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AFRICA'S GROWTH AND COMPETITIVENESS IN 2008

AFRICAN GLOBAL COMPETITIVENESS INITIATIVE

Enhancing Africa's competitiveness in global markets is critical to creating self-sufficient economies and jobs for young people and reducing food insecurity and reliance on foreign aid. USAID's African Global Competitiveness Initiative is at the forefront of innovatively building capacity in business environment reform, enterprise development, access to finance, and infrastructure investment. Development in these areas has systematic and catalytic impacts on economic growth, which can create wealth and reduce poverty in Africa's future.

Sub-Saharan Africa's gross domestic product (GDP), which has averaged above 5 percent since 2004, rose by 5.49 percent in 2008. However, the global economic crisis is expected to slow the pace of economic growth and create an uncertain future.¹ As the global demand for imports shrinks, Africa—like the rest of the world—can be expected to see economic contraction and rising unemployment as the effects of the slowdown are felt in the real economy.

However, 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 such exogenous shocks than in the past. Working with development partners like the U.S. Agency for International Development (USAID), African countries have made great strides in recent years in laying the foundation for sustained economic

growth, integration into the global economy, and rising prosperity.

USAID's African Global Competitiveness Initiative (AGCI), has made important contributions to realizing short- and long-term progress in improving the enabling environment for trade and investment in Africa, boosting firm-level skills and capacity, increasing access to finance, and overcoming infrastructure constraints.

AGCI has broad impact in Africa, focusing on four critical components of trade competitiveness: enabling environment policy reform, enterprise development, finance, and infrastructure. Projects have an impact on all countries eligible to trade with the United States under the African Growth and Opportunity Act (AGOA). USAID also provides technical assistance on a demand-driven basis in finance and infrastructure in selected countries. AGCI's regional activities are undertaken primarily through African Global Competitiveness Hubs in Accra, Ghana; Dakar,

¹ IMF World Economic Outlook database, 2009

Senegal; Nairobi, Kenya; and Gaborone, Botswana, and managed by USAID's regional missions in West, East, and Southern Africa.

ENABLING ENVIRONMENT POLICY REFORM

AGCI contributes to improving the enabling environment for trade and investment both nationally and regionally. At the country level, projects have helped overcome significant legal, regulatory, and administrative constraints to trade and investment. At the regional level, efforts have helped to advance cross-border integration and boost intra- and extra-regional trade.

Among the significant achievements realized under the enabling environment component in FY 2008 are:

- Through various interventions with the Common Market for East and Southern Africa (COMESA), helping to spur an increase in extra-regional exports of over \$183.5 million.
- Providing high-value analytic assistance for national governments and the Regional Economic Communities that led to such policy decisions as the Government of Ethiopia ending a ban on leather imports, the Government of Nigeria lowering tariffs on goods coming from the Economic Community of West African States (ECOWAS), and the Governments of Swaziland and Zambia undertaking major customs modernization and reforms.
- Facilitating the reform of major laws and regulations to improve the enabling environment for trade and investment in Ghana, Ethiopia, Mozambique, Senegal, South Africa, Swaziland, and Zambia.
- Helping improve Senegal's *Doing Business* ranking from 168th in 2008 to 149th in 2009, and contributing to the country being cited by the World Bank as one of the top 10 African reformers.

- Facilitating 42 significant national and regional legal, regulatory, or institutional actions to improve the implementation of international trade and investment agreements, including Africa's regional trade protocols.
- Assisting in improving technical standards and trading rules at the sectoral level for such products as maize, dairy, and export commodities.
- Training 3,775 Africans at trade and investment environment-related events.

ENTERPRISE DEVELOPMENT

An important area of focus for AGCI is increasing firm-level competitiveness. Typical activities include improving firm management and production capacity, assisting in marketing and tapping into the global supply chain, and helping companies create jobs and expand capacity. In FY 2008, AGCI was active in developing enterprise through 11 projects in nine countries—Burundi, Ethiopia, Ghana, Kenya, Malawi, Senegal, South Africa, Uganda, and Zambia. In addition, each of the regional Hubs and the East African Regional Agricultural Trade Expansion Support (RATES) program took an active role in improving the skills and capacity of export-ready firms in 11 countries and serving as marketing information centers, including for AGOA.

FY 2008 achievements under the enterprise development component include:

- Helping generate \$58 million in exports to the United States from AGOA-eligible countries.
- Achieving a 250-percent increase in AGOA exports from Ethiopia and a 30-percent increase in exports from Senegal.
- Offering export-related capacity building assistance to more than 8,600 firms throughout Africa.
- Training 95,000 Africans in AGCI-sponsored trade and related events.

ACCESS TO FINANCE

The finance component of AGCI focuses on identifying market risks that governments can address and, in countries where the greatest impact can be made, encouraging expanded lending, particularly for trade and investment. An important aspect of the finance component is its ability to leverage the time and resources of highly specialized U.S. Government agencies, including world-class regulators from the Federal Deposit Insurance Corporation (FDIC) and Securities and Exchange Commission (SEC).

FY 2008 results from the finance component include:

- Working with the central banks of Angola, Kenya, Nigeria, and Rwanda on improving financial management and policy.
- Helping to modernize the real estate markets in Angola, Rwanda, South Africa, and Uganda.
- Supporting the development of a credit bureau in South Africa.
- Helping Rwanda automate and operationalize the off-site surveillance of financial markets.
- Saving 2,000 rural households an average of \$180 a year by reducing cattle mortality in Zambia.
- Training nearly 600 Africans in such topics as off-site surveillance and state-of-the-art financial sector techniques and methods, utilizing FDIC and SEC expert advisors.

INFRASTRUCTURE

AGCI's infrastructure component is active in providing targeted technical assistance designed to improve African energy, transport, and information and communications technology (ICT) infrastructure and increase private investor interest in these sectors. In FY 2008, AGCI contributions to overcoming African infrastructure constraints included helping to conclude late-stage transactions in energy investment, expanding

access to ICT, and conducting the technical analyses and capacity building needed to create efficient transport corridors and cross-border customs administration.

Recognizing the limited availability of electricity in sub-Saharan Africa—less than one in four people has access to reliable, affordable electricity—USAID launched the African Infrastructure Program (AIP) in 2008. This program represents a new approach to providing targeted technical assistance in the energy sector in Africa. Because electricity is central to all aspects of development and poverty reduction, the AIP supports the development of new African electricity sources.

AGCI projects are active in developing the capacity of Africa's power pools, which are essential to rationalizing the continent's energy markets and attracting investment in increasingly integrated, larger markets for energy. Ongoing AGCI support to strengthen regulator and power pool management capacity is having a tangible impact on the continent's ability to create functional regional energy markets and attract new investment in generation capacity.

In the transport sector, the Hubs were particularly active in helping to introduce ICT and management solutions to overcome regional transport inefficiencies. In West, East, and Southern Africa, the Hubs are expanding on innovative and important initiatives to reduce both legal and illicit bottlenecks along major trade corridors, establish single border posts, and computerize customs procedures. Combined, these initiatives reduce the time, cost, and red tape long associated with trading in Africa.

AGCI continues to help create and promote legal and regulatory frameworks that enable and encourage the successful operation of community-based ICT providers. AGCI aims to expand ICT access to underserved areas through community action and private sector participation.

In FY 2008, AGCI's signal accomplishments under the infrastructure component include:

- Launching the AIP, which is poised to provide high-value, targeted technical assistance across Africa to help bring complex electricity projects to financial closure.
- Leveraging over \$64 million in new investment in infrastructure.
- Through improving customs clearance, saving an estimated \$79 million in annual costs associated with trade.
- Enabling 250,000 Africans to get access to Internet services.
- Facilitating 25 public institutions obtaining telecommunications services.
- Training 1,095 Africans in energy-related policy and regulatory practices that meet international standards.

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 will bolster regional integration and security and attract greater investment. With USAID assistance, businesses can trade more efficiently, entrepreneurs can start firms more easily, and governments can provide services more effectively.