discuss solutions for increasing lending and investment in Africa.

Through USAID's COMPETE program, the **East and Central Africa Trade Hub** provided support for firms to attend a variety of trade shows in the United States. These trips brought together African suppliers and American buyers to discuss bringing African goods to the United States. COMPETE also worked to establish partnerships between major manufacturers and African producers.

One such partnership featured Eden Apparel linking small-scale cotton farmers to the high-value consumer clothing markets.

COMPETE took further steps to help deepen financial markets in this region. It collaborated with the African Trade Insurance Agency and the Uganda Insurance Association to establish a training and certification program. It also reached an

agreement on the establishment of a regional association for commodities exchanges.

In addition, working across regions, the East and Central Africa and West Africa Trade Hubs assisted Central Banks in Rwanda and Uganda to develop a model credit-reporting bureau, and all three Hubs collaborated to promote the Africa Pavilion and Africa Now at trade shows in the United States.

USAID's African Global Competitiveness Initiative has demonstrated that focused technical assistance and institutional capacity building can make a significant impact in promoting private sector competitiveness. Africa's growing ability to compete in global markets is facilitating regional integration and greater investment. With USAID assistance, businesses are trading more efficiently, entrepreneurs are starting firms more easily, and governments are providing services more effectively.

Photos (pages 2 and 3, left to right)

Information technology increases efficiency and profits for clothing merchants. USAID, Richard Nyberg.

Buyers discuss potential orders with Rwandan firm UTEXRWA at the MAGIC apparel trade show. COMPETE project.

Trucks moving through international transport corridors improve transit times with streamlined customs procedures. Southern Africa Hub.

Access to credit helps Ethiopian Tariku Midergo grow its coffee business. USAID, Geresu Kitessa.

Aspiring entrepreneurs use the services of Senegal's New Enterprise Support Office. USAID, Richard Nyberg.

With Africanow, the West Africa Trade Hub promotes African handcrafts. West Africa Hub.