# White Paper on Trade and Development Policy with Sub-Saharan Africa

***Executive Summary- White Paper on Trade and Development Policy with Sub-Saharan Africa***

Sub-Saharan Africa continues to be a region in deep economic distress. However, the right combination of trade, aid and investment policies could encourage broad-based economic growth, greater African regional integration, enhanced food security and expanded trade and market opportunities, to the benefit of African and U.S. families and producers. The current focus on reform of U.S. trade preference programs and foreign assistance, alongside the development of a comprehensive food security initiative, present an immediate and substantial opportunity for an integrated approach to generate sustainable, widespread economic growth.

The recommendations below, jointly developed by a group of businesses and NGOs, offer a framework for promoting broad-based economic growth and trade with and within sub-Saharan Africa by aligning U.S. trade, investment and assistance policies. These proposals are outlined in more detail in the pages that follow.

- **Make Critical Improvements to Trade Policies, Including Preference Programs, to Encourage Trade With and Within sub-Saharan Africa**: The benefits of our main trade program with sub-Saharan Africa, the African Growth and Opportunity Act (AGOA), have been concentrated in a few countries and sectors. This is due to limited access for key agricultural products, program expirations, and significant capacity, infrastructure and supply-side constraints that impede Africa's regional and international trade. Preserving the opportunities created under AGOA while addressing these issues simultaneously, on a permanent basis and region-wide could have a significant, sustainable impact.

- **Establish a Mechanism for Coordinating Trade and Development Policies:** Too often, trade and development policies operate on separate tracks, and this lack of a systematic approach has limited the effectiveness of both policy tools to reduce poverty, enhance regional integration and increase economic opportunities across sectors and among vulnerable groups. A mechanism for better coordination among U.S. and international agencies and stakeholders would help policies achieve these goals.

- **Use Targeted Capacity Building and Development Assistance to Increase Africa's Capacity to Trade, Improve Regional Markets and Enhance Economic Opportunities:** Underlying conditions – supply-side constraints, weak capacity and underdeveloped regional markets and institutions – prevent sub-Saharan Africa from trading more internally and with the rest of the world. Development assistance should target priority areas identified by stakeholders, such as supporting, aligning and deepening regional development through regional economic institutions and development corridors and building capacity to ensure that countries can take advantage of enhanced preferential market access, *e.g.*, increasing compliance with food safety standards necessary for increased agricultural trade.

- **Use a U.S. "Whole of Government" Approach That Integrates Trade, Foreign Aid and Investment Policies**: Coordinating the activities of various government agencies with different expertise through a "whole of government" approach could greatly enhance the U.S. government's ability to respond to specific needs and priorities of the private sector, African governments, producers and workers. Many elements of this approach already exist and could be combined, coordinated and enhanced as appropriate.

**Recommendations for an Integrated Trade, Development and Investment Approach for Sub-Saharan Africa**

***Background***

- One of the most sustainable ways to increase incomes and spur broad-based economic growth is to encourage increased private sector participation, including by small and medium-sized producers, in robust, diverse local, regional and international markets.

- In Sub-Saharan Africa, however, this potential has been limited by a number of factors, including national and international policies that curtail rather than encourage diverse, equitable economic opportunities, supply-side constraints and lack of capacity, and inadequate infrastructure and underdeveloped markets and supply chains—including distribution, storage, transportation and telecommunications—particularly at the regional level.

- Weak market links between sub-Saharan African producers and regional and international markets prevent supply of goods and services from reaching demand, limit economic opportunities, constrain productivity, and impede economies of scale. These challenges are exacerbated by the number of small and landlocked countries in sub-Saharan Africa that lack access to viable markets.

- These are not only significant factors limiting economic growth and diversification, but they are critical to addressing other pressing challenges in the region including food insecurity and political instability.

- Despite the importance of broad-based economic growth, better-functioning markets and improved investment climates to both African and U.S. businesses and workers, policies that address these aspects of sustainable development have not received the focus they require.

- In order for sub-Saharan Africa to grow sustainably and diversify economically, develop more robust intra-regional trade and become a full participant in the global economy, current trade, investment, and economic development assistance need to be given greater priority.[1]

- Economic development assistance should not be sacrificed in the face of budget crises, but it should be made more effective by redesigning programs to address pressing needs and priorities on the ground in a more coordinated and comprehensive manner.

- Increasing capacity and building sound, market-led infrastructure networks and supply chains would encourage development across sectors and within countries and regions. Improving infrastructure and supply chains, including main and rural roads, rail systems and ports, communications/IT and transport and warehousing will help all sectors develop. In

[1] This paper urges coordination and integration of trade policies, investment policies, and relevant development assistance, including projects using economic growth funding, trade capacity building assistance and other policies targeted at infrastructure development and building market-related institutional capacity within African national and regional institutions.

addition, enhanced agricultural processing and cold storage are two particular elements critical to development of the agricultural sector.

- The United States should work collaboratively with African governments and regional institutions, non-governmental organizations and businesses, as well as other countries and international institutions, to design policies and programs that address Africa's priorities. This includes strengthening the Regional Economic Communities (RECs) and supporting the Development Corridors, which build on existing trade and transport corridors that link mines to ports in order to create a robust regional network that connects smallholder farmers and other businesses to markets, and other relevant institutions, *e.g.* water and power commissions.

***Recommendations***

**(1) Make Critical Improvements to Trade Policies, Including Preference Programs, to Increase Trade With and Within Africa**

International trade policies should contribute to establishing the conditions necessary for sustainable economic development, including diverse economic opportunities in all sectors, from manufacturing to agriculture. Existing U.S. preference programs, including AGOA, when improved as outlined below and combined with targeted capacity building and development assistance, discussed in detail in the following sections, could better promote broad economic opportunities and development of regional markets.

Changes to trade policies and programs that would help stimulate diverse economic development and regional integration include the following:

- Preserve the opportunities created under AGOA, and expand duty-free quota-free preferential product coverage to all products from sub-Saharan Africa, including all agricultural products.[2]
- Eliminate the distinction between least developed countries (LDCs) and non-LDCs in sub-Saharan Africa within all trade programs and policies, here, abroad and multilaterally. Treat sub-Saharan Africa as a single inter-connected region and maintain the same rules for all countries in order to encourage regional integration, building on AGOA's approach.[3]
- Under preference programs, allow for cumulation across programs, countries and sectors in determining origin for purposes of qualifying for preferential benefits. Ensure that Africa-origin inputs (*e.g.*, yarn and fabric) are eligible for use in apparel products from other countries that receive preferences.
- Make preferential benefits permanent for sub-Saharan Africa in order to encourage investment in all sectors.

[2] Agricultural policies, including domestic support policies and programs, should also be modified to better support agricultural development.

[3] This approach is not without legal precedent. WTO jurisprudence does recognize that "similarly situated" countries should receive the same preferential treatment. Further, recent WTO policy recognized regional economic communities (RECs) in which LDCs comprise 50 percent of members. AGOA, which treats least developed and lesser developed African countries the same, has received a WTO waiver approved by the WTO General Council.

- Use most effective mechanisms and additional tools to address deficiencies in meeting eligibility criteria, targeting the tool to the specific problem and using revocation of preferential benefits only as a last resort.
- Establish a single point of information for exporters and importers on various U.S. import requirements (consider the model of the European Union's export help desk for developing countries).

### (2) Establish a Mechanism for Coordinating Trade and Development Policies

Trade and development policies must be better coordinated in order to ensure that preferential trade programs have the greatest impact possible. A comprehensive strategy for sustainable, widespread economic growth should also successfully address challenges of poverty reduction, increased food security and the creation of sustainable opportunities throughout sub-Saharan Africa for businesses of all sizes, including for women and smallholder farmers. Similarly, development policies should support efforts to promote African regional integration.

Enhanced coordination could help ensure that trade and aid policies reinforce rather than undermine each other. Through better coordination, specific needs and opportunities and the barriers that stand in their way could be addressed through targeted projects and policies.

Enhanced coordination should include the following elements:

- A mechanism for effectively coordinating trade, foreign assistance and investment policies and programs through a whole-of-government approach that allows agencies to combine and coordinate their relative strengths to effectively achieve sustainable, market-led development.
- Working with this mechanism, conduct an annual review process, established by the President with reporting to Congress, on how well trade capacity building and economic growth initiatives are being used and coordinated, with the goal of identifying both innovative models of success and shortcomings.
- Regular consultation and incorporation of input from multilateral lending banks, foundations, NGOs, beneficiary country governments and regional bodies, U.S. consumers and importers, local businesses and workers (and their organizations) and other private and public sector organizations.
- As part of this process, better alignment of the numerous agencies that design and implement capacity building and development assistance programs, in particular USAID and the Millennium Challenge Corporation (MCC).
- Expanded use of innovative practices, including by extending these practices to regional programs instead of just single country programs. For example, build on USAID's expertise and experience working on every element of economic development within countries and add a regional component to enhance the MCC's unique value in supporting infrastructure projects, using all-grant funding, supporting recipient country ownership and implementation and applying indicators for measurable results, including governance indicators.
- Increased coordination, not only within the U.S. government, but also between the United States and other donors. This should include coordination with other

developed countries, multilateral institutions and large developing countries, *e.g.*, incorporate foreign assistance coordination into the United States' Special Economic Dialogue with China.

**(3) Use Capacity Building and Development Assistance to Increase the Capacity to Trade, Improve Markets and Enhance Economic Opportunities**

Development assistance, especially trade capacity building assistance and economic growth funding, should be designed and targeted to address the needs and priorities of African producers, governments and the broader private sector. Particular attention should be paid to addressing key sectors, *e.g.* agriculture, and vulnerable groups, including small producers, building regional markets, enhancing the capacity to trade and improving the investment climate. Targeted capacity building should address the specific capacity and supply-side constraints that have limited countries' ability to participate more fully in trade, as well as include tools that are more generally necessary to operate a well-functioning market economy, such as training in bank supervision or law enforcement and development of necessary infrastructure and value chains.

Specific suggestions for targeted capacity building, which should be tailored in support of stakeholder priorities, include the following:

- Place priority on training in sanitary and phytosanitary (SPS) standards, needed to facilitate agricultural trade.
- Target customs policies and practices that will increase the ability to trade and improve conditions for regional investment.
- Identify specific economic opportunities, *i.e.* products with market potential, and barriers standing in the way of these opportunities, and design targeted assistance interventions to facilitate these opportunities and remove restrictive barriers to trade and development.
- Coordinate local and regional infrastructure investments, including along the Development Corridors, to improve land, sea and air transportation, power generation, water supply and IT/communications, and promote better coordination across multilateral and bilateral agencies and their work with local governments, RECs, and the private sector, including local farmers and businesses.
- Build capacity within countries and the African Union and RECs to enhance institutional capacity, support deeper coordination and amalgamation among entities, and reduce intra-country and intra-African barriers to sustainable, diverse trade.
- Focus on commercially sustainable, scalable and cost- effective ways to improve supply chains, including rural access to centralized agricultural processing facilities, cold storage, warehousing and market information.
- Ensure that infrastructure projects, capacity building programs and other development assistance projects are designed to reach women and smallholder farmers.
- Promote education and technical training programs to help build the human capacity to take advantage of new trade and investment opportunities.
- Work with the private sector whenever possible, cross-leveraging resources, applying best practices, drawing on models to build capacity in different sectors and

building on innovative models (*e.g.* to integrate small businesses and women producers, particularly smallholder farmers, into commercial systems).

**(4) Enhance and Use a U.S. "Whole of Government" Approach That Integrates Trade, Foreign Aid and Investment Policies**:

Adopt a "whole of government" approach to sub-Saharan Africa that integrates trade, foreign assistance and investment policies, with enhanced, coordinated interagency collaboration. Listed below are examples of tools U.S. agencies already have at their disposal that could be more systematically used. In some cases, as noted, enhancing existing authority or expanding current functions could significantly improve the ability to use these tools. Elements of this approach could be combined and coordinated as appropriate to best address the needs of U.S. and African businesses, including small- and medium-sized producers, as well as workers and other economic stakeholders.

Elements of a whole-of-government approach to improving countries' ability to trade, that fully uses and builds on the particular expertise of each agency, include the following:

- *U.S. Agency for International Development (USAID)*: (a) Expand regional focus, including increased support for regional trade hubs and the African Global Competitiveness Initiative (AGCI); (b) Increase the number and duration of public-private partnerships (PPPs) under the Global Development Alliance; and (c) Undertake a full review with the African Union, RECs and other regional entities of how existing programs could better encourage regional integration, in coordination with other agencies. These activities fall within USAID's current mandate but may require additional financial resources.

- *Office of the U.S. Trade Representative (USTR)*: (a) Use arrangements that promote greater productive trade and investment and broad-based economic growth with and within sub-Saharan Africa, including Trade and Investment Framework Agreements (TIFAs); (b) Use TIFAs as country- and region-led participatory processes and tools for coordinating trade, investment and development assistance policies and programs (dialogues under the TIFAs are already in place with several countries and regions); and (c) In ongoing WTO negotiations, apply duty-free quota-free treatment to non-LDC and LDC sub-Saharan African countries and take capacity of RECs into account when negotiating implementation of new WTO commitments. These actions, including increasing use and support of TIFAs through increased interagency participation, could be undertaken within existing agency mandates.

- *Department of State*: (a) Better utilize bilateral consultations with inter-agency representation on both sides; and (b) Engage the U.S. diplomatic corps. Neither of these actions would require new legal authority and could be accomplished consistent with the Department of State's current mandate.

- *Millennium Challenge Corporation (MCC)*: (a) Increase compact flexibility to allow grants to the private/non-governmental sector where appropriate; (b) Allow for compacts longer than five years in duration; and (c) Allow investments in cross-border, regional investments. These changes would likely require new legal authority.

- *Department of Commerce*: (a) Support broad use of the ITA e-learning tool for training developing countries how to best make use of trade preference programs and other trade policies; and (b) Expand use of trade missions and the Commercial Law Development Program's capacity building for legal reform. This activity falls within the Department of Commerce's current mandate but may require additional financial resources.

- *U.S. Department of Agriculture (USDA)* and *Food and Drug Administration (FDA)*: Increase technical assistance for helping beneficiary countries meet U.S. SPS standards, ensuring that training is accessible to small producers and facilitate a clear understanding of requirements imposed by various US food safety agencies in the following ways: (a) Improve presentation of information on U.S. import approval requirements and consider ways to create a "one-stop shop" for beneficiary countries interested in understanding import requirements of different U.S. food safety agencies; (b) Short of establishing a single U.S. food safety authority, where possible, consider streamlining APHIS, FSIS and FDA approval procedures; (c) Consider giving priority to processing import approval requests from beneficiary countries; and (d) Work with the private sector whenever possible. Some of these changes may require additional legal authority and additional financial resources but could largely be accomplished within USDA's and FDA's existing mandate.

- *Department of Treasury*: Increase cooperation with multilateral institutions, including the African Development Bank and World Bank and other donors where needed, including supporting African regional integration and coordinating use of technical assistance programs in areas such as strengthening banking sectors, modernizing fiscal practices, controlling money laundering and improving financial management. This activity falls within the Department of Treasury's current mandate but may require additional financial resources.

- *Department of Labor/Bureau of International Labor Affairs (ILAB)*: (a) Enhance capacity building role, both for developing institutional/government capacity and to ensure that broad-based development benefits extend to workers across sectors. This activity falls within the current agency mandate but may require additional financial resources; and (b) Increase cooperation with the International Labor Organization (ILO), particularly in developing programs specific to Africa that will promote improvements in labor standards and conditions.

- *Department of Homeland Security - Customs and Border Protection*: (a) Enhance capacity building on customs rules and compliance; and (b) Expand technical assistance and capacity building to help African exporters comply with U.S. trade security requirements, *e.g.*, Customs-Trade Partnership Against Terrorism (CTPAT), Container Security Initiative (CSI), and 10+2 program. This activity falls within the current agency mandate but may require additional financial resources.

- *Development Finance Agencies:* In addition to the recommendations specific to each agency below, and in cooperation with agencies above, particularly USAID and MCC, create one-stop shop for U.S. investors.

  - *Overseas Private Investment Corporation (OPIC)*: (a) Reevaluate current restrictions on loan guarantees to support projects in sub-Saharan Africa that would not significantly affect U.S. industry; (b) Provide the authority to allow guarantees for funding for small businesses in sub-Saharan Africa; and (c) Use OPIC tools to support regional infrastructure, including along the Development Corridors, in coordination with other donors and multilateral institutions. OPIC support for regional infrastructure could be done within the agency's current mandate, while other changes would likely require new legal authority.

  - *U.S. Export-Import Bank (Ex-Im)*: (a) Increase lending opportunities and guarantees; (b) Support and target small and medium-sized businesses; and (c) Replicate the insurance and guarantee facility used in Nigeria. These changes would likely require new legal authority.

  - *U.S. Trade and Development Agency (TDA)*: Expand use of feasibility studies and technical assistance, utilizing models to develop infrastructure and improve the business climate, *e.g.* customs and trade facilitation, port, airport, and power plant development, etc. This activity falls within TDA's current mandate but may require additional financial resources.

- *U.S. Congress*: Coordinate approach across Committees and Subcommittees. Specifically, House Ways and Means and Senate Finance Committees with jurisdiction on trade, including trade preference programs, should coordinate with the House Foreign Relations and Senate Foreign Affairs Committees, as well as each chamber's relevant Appropriations Committee, on economic growth and related development programs. Coordination is also necessary with the House Financial Services Committees and Senate Committee on Banking, Housing and Urban Affairs on Ex-Im, OPIC and TDA issues and with the House Energy and Commerce Committee and the Senate Committee on Commerce, Science and Transportation to increase opportunities for U.S. exports to sub-Saharan Africa and investment in the region.

*This document is endorsed by the following groups and individuals:*

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