THE PRESIDENT'S ADVISORY COUNCIL ON DOING BUSINESS IN AFRICA

Recommendations for Implementing Prosper Africa
July 28, 2020

Members of the President's Advisory Council on Doing Business in Africa (PAC-DBIA)

Laura Lane (Co-Chair) - Chief Corporate Affairs and Communications Officer, UPS
Farid Fezoua (Co-Chair) - President & Chief Executive Officer, GE Africa
Susan Silbermann (Vice Chair) Global President for Emerging Markets, Pfizer
Jason Andringa - President and Chief Executive Officer, Vermeer Corporation
Jason P.H. Brantley - Director for Sales and Marketing, Agriculture and Turf Division, Africa and Asia, John Deere
Jake Cusack - Founder and Managing Partner, CrossBoundary Group
Takreem El-Tohamy - General Manager, Middle East and Africa, IBM
Damian Halloran - Vice President, Infectious Disease, Emerging Markets, Rapid Diagnostics, Abbott
Bruce Hanson - President and Chief Executive Officer, Credence ID
Andrew G. Inglis - Chairman and Chief Executive, Kosmos Energy, LLC
Denise Johnson - Resource Industries Group President, Caterpillar Inc.
Bill Killeen - Chief Executive Officer and Chairman, Acrow Bridge
Sami Mainich - Chair of Dow Africa Steering Team and Regional Managing Director, North Africa and Levant Regions, Dow Chemical Company
Raghu Malhotra - President, Middle East and Africa, Mastercard
Paul Marcroft - Chief Commercial Officer, APR Energy
Frank Mosier - Chief Executive Officer, Rendeavour, Inc.
John Nevergole - Chief Executive Officer, ABD Group
Andrew Patterson - Global Manager for Strategy and Market and Business Development, Infrastructure, Bechtel Overseas Corporation
Olivier Puech - Executive Vice President and President, Latin America and EMEA, American Tower Corporation
Fred Sisson - Chief Executive Officer, Synnove Energy
Peter Sullivan - Managing Director and Citi Head of the Public Sector Group for Africa
Arjan Toor - Chief Executive Officer, International Organizations, Africa, and Global IPMI, Cigna
Andrew Torre - Regional President for Central and Eastern Europe, Middle East and Africa, Visa Inc.
Chris Toth - President, Oncology Systems, Varian Medical Systems
Brittany Underwood - Founder and Executive Chairman, Akola
Rahamatu Wright - Founder and Chief Executive Officer, Shea Yeleen

The President's Advisory Council on Doing Business in Africa advises the President, through the Secretary of Commerce, on ways to strengthen commercial engagement between the United States and Africa. Members receive no compensation for their efforts on the Council. This report was prepared by the private-sector members of the Council. The views expressed in this report do not necessarily reflect those of the Administration or individual members of the Council.

This report and other PAC-DBIA recommendations are available on the Internet.

To access the PAC-DBIA's work, please visit www.trade.gov/pac-dbia/ or call the PAC-DBIA Executive Secretariat at 202-482-2091 or 202-482-5205.

Letter from the Co-Chairs and Vice Chair, on behalf of the PAC-DBIA

Dear Mr. President,

Much has changed in the world since the President's Advisory Council on Doing Business in Africa (PAC-DBIA) last convened in February this year. The COVID-19 pandemic has rendered the Administration's focus on U.S.-Africa commercial relations even more critical, as expanding two-way trade and investment will be the key to ensuring economic resiliency and stability on both sides of the Atlantic. The "new normal" imposed by the pandemic demands quick, coordinated, and focused efforts by the U.S. Government to further build the foundations for long-term economic partnership with Africa.

In that spirit, and as previewed earlier this year, our Council has formed six priority Issue Working Groups focused on areas in which we believe the U.S. Government and private sector are best situated to advance sustained and mutually beneficial U.S.-Africa trade and investment. These six areas issue areas are:

- Finance
- Technology & Digital Economy
- Public Procurement
- Workforce Development
- Trade Facilitation & Physical Connectivity
- Small & Medium-Sized Enterprises and Women Entrepreneurs

In the report following this letter, in response to direction the PAC-DBIA received from Secretary of Commerce Wilbur Ross at its first meeting of the current term, the 26 members of the Council are pleased to present our feedback on the Prosper Africa initiative, which you will find divided into two sections.

The first set of feedback focuses on the Prosper Africa Roadmap, a document that will outline viable means of achieving Prosper Africa's objectives of modernizing and synchronizing U.S. Government tools and initiatives to increase two-way trade and investment with Africa. The PAC-DBIA had multiple briefings with the Roadmap development team to understand the document's scope and metrics, and has developed responses to help inform the content of the Roadmap. We look forward to their implementation.

The second section consists of recommendations applied to Prosper Africa's three Lines of Effort:
1. Modernize U.S. capabilities and efforts; 2. Facilitate transactions; and 3. Foster fair and accessible business climates and robust financial sectors. Our recommendations for each Line of Effort are organized according to the topics of our Issue Working Groups. We intend for these recommendations to build upon and complement those from previous terms of the PAC-DBIA and to further strengthen U.S. Government capabilities to foster trade and investment between the United States and Africa.

To advance the priorities highlighted in our feedback, we recommend that Secretary Ross and Prosper Africa Executive Chairman Adam Boehler convene a series of virtual meetings for Administration officials and the PAC-DBIA with select influential African political leaders before year-end to socialize the priorities and the Administration's work to pursue them. These engagements are intended to promote support for Prosper Africa on the continent and maintain its momentum at this challenging yet time-critical period.

As always, we stand ready to support the Administration's implementation of the Prosper Africa Roadmap and our recommendations, and will continue to lend our perspectives and unique expertise as it moves forward in its work building mutually beneficial relationships with throughout Africa.

Sincerely,

Farid Fezoua	Laura Lane	Susan Silbermann
Co-Chair	Co-Chair	Vice Chair

PAC-DBIA RECOMMENDATIONS for IMPLEMENTING PROSPER AFRICA

FEEDBACK ON PROSPER AFRICA ROADMAP

The members and staff representatives of the PAC-DBIA had several occasions to discuss the development of the Prosper Africa Roadmap. Below are the Council's recommendations based on those conversations, which we encourage the Prosper Africa Secretariat to consider as they take next steps in finalizing, publicizing, and implementing the Roadmap. The Council views significant, long-term opportunities for deeper U.S.-Africa partnerships especially in the areas addressed by the six Issue Working Groups. We support the general direction of the Roadmap and hope many of its proposals are implemented to promote increased two-way trade and investment across all of these areas, with others to be added in the future.

I. <u>Recommendations on USG agency tools</u>

On *constraints*:

- Add gender issues focusing on areas identified by the Administration's Women's Global Development & Prosperity initiative to foster women's participation in two-way trade and investment opportunities.
- Acknowledge variation based on the size of the business, the size of the market, and the type of good or service offered to avoid a one-size-fits-all toolkit.
- Emphasize public procurement and government regulation in institutional constraints. The Roadmap should more squarely address the regulatory barriers that prevent U.S. companies from accessing African markets and competing on a level playing field with domestic and third-country providers. Through Prosper Africa, all U.S. Government agencies – whether focused on development or commercial advocacy – are well-placed to advance U.S. values and policy positions with respect to transparency in procurement, high-standard data policies, good regulatory practices, and the like.
- Add poor access to data as a constraint, or include it under transactional costs, to reflect the lack of access among U.S. companies to two-way trade data and the lack of clarity around which USG agencies collect which types of data.

On *specific tools and modernizing recommendations*:

- Include existing frameworks and agreements, such as the African Continental Free Trade Area Agreement (AfCFTA); the 12 Trade & Investment Framework Agreements with sub-Saharan African countries and regional economic communities; the U.S.'s MOUs for commercial cooperation with Ethiopia, Kenya, Ghana, Côte d'Ivoire, Mozambique, and Tunisia; the African Growth & Opportunity Act, and the possible future U.S.–Kenya Free Trade Agreement. Where there is an existing trade arrangement, there is a better chance of establishing sales and operations.
- Maintain and implement the financing recommendations as powerful modernization of existing tools. We particularly support the recommendations regarding the Export-Import Bank (EXIM) re-examining its domestic content policies, the Development Finance Corporation (DFC) coordinating with USG grant-making institutions, and the DFC enabling blended finance transactions. We strongly endorse these and concur in the assessment that they will have a significant positive impact.
- Maintain and expand the ideas around promoting USG tools and sharing opportunities to ensure small and medium-sized enterprises (SMEs) and new-to-market companies are targeted.

On *agency specific recommendations*:

- Implement the Roadmap's suggestion of expanding U.S. Trade & Development Agency's (USTDA) focus beyond single country projects to provide regional grants and lowering its grant sizes to enable smaller and quicker feasibility studies.
- Implement the Roadmap's suggestion of increasing the presence of the Foreign Commercial Service (FCS) on the ground in Africa in order to expand services available to U.S. companies and support additional USG commercial advocacy.

- Expand the Advocacy Center's mission to support U.S. investments into Africa and broaden the "mapping" exercise to identify non-commercially oriented USG agencies that can help with such advocacy, including the U.S. Agency for International Development (USAID).
- Consider how to both recognize and include the concept of agility to the "efficiency" and "expertise" notions especially in regards to FCS support, as rigidity impedes responsiveness to local conditions and the diverse needs of U.S. companies, including SMEs, and to offer some level of standardized service ("consistent level of competency") from Embassy Deal Teams to better build awareness, set appropriate expectations, and increase usage.

II. <u>Recommendations on country/sector clusters</u>

On the *U.S. Investment in Africa* vector:

- Better represent technology/financial services, telecommunications infrastructure, oil and gas, and power.
- Add focus on the healthcare sector and expand the definition of what the sector comprises.
- Expand the definition of mining.

On the *U.S. Exports to Africa* vector:

- Add clean and sustainable energy and aerospace sectors.
- Revise language to better cater to the exports vector, for goods as well as services, as it currently leans too strongly towards investment.

On the *African Exports to the U.S.* vector:

- Add automobiles from South Africa, fresh cut flowers/horticulture from Kenya, and coffee from Ethiopia, as these are missing.
- Prioritize sectoral opportunities in each country based on the current level of U.S. private sector interest and advertise those opportunities first.
- Differentiate among the opportunities according to viability and U.S. competitiveness to help drive more concrete action.

III. <u>Recommendations for overall framework and approach</u>

- Include implications of COVID-19, its social and economic impact on the continent, and how Prosper Africa can support response and recovery, considering the importance of robust trade and investment to ensure economic resilience and supply chain preparedness for future such events.
- Consider more strongly the needs of SME exporters in both the U.S. and Africa given the vital role SMEs play in economic growth and job creation.
- Identify why African investment into the U.S. is primarily originating in South Africa and if there are barriers preventing other African markets from investing in the United States that should be addressed.
- Take a value chain rather than a sector approach, ensuring that necessary inputs or raw material are available for further downstream growth. For example, if Africa is prioritizing growth in textiles, or food processing or ICT, U.S. companies can be a key driver of inputs (for example, the chemical industry) in a way that grows exports but also supports growth in domestic industries.
- Expand metrics beyond overall trade volumes and deal flows. To be sure, that is the overall goal of Prosper Africa, but that measurement is also highly influenced by significant macroeconomic factors outside of the control of Prosper Africa. Other proxies can be developed to better determine if the USG modernized and synchronized its tools as suggested in the Roadmap. This would calibrate the metrics for success in terms of policy initiatives directly within the control of the U.S. Government, in addition to measuring overall trade flows.

RECOMMENDATIONS ON PROSPER AFRICA LINES of EFFORT

LINE OF EFFORT 1: Modernize U.S. Capabilities and Efforts

- Coordinate U.S. Government (USG) resources in support of public and commercial transactions at all stages.
- Establish a one-stop shop where U.S. and African businesses can access the full range of U.S. Government (USG) services.

FINANCE

1. Increase DFC's risk appetite to expand the use of DFC tools in funding deals with state-owned banks and potentially other state-owned enterprises. Section 1421(a) of the Better Utilization of Investment Leading to Development (BUILD) Act authorizes DFC to lend to some "sovereign entities," but it seems this authorization has not been used to its full potential. If it were to be so used, this could lead to increased lending, particularly for low- and lower-middle-income countries, thus maximizing the U.S.'s development reach and impact in African markets. To be sure, risk tolerances will also have to be concurrently increased, which may require additional funds. Yet ultimately, state-owned enterprises are substantial customers on the continent, and American firms are often at a disadvantage in comparison to competitor countries who are able to deploy lower-cost financing. We therefore further encourage all Executive Branch agencies, in combination with Congress, to support DFC in using its authorized tools more aggressively.

2. Change EXIM policies to decrease domestic content requirements in line with global trends, including the policies that increase shipping costs for goods financed by the Bank. We further encourage all Executive Branch agencies to support these changes. The Bank's own Competitiveness Reports describe the general decrease in domestic content requirements of foreign export credit agencies, with an additional liberalization that includes a national interest model basing analysis on goods "made by" a country rather than "made in" a country. Furthermore, no other export credit agency has a domestic shipping requirement, which shifts an unnecessary cost burden onto our foreign customers. More flexible and updated policies are needed to reflect current production patterns, global value chains, and competitor practices and policies. After reviewing EXIM's own authorities, the Executive Branch should then engage Congress to enact the legislative changes required to reduce these burdens to ensure exports from the United States are as commercially attractive as exports from other foreign countries.

TECHNOLOGY AND DIGITAL ECONOMY (click for background)

3. Prosper Africa should take a proactive and assertive stance on the importance of data flows and high-standard digital trade rules in achieving digitization, diversification, and development in Africa. A coordinated interagency position drawing on expertise from the Department of State, Department of Commerce, Office of the U.S. Trade Representative (USTR), Department of the Treasury, and USTDA will lay the foundation for open, competitive, and innovative digital ecosystems that support two-way trade and investment. Focused policy dialogues and capacity building for African governments and regulators should be prioritized on a bilateral basis and also via USG engagement with AfCFTA negotiators on digital trade policies.

PUBLIC PROCUREMENT (click for background)

4. USG programs that provide development assistance in African countries should follow internal best practices to achieve best value and transparency in procurement. We recommend that all relevant USG agencies do the following:

a. Require programs and fund recipients to take a value-for-money approach to implementing infrastructure projects, moving away from lowest-cost procurement mechanisms to evaluating the total cost of ownership of projects with an aim to ensure the sustainability of investments;
b. Train all agency procurement leads on the new value-based procurement requirements and how to conduct life-cycle cost analyses for projects under their purview;
c. Require that recipient countries commit to adopting similar, internationally recognized procurement practices for all public procurements open to international competition; and,
d. Consider adopting a scorecard or tracking mechanism to monitor implementation of procurement best practices.

WORKFORCE DEVELOPMENT (click for background)

5. Prosper Africa should create a central repository of information on all USG workforce development training programs for U.S. companies doing business in Africa. Furthermore, Prosper Africa should amplify existing USG skills development and capacity-building tools and programs through effective marketing and messaging to U.S. companies doing business in Africa.

6. Prosper Africa should ensure agencies with successful training and skills development programs receive full funding through Congressional appropriations and have the support of the USG interagency. These agencies include, but are not limited to: USTDA, USAID, U.S. Department of Agriculture (USDA), U.S. Department of Transportation (DoT), and the U.S. African Development Foundation (USADF).

   - **USTDA** enables the U.S. private sector to compete in foreign government procurements by introducing a training component into the deals. This program levels the playing field with foreign competition and allows for local staff to be trained to fully utilize the U.S. products being procured.
   - **USAID'**s Youth and Workforce Development program is tailored to countries' education and workforce needs. This program is active in over 30 countries.
   - **USDA**'s Farmer to Farmer program sends U.S.-based volunteers on technical assignments to provide hands-on training to communities, cooperatives, agribusinesses, and educational institutions.
   - **DoT's** Office of the Secretary/Office of International Transportation & Trade collaborates across all modes of transport to leverage DoT's extensive transportation knowledge. Foreign government agencies and other organizational partners can benefit from U.S. experiences and expertise through DoT's technical assistance, capacity building, and information exchange programs.
   - **The USADF** has partnered with The Department of State Educational and Cultural Affairs Bureau to provide seed funding to select graduates of the Academy for Women Entrepreneurs (AWE) providing critically needed capital to women entrepreneurs after successfully completing an internationally acclaimed training and development program. USADF will increase the number of participating African countries to 14 for next year.

7. As with recent compacts, the Millennium Challenge Corporation (MCC) should continue to prioritize strengthening recipient country technical and vocation education training (TVET) systems to complement and enable compacts focused on infrastructure development and power generation.

8. Prosper Africa should also promote remote and virtual training offerings such as the Young African Leaders Initiative (YALI) program's virtual platform.

9. Prosper Africa should actively encourage and provide opportunities to underserved populations – including women, youth, and rural communities – to develop key business skills and expand networks. Providing training and new employment opportunities to underserved populations will both open the economy to a more diverse workforce and increase economic competitiveness. Two potential ways to implement this recommendation are:

LINE OF EFFORT 1: Modernize U.S. Capabilities and Efforts

a. Establish additional Department of State African Women's Entrepreneurship Program (AWEP) centers. These would provide a broader pool of candidates for Prosper Africa to connect to U.S. companies and would offer skills training to a greater number of women entrepreneurs —equipping them to take advantage of AGOA and to identify U.S. export and investment opportunities.
b. Expand opportunities provided by the Young African Leaders Initiative (YALI) for emerging leaders across Africa to connect with other experts in their field.

LINE OF EFFORT 2: Facilitate Transactions

- Help to develop, facilitate, expedite, and mitigate the risk of transactions between the United States and African countries.
- Expand U.S. companies' access to information and provide financing support - where the private sector will not - to open the pipeline of opportunities in Africa.

FINANCE

10. Operationalize a pilot program – through an interagency working group to include the MCC, DFC, USTDA, USAID, the Department of Commerce, and other relevant agencies, working with the PAC-DBIA – to use blended finance tools for at least one infrastructure project within the first nine months after completing the Prosper Africa Roadmap. For example, to attract private sector investment, MCC grants could be blended with DFC capital to cover viability gap funding for large infrastructure projects. The working group will target an infrastructure project that is preferably already under consideration in a partner country where commercial goals align with national security interests and where development objectives for funding first loss grants, loan guarantees, etc., from USG agencies could be deployed. After demonstrating this proof of concept, this type of finance facility would then be replicated and expanded to additional projects and sectors.

11. Under the direction of the Treasury Department and the U.S. Executive Director to the African Development Bank (AfDB), launch an initiative with the AfDB that targets a particular sector with a U.S. private sector competitive strength, e.g., technology. This would build off the November 2019 DFC-AfDB MOU and create synergies that can be realized through the collective provision of technical assistance, training, financial resources, and deal origination and structuring. The partnership should provide U.S. companies with focused market intelligence, identification of local partners, and support to proactively shape U.S. deal opportunities and secure greater investment and trade flows.

TECHNOLOGY AND DIGITAL ECONOMY (click for background)

12. The Prosper Africa Secretariat should make timely access to information on development projects led by the USG or development finance institutions (DFIs) – like the World Bank Group, AfDB, and others – with African governments on technology or tech-adjacent projects, such as technology enabling infrastructure, financial sector modernization, financial inclusion, and remote health or education available to U.S. companies. A consolidated quarterly bulletin of project concepts and open and anticipated procurement opportunities will improve information-sharing, facilitate company preparation of high-quality bids, and advance outcomes that create sustainable ecosystems for private sector-led growth.

13. Develop a near-term digital services economy dialogue with high-potential African partner governments (e.g. Ghana, Kenya, Ethiopia, Cote d'Ivoire) and the U.S. private sector to build out a regulatory framework that truly enables resilient, secure, and interoperable infrastructure – which in turn will spur the digital transformation of these economies. Particular focus should be given to financial and telecommunications services, with the goal of establishing "digital excellence" champion countries in Africa. These can then act as a beacon for fellow African nations and lead the way in digital regulatory coherence and infrastructure quality within regional economic blocs.

PUBLIC PROCUREMENT (click for background)

14. To support the effectiveness of Embassy Deal Teams in Africa, we recommend that USAID missions actively participate in Embassy Deal Team discussions, leveraging their knowledge of local needs and networks to bring potential commercial opportunities to those discussions. This would also include participation in commercial diplomacy opportunities for relevant U.S. firms and participation in private sector and project development fundamentals trainings alongside FCS and Economic/Political Officer peers.

LINE OF EFFORT 2: Facilitate Transactions

TRADE FACILITATION AND PHYSICAL CONNECTIVITY

15. DFC and Commerce should enable U.S. companies to play a more proactive role in pursuing projects through the AfDB and Ministers of Commerce, Economy, Investment, Transportation, Energy, Infrastructure, and Regional Economic Community secretariats. That is, in addition to supporting U.S. companies in responding to requests for proposals (RFPs) and competitively bid tenders, the USG can help companies identify opportunities to proactively develop unsolicited proposals and establish platforms that allow the private sector to develop their pitches and discuss them with the relevant entities, leveraging government relations and convening groups like the American Chambers of Commerce (AmChams). By adopting this approach, U.S. firms can flag potential projects that may not have been considered or advanced to an RFP process by the African government and in doing so position U.S. goods, services, and technology as integral to the solutions.

    a. Considering lessons learned from the COVID-19 pandemic, these unsolicited and proactive pitches will focus on and prioritize infrastructure solutions that serve crisis response efforts, such as the movement of critical medical and healthcare materiel, food supplies, etc., and the acceleration of countries' economic recovery such as improved transportation networks, electrification and internet access.

    b. The PAC-DBIA also encourages robust engagement by Commerce Department Digital Attachés, with support from U.S. companies via AmChams, to educate these RFP-issuing Ministries on digital technology solutions and promote their use in infrastructure projects to ensure the most innovative, forward-looking and cutting-edge infrastructure (rather than the easiest or least-expensive). USAID should also incorporate this infrastructure angle into its work with African governments under its Digital Strategy to ensure they are adopting good data governance and security practices in the infrastructure itself.

SMALL & MEDIUM-SIZED ENTERPRISES (SMEs) / WOMEN ENTREPRENEURS (click for background)

16. The USG has a variety of resources available to provide access to capital for SMEs such as those under the DFC, USAID, MCC, USADF, and EXIM Bank. Through the Trade & Investment Hubs, the USG should create a dedicated one-stop-shop where SMEs can learn about available financial tools and identify points of contact at the different agencies that have funding applicable to their unique needs. For example, Prosper Africa should include a specific SME contact for women seeking grants, loans, training, or other assistance.

LINE OF EFFORT 3: Foster Fair and Accessible Business Climates and Robust Financial Sectors

- Reduce barriers to private sector trade and investment.
- Promote transparency, competitiveness, efficiency, and quality.
- Advocate for sustainable economic policies that support private-sector led growth.
- Build the capacity of officials in African countries to implement sound trade and investment policies and agreements.
- Support the development and deepening of financial sectors in Africa that are key to increasing trade and investment

FINANCE

17. Become a shareholder through nominal equity investments in targeted regional DFIs, such as the African Export-Import Bank and the Eastern & Southern African Trade & Development Bank. U.S. Government shareholding will render guarantees and guarantee-like instruments from these institutions eligible as Supranational Entities and Multilateral Development Banks for regulatory capital relief under Treasury's Office of the Comptroller of the Currency & Federal Reserve rules. This will increase the risk defeasance resources and capacities available for U.S. firms in the promotion of increased investment and trade flows and help level the playing field for American firms operating on the continent.

TECHNOLOGY AND DIGITAL ECONOMY (click for background)

18. Commerce should establish quarterly briefings for the PAC-DBIA Technology & Digital Economy working group with relevant mission-based personnel, including Commercial Services Officers, Digital Attachés, Economic Attachés, and Treasury Attachés on relevant policy matters along the following issue areas: digital trade, data policy and localization, enabling infrastructure, and digital tax. The objective is to create a regular mechanism for two-way exchange of information between the U.S. Government and private sector on these issues, as well as collaboration on advocacy, trainings, or other interventions that support in-market efforts to increase U.S.-Africa digital trade.

19. Prioritize investments and financing of ICT infrastructure leveraging USG mechanisms such as the DFC. Financing should prioritize tech-related infrastructure that allows for faster internet speeds, lower data costs, and greater reach of internet and technology in rural areas. African economies are reliant on outdated internet infrastructure, and solutions that come with financing from U.S. economic competitors. USG should act expeditiously as COVID has accelerated digitization but diminished treasuries, and there is heightened need for sustainable, long-term investments in tech-related infrastructures.

20. Resource U.S. representative offices at the DFIs (such as the World Bank Group and AfDB) with personnel dedicated to technology and digital economy issues. The U.S. representatives at the DFIs play an important role in ensuring the openness of the institutions' procurement practices including for projects implemented by countries in Africa and financed by the DFIs. The U.S. representative offices can play an upstream role in ensuring that policies and reforms advocated by the DFIs in their policy engagement with governments as well as technology-based solutions designed and implemented through investment lending allow governments to consider the full range of solutions offered by the U.S. technology industry. This is especially important in areas related to digital infrastructure, payments infrastructure, and data governance.

LINE OF EFFORT 3: Foster Fair and Accessible Business Climates and Robust Financial Sectors

TRADE FACILITATION AND PHYSICAL CONNECTIVITY (click for background)

21. Position and showcase U.S. private sector best practices in customs clearance and trade facilitation to the African Union in USTR's capacity-building efforts with AU and national negotiators as they move towards implementation of the AfCFTA. "Best practices" here refers to policies and procedures that meet international standards and are proven, effective solutions in other markets. Where our best practices and suggestions differ from those of competitors, USTR should work with the U.S. private sector to demonstrate the higher value and impact of our solutions over those of our competitors – especially science- and risk-based regulatory procedures and transparent international standard-setting procedures. This feedback could take place through quarterly roundtables with USTR to overview the progress of the AfCFTA implementation and identify where proactive outreach for capacity building from companies would be helpful (such as USTDA-led site visits to logistics hubs to demonstrate customs clearance mechanisms). The PAC-DBIA member companies serve as an initial set of companies across a variety of sectors with ideas for how the AfCFTA can be most effective - and can coordinate with the African Business Council to incorporate these additional perspectives.

    a. USTR, USAID, and CBP should focus on ambitious implementation of the WTO Trade Facilitation Agreement commitments – going above and beyond the baseline requirements of the TFA text to the extent possible – and use those commitments as benchmarks for non-WTO member countries to encourage greater U.S. commercial engagement[i]. PAC-DBIA members can further support progress through USTDA- or USAID-organized capacity-building workshops to demonstrate the commercial opportunities from more efficient, harmonized customs procedures.

    b. Specifically, on Risk Management procedures, the PAC-DBIA recommends the full USG funding of all three phases of the joint CBP-State Department project to build an enhanced IT-based transit cargo tracking and monitoring system – to be initially piloted in Ghana and expanded to the broader Economic Community of West African States (ECOWAS). Risk management is a critical factor in supply chain security, predictability and transparency, all of which encourage greater import/export of goods.

22. The U.S. Department of Commerce – working with private industry, U.S. embassies, and consulates in a priority group of African countries – should engage in bilateral discussions to establish specific mechanisms that will advance a global value chain (GVC) approach, targeting how U.S. imports and key raw materials support substantial value and job creation across downstream domestic manufacturing and customers. The GVC approach means incorporating greater understanding of the value creation from access to materials and investments in key policy issues such as trade facilitation and regulatory cooperation – including the promotion of innovative and sustainable technologies and products.

    a. The interagency should develop action plans for certain countries encompassing workshops and engagement with private sector stakeholders. Promoting regulatory cooperation and international standards will support market creation and investment in Africa. Though the PAC-DBIA has flagged this recommendation before, action on this is especially critical now, as many governments are developing more sector protectionism-type programs that are increasing the challenge of ensuring a comprehensive approach in this space. The Council members volunteer to engage with current USG efforts in reaching out to key African countries to promote a comprehensive GVC policy approach and commit to integrating efforts with local business (through trade associations, bilateral dialogues, and through sector engagement) to convene workshops and other consultative opportunities that advance commercially meaningful GVC policy.

b. Given governments' increasing drive for protectionism and localization of domestic production, Commerce (in partnership with USTR, U.S. Embassy colleagues, and other U.S. agencies) should increase coordinated and direct engagement with African governments to prevent local content restrictions that will reduce U.S. market access, diminish the opportunities for African countries to move up the global value chain, and reduce access to critical materials/inputs for innovation.

SMALL & MEDIUM-SIZED ENTERPRISES (SMEs) / WOMEN ENTREPRENEURS (click for background)

23. Establish consultation mechanisms through USAID, State, SBA, and USADF for small businesses and women-led firms to weigh in on policy reforms to ensure their specific interests and concerns are taken into account. For instance, AWEP should use its platform and network to develop programing that empowers SMEs to contribute to the policy making process. As an example, if roadside vendors were active participants in policy reforms, African political and economic life could more clearly reflect global standards while engendering greater equity for all men and women. The government should also use the lessons learned and best practices from Power Africa's women-focused initiatives to inform initiatives at USAID and Commerce that expand women entrepreneurs' participation in policy development in industries beyond the energy sector.

24. USADF should expand its training programs focused on value-added products for women entrepreneurs and women-focused industries, such as cosmetics, food, and household goods.

25. Under the Women's Global Development & Prosperity (W-GDP) initiative, the FCS could develop a U.S.-Africa Expo for women to increase access to buyers in the U.S. and Africa, connect women to mentors, and create cooperative partnerships to boost local economies. Additionally, USAID's Women in African Power Network should include women in the U.S. who are seeking to expand their businesses and create opportunities for two-way trade.

26. USAID trainings and capacity-building efforts should include major aspects of international commerce in order to support more participation of women and SMEs in two-way trade and investment between the U.S. and Africa, with a particular focus on e-commerce and digital trade in goods. Adequate education is needed on financing options, payment solutions, shipping and logistics, business planning, marketing, and online retail acumen.

27. The PAC-DBIA should work with the W-GDP and/or Prosper Africa secretariat to identify the appropriate U.S. agency (EXIM or other) to develop data on SMEs and women-owned businesses in Africa and the biggest obstacles in considering doing business with the United States – as well as research on unique reasons why SMEs and women entrepreneurs in the U.S. do not consider doing business in Africa.

BACKGROUND INFORMATION on LINES OF EFFORT RECOMMENDATIONS

TECHNOLOGY & DIGITAL ECONOMY

Line of Effort 1, Recommendation #3
Line of Effort 2, Recommendation #12-13
Line of Effort 3, Recommendation #18-20

As the Prosper Africa Strategy is developed, we urge greater emphasis and priority in facilitating two-way trade and investment in the areas of technology, ICT, and services, including financial services. Governments across the continent of Africa are positioning for digital transformation that promises to further progress on foundational policy priorities such as economic diversification, financial inclusion, job creation, improved healthcare, access to education, and poverty alleviation. African governments are actively preparing digital economy strategies at both the national and continental levels, and implementing the policies, rules, and regulations that will shape the digital ecosystem well into the future. These existing areas of focus are heightened in the "new normal," as countries with robust digital infrastructures could more ably transition work, healthcare, education, and commerce online amid COVID and therefore be more resilient and better positioned for recovery. The USG should seize this timely opportunity to support African counterparts with digital transformation, paving the way for stronger U.S.-Africa commercial partnership. Other governments are already doing the same for their digital sectors. Technology and traditional U.S. firms alike offer solutions, products, and capabilities to meet the most demanding development objectives and drive long-term, sustainable and inclusive growth in Africa. Cross-border access to technology solutions enables companies of all sizes to improve their products and services, grow customer and market reach, and expand job creation and local investment capacity.

However, PAC-DBIA companies – representing a range of sectors and decades of experience on the continent – have observed a troubling trend toward digital protectionism in Africa, manifesting in several forms, such as requirements to onshore data and infrastructure, data flow restrictions, and unreasonable taxes on foreign suppliers. In fact, the U.S. International Trade Commission recently reported that total African imports of U.S. digital trade related sectors declined 6% from 2012 to 2018 while exports experienced a 13.8% drop during the same period. Digital protectionism not only clips commercial opportunities for U.S. firms, but also holds back African governments, SMEs, and consumers from accessing global technologies, participating in e-commerce and digital trade, and claiming the socio-economic benefits of digitalization.

The USG should take a proactive, coordinated, and prominent role in support of Africa's digital transformation, including through dialogue and collaboration with African policymakers that encourage enabling, competitive ecosystems that will spur innovation and partnership between U.S. and African firms. We recommend these efforts align on four areas of focus: digital trade, data policy and localization, enabling infrastructure, and digital tax – which are summarized below. We urge implementation of PAC-DBIA's previous recommendations on Technology & Digital Economy as well as consideration of new Africa-focused initiatives that promote the importance of data flows and digital trade for economic growth and development. For reference, the U.S.-Singapore Joint Statement on Financial Services and Data Connectivity articulates the mutual gain for both economies when data is able to securely move across borders, in respect of financial inclusion, cybersecurity, innovation, and economic growth. The USG should prioritize building support among African leaders for this approach, taking into account the unique opportunities for data and digital trade to drive inclusive, sustained economic growth across the continent.

Digital Trade

The USG should prioritize policy interventions on the continent that eliminate barriers and promote innovation in digital trade. More specifically, the U.S.-Mexico-Canada Agreement (USMCA) and the U.S.-Japan Digital Agreement serve as a guide for reducing burdens in electronic transactions, promoting the use of e-signatures, and other innovations that will enable two-way trade. Furthermore, championing international standards for protecting privacy, preventing forced sharing of algorithms and source code, and following a risk-based approach to cybersecurity are all part of the necessary infrastructure for this arena. USMCA includes high-standard rules that prohibit data localization and storage requirements, including for financial services data, reflecting that *how* data is stored is more important than *where* it is stored. USMCA's Digital Trade chapter and companion USMCA financial services chapter digital provisions should serve as the baseline for the U.S.-Kenya FTA. All of these commitments will buttress the already-burgeoning digital sector in parts of Africa while reinforcing the strong foundation for successful U.S.-African digital partnerships going forward.

In a time of growth in tech tools and participation in the digital economy in African countries, American firms need the USG to focus consistently on digital issues and help the U.S. participate in the enormous opportunities presented by digital trade throughout Africa. Particularly in light of COVID-19, continental cooperation is growing on a variety of trade and investment issues providing greater impetus and need for strong U.S. engagement, including from the Departments of State and Treasury as well as USTR.

<u>Data Policy and Localization</u>

The economic value of data stems from how it is used, not where it is located. A report by the McKinsey Global Institute shows that approximately 86% of tech-based start-ups reported some type of cross-border activity. Government policy should be in place to guarantee an appropriate balance between considerations of national security, personal data privacy, and consumer protection.

African economies will thrive on duly regulated cross-border data and trade flows under an appropriate regulatory framework. This is a matter of importance for not only the technology sector, but all sectors that rely on data flows. Restrictions, such as mandatory data storage, stifle the ability of companies to expand, increase cybersecurity and operational risks, and inhibit supervisory access to information. There are meanwhile concerns that certain regulatory and licensing requirements in African nations impede fair competition between foreign providers and domestic firms, often under the guise of requirements to have data accessible and on-shore.

The 'new normal' imposed by COVID will further accelerate African countries' need for sound data policies and for ongoing public-private dialogue to identify best practices. The span of opportunities is infinite, ranging from public health-focused predictive analytics and digital contact tracing, to digital payment and contactless commerce solutions, new business models, and much more. Data will help design and implement preventive measures, protect lives, reduce economic damage, and accelerate economic recovery. Members of the PAC-DBIA welcome the opportunity to share with African governments best practices in the areas of cross-border data flows, digital contact tracing, preventive health measures, digital identity, and others.

<u>Enabling Infrastructure</u>

The ability of broadband to radically change the socio-economic prospects for Africa and contribute to higher growth and shared prosperity is well documented. The United Nations and World Bank have identified broadband as critical in empowering people, alleviating poverty through job creation, creating conducive environments for business and technological innovation, and achieving sustainable development. Telecommunications infrastructure is a stepping-stone in leveraging the numerous benefits of connectivity and the digital revolution. However, policy and regulatory challenges hinder efforts to connect Africa's 900 million unconnected, representing 75% of the continent's population.

Chief to these challenges is the lack of basic infrastructure, particularly reliable electricity grids and the absence of sufficient protections for infrastructure sites. The AfDB has estimated that poor infrastructure shaves up to 2% off Africa's average per capita growth rates. In addition, lack of harmony of rules across the region and within countries significantly increases the cost of infrastructure rollout and decrease the pace of new site deployment. Finally, unwarranted overregulation, including an increased appetite for taxation, local listing requirements, caps on foreign ownership, and attempts to regulate B2B transactions reduce investment incentives and network expansion efforts to the detriment of the end user and governments' digital transformation plans.

To overcome these challenges, the USG should encourage African governments to implement policy and regulatory measures that protect and facilitate the deployment of telecommunications infrastructure, such as recognizing telecommunications infrastructure as critical national infrastructure, harmonizing rules across different levels of government (federal and local), unifying tax regimes, and streamlining planning and permitting authorizations.

Digital Tax

Another area of focus is increasing prevalence of Digital Services Tax (DSTs) and indirect taxes on digitally provided goods and services. As the Organization for Economic Cooperation & Development (OECD) organizes 137 countries to develop a multilateral, consensus framework for taxing the digital economy, several African countries are moving ahead to impose unilateral taxes on non-resident firms that supply digital goods and services. At the same time, there are new and expanded value added taxes being implemented or under consideration in a number of markets in Africa that could have the unintended, negative consequence of reducing digitalization. In the COVID-19 environment, there is additional temptation to take unilateral action as governments look to foreign sources of revenue to replenish their treasuries and fund stimulus activities to weather the economic downturn. The PAC-DBIA members acknowledge USTR's Section 301 investigation in the taxing activities of nearly a dozen non-African countries, and there are similarly concerning measures underway on the continent.

PUBLIC PROCUREMENT

Line of Effort 1, Recommendation #4:
Most USG agencies establish practices and policies that utilize life-cycle cost analysis and best-value determinations to understand the total cost of ownership of public sector investments. The initiatives aim to obtain the greatest value for money and level the playing field for U.S. firms in international tenders.

USG development agencies must integrate disciplines such as best value and life-cycle cost into their own procurement for countries in Africa, either directly or through their investments.

In keeping with the "whole of government" approach to Prosper Africa, the effort to incorporate best practices shouldn't be focused only on emerging economies but also on USG programs that provide development assistance to African countries. Otherwise, U.S. companies may be at a competitive disadvantage for business in Africa underwritten by USG funding.

Line of Effort 2, Recommendation #14:
Deal Teams are working groups of interagency officers and staff at overseas posts focused on helping U.S. companies do business in their markets. They normally include State and Commerce officers and locally employed staff. Deal Teams typically also include representatives of other agencies resident at post with an economic or development mandate. These agencies usually include USAID, DFC, EXIM, USTDA, and USDA. Other agencies are sometimes also represented.

The purpose of the Deal Team initiative is to support U.S. companies already pursuing deals abroad and to identify new deal prospects for interested U.S. companies. Embassy Deal Teams are an important tool in implementing commercial diplomacy and they already exist in many posts.

The Foreign Service Institute (FSI) trains outbound Foreign Service Officers ahead of their postings. As the USG's premier foreign affairs training provider, FSI has the ability to enhance U.S. commercial diplomacy to meet current challenges and future opportunities.

Background Information on Lines of Effort Recommendations

In FY2019, USAID and the State Department provided $8.3 billion of assistance to 47 countries and 8 regional programs in sub Saharan Africa. These development assistance programs have created strong and longstanding relationships between Embassies and political and programmatic leaders in these countries, particularly with regard to health care delivery.

USAID also has announced a new Private Sector Engagement Policy that seeks to "embrace market-based approaches as a more-sustainable way to support communities in achieving development and humanitarian outcomes at scale" and leverage contributions from private sector partners. These partnership opportunities have a commercial component as U.S. firms engage in longer term projects with local governments that receive U.S. development assistance.

The embassy Deal Teams are in a great position to help identify potential opportunities but only if there is a strong linkage with the USAID mission in country. It is important that USAID mission staff consider participation as part of their broader mandate and identify partnership opportunities with the private sector that can deliver more sustainable development and humanitarian outcomes.

WORKFORCE DEVELOPMENT

Line of Effort 1, Recommendations #5-9:
The lack of skilled human capital and the absence or proficiency of existing vocational training programs continue to affect the ease of doing business for American companies in Africa.

A significant number of U.S. exports to Africa, such as IT, medical devices, construction, agriculture, mining and power generation equipment and more all require a highly trained workforce to operate and maintain. Lack of such workforce restricts the market and, therefore, the volume of potential exports from the United States. In addition, U.S. companies may require a skilled, local workforce to provide services associated with exports, such as the installation of infrastructure and continued after-sales support (e.g. service of capital equipment). As a result, workforce development is essential to both demonstrating the U.S. commitment to development in Africa, as well as expanding the market to advance U.S. exports and investments on the continent.

TRADE FACILITATION & PHYSICAL CONNECTIVITY

Line of Effort 3, Recommendation #21: This recommendation refers to the new project that CBP and the Department of State's Bureau of International Narcotics and Law Enforcement Affairs is starting, in which they are building an enhanced IT-based transit cargo tracking and monitoring system for Ghana. The intention is for this system to expand to the ECOWAS REC, which would ultimately be linked to similar systems across the continent. This project is aimed at modernizing and expanding ECOWAS trade infrastructure by establishing secure and efficient tools for transiting of cargo along the trade corridors. While the parties have funding for the phase one, and possibly two, the third phase would require private sector participation. We recommend that the USG support the project to its full implementation, into Phase 3 and beyond, given:

1) its value in addressing matters relating to the national security interest of both Ghana and the U.S.;
2) its direct effect on increasing trade facilitation and efficiency between Ghana and its neighbors, and ultimately in ECOWAS, thereby contributing in broadening and scaling-up the market zone of U.S. goods and services in the region;
3) how it will reduce opportunities for corrupt practices associated with the current governance of transit cargo by modernizing the process and increasing transparency; and
4) how it will counter the likely scenario of a competitor market building such a system to increase its influence, access, and control of the trade supply chain in West Africa.

Background Information on Lines of Effort Recommendations

Line of Effort 3, Recommendation #22: The UN Economic Commission for Africa found that Africa's manufacturing output has been falling in the last decade, a phenomenon known as de-industrialization. As global supply chains diversify in the wake of the pandemic – and given significant availability of critical raw materials/manufacturing inputs – Africa is uniquely positioned to encourage investment, manufacturing job creation, and increased productivity. To establish greater engagement in global value chains, African countries need to focus on building an enabling environment for manufacturing.

SMALL & MEDIUM-SIZED ENTERPRISES (SMEs) / WOMEN ENTREPRENEURS

Supporting small and medium-sized enterprises – particularly those that are women-led and women-owned – will enable inclusive and sustained economic growth in sub-Saharan Africa. Focused interventions to economically empower women, women-owned businesses, and SMEs is crucial to U.S.-Africa business relationships. According to Power Africa, women make up 80% of Africa's informal economy while participating in the formal economy at a rate of only 30%.[ii] Key components of Prosper Africa's roadmap to support and enable SMEs and women entrepreneurs should include: low-risk lending and grant access, supporting women-led industries, providing mentorship and support, and increasing education and training with an emphasis on women. SMEs and women business-owners face unique challenges in accessing financing, the internet, and customers. The USG can facilitate legal and educational initiatives to help small businesses develop the necessary skills to establish an online presence, sell across borders, receive financing, and hone business skills. State, USDA, SBA, USAID, and USADF are just some of the agencies supporting these components of Prosper Africa.

Notable USG activities that cater to women and SMEs include the interagency Women's Global Development & Prosperity (W-GDP) initiative, the State Department's African Women's Entrepreneurship Program (AWEP) and Academy for Women Entrepreneurs (AWE), and the Women in Rwandan Energy Program under Power Africa. Other industry-specific initiatives include USAID's Global Shea Alliance and the West Africa Trade & Investment Hub, which addresses the realties impacting women-led business sectors – including agriculture, apparel, manufacturing, and export and import sectors.[iii]

Broadly, the Council recommends that the USG expand its support to female-led businesses and industries, as investment in women entrepreneurs contributes directly to the goals of Prosper Africa. Through increasing the presence of African women in global markets, the USG can help promote greater prosperity for women and communities worldwide.

Line of Effort 2, Recommendations #16:
The W-GDP's current goal is to impact 50 million women worldwide. According to the W-GDP, African businesses with the highest number of women on leadership boards are 20% more prosperous.[iv] One of the five foundational areas of the W-GDP's Pillar 3 (women enabled in the economy) focuses on "ensuring women's equal access to credit and capital to start and grow their businesses, and prohibiting discrimination in access to credit on the basis of sex or marital status."[v] Access to capital is arguably one of the most important requirements for entrepreneurs to launch a business, which is why the Council places heavy emphasis on ensuring the USG is helping to meet this need.

Line of Effort 3, Recommendations #23-27:
According to the Brookings Institute, empowering women toward political involvement could be "particularly fruitful,"[vi] and a focus on gender equality in the economy could engender a GDP gain of up to 50% in some parts of the continent.[vii] However, we know from many studies such as the World Bank's *Women, Business and the Law* report that the legal environment plays a critical role in women's ability to engage in commerce and contribute to African markets' prosperity and stability[viii]. This is particularly important as we move towards COVID-19 recovery.

Background Information on Lines of Effort Recommendations

Ensuring that women-owned and small businesses can engage in cross-border commerce will only increase the pool of potential traders and investors. As the USG implements Prosper Africa and, in its engagements broadly with African counterparts, these often-overlooked yet vital segments of the economy must be supported. In line with the W-GDP initiative's Pillars 1 (women prospering in the workforce) and 2 (women succeeding as entrepreneurs), the Council recommends the interagency create new and expand existing capacity-building initiatives for women and small business-owners to engage in this arena.

Accessing data on SMEs and women business-owners/entrepreneurs in the U.S. that engage with African markets – and vice-versa – presents challenges. We see an opportunity to develop a database in order to better understand available projects and resources. For instance, disaggregated data on Africa's informal economy could further clarify the need for targeted support from the USG and the private sector. Current data is highly generalized and statistics on how, where, and in what sectors women are driving much of Africa's economy would be useful for corporations seeking to expand into communities through connection with SMEs and women.

---

[i] It is estimated that full implementation of the Agreement on Trade Facilitation could reduce trade costs globally by between 9.6 and 23.1 per cent, with the highest average reduction in trade costs in countries in Africa and LDCs, in excess of 16 per cent (WTO, 2015). (Page 51 https://www.wita.org/wp-content/uploads/2019/07/Economic-Development-in-Africa-ATP.pdf)

[ii] Power Africa. "When women lead — It's good for business." *Power Africa* (blog). October 19, 2019. https://medium.com/power-africa/when-women-lead-its-good-for-business-7c4219f85b6b

[iii] West African Trade and Investment Hub. *The West Africa Trade and Investment Hub: Supporting sourcing, agricultural and non-agricultural exports and agricultural supply chains affected by COVID-19 in West Africa.* Washington, DC: West African Trade and Investment Hub, 2020. https://westafricatradehub.com/wp-content/uploads/2020/05/RFA-The-West-Africa-Trade-and-Investment-Hub-Rapid-Response-to-COVID-19.pdf

[iv] Women's Global Development and Prosperity Initiative. *Women's Global Development and Prosperity Initiative.* Washington, D.C.: The White House, 2020. https://www.whitehouse.gov/wgdp/

[v] Women's Global Development and Prosperity Initiative. *Women's Global Development and Prosperity Initiative Annual Report 2019-2020.* Washington, D.C.: The White House, 2020. *https://www.whitehouse.gov/wp-content/uploads/2020/02/WGDP-2019-Annual-Report-02102020.pdf*

[vi] Mbaku, John Mukum. "Good and inclusive governance is imperative for Africa's future." *Foresight Africa 2020*, Brookings Institute, January 8, 2020. https://www.brookings.edu/research/good-and-inclusive-governance-is-imperative-for-africas-future/

[vii] Woldimichael, Andinet. "Closing the gender gap in African labor markets is good economics." *Foresight Africa 2020*, Brookings Institute, January 23, 2020. https://www.brookings.edu/blog/africa-in-focus/2020/01/23/closing-the-gender-gap-in-african-labor-markets-is-good-economics/

[viii] World Bank. 2020. Women, Business and the Law 2020. Women, Business and the Law. Washington, DC: World Bank. doi:10.1596/978-1-4648-1532-4. License: Creative Commons Attribution CC BY 3.0 IGO