U.S. Economic Engagement in Africa
Making Prosper Africa a Reality

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A Report of the CSIS Project on Prosperity and Development
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Executive Summary

- African markets represent some of the greatest opportunities for private sector growth in the developing world. This region accounts for high rates of economic growth with an expanding middle class and consumer base, offering significant business opportunities.

- Despite evidence of the significant economic opportunities present in the region, Africa has been mischaracterized by the American media as a continent of despair, and U.S. engagement with Africa has, for the most part, been a foreign assistance relationship. For the last few decades, U.S. development assistance programs in Africa have continued to emphasize health and food security programs.

- The United States has lost significant ground to geopolitical competitors in the region. While other countries have ramped up their economic engagement with Africa via trade, investments, and private sector financing, the United States has remained, for the most part, disengaged. Though decades-long U.S. government initiatives in Africa are indicative of longstanding relations, the reality is that these initiatives have not been enough for the United States to compete in the changed development landscape.

- In a welcome turn of events, the Trump administration announced the Prosper Africa initiative in December 2018, to open markets for American businesses, grow Africa’s middle class, promote youth employment opportunities, improve the business climate, increase two-way trade between Africa and the United States, and enable the United States to compete with China and other nations who have business interests in Africa.

- Through the Prosper Africa initiative, the United States is trying to reset its economic, political, and development agenda in Africa and present a compelling alternative to rivals like China and Russia. Prosper Africa offers a renewed avenue for U.S. economic engagement with Africa. The administration has to focus on key areas of engagement, define clear goals, and implement a number of actions in the coming months. This initiative will require additional financial backing from the U.S. government. Otherwise, this initiative risks being a statement of good intentions with no teeth or additive resources.
For the initiative to be successful and enduring, we offer two areas of recommendations: (a) clarity in process and (b) a strong thematic focus.

- Clear Process: The United States government should consider (i) crafting a Prosper Africa Communications Strategy, (ii) setting ambitious goals in terms of trade and investment with the continent, and (iii) enhancing the vibrancy of U.S. local business communities who wish to do business in Africa.

- Focused Approach: The United States government should focus on (i) entrepreneurship and investment opportunities by developing a U.S.-led Entrepreneurial and Commercial Service Corps, (ii) expanding U.S. infrastructure and telecommunications investments in Africa, and (iii) fostering two-way trade by negotiating a U.S. regional trade agreement with Africa.
Introduction

African markets represent some of the greatest opportunities for private sector growth in the developing world. This region accounts for high rates of economic growth with an expanding middle class and consumer base, offering significant business opportunities. With more stable governments and increased urbanization and population growth, many African countries are transitioning towards middle-income societies.

The African political, economic, and demographic landscape has changed significantly since the 1990s. According to Freedom House, there has been “overall if uneven progress toward democratization during the 1990s and the early 2000s.” In 2018 approximately 61 percent of Sub-Saharan African countries were “free” or “partly free,” a significant improvement from 40 percent in 1990. Technology has facilitated this democratization process by providing Africans with access to the internet and mobile phones, which has allowed the sharing of information and more connectivity to the rest of the world. Internet usage among Africans underwent a tenfold increase from 2 percent in 2005 to 20 percent in 2016. The Pew Research Center conducted a study in South Africa, Ghana, Senegal, Nigeria, Kenya, Tanzania, and Uganda that revealed that two-thirds or more of the adult population in those countries owned cellphones in 2015. In terms of demographic trends, Africa’s population is expected to double by 2050, and the middle class is expected to grow from the current 350 million people to 1.1 billion by 2060.

more economic opportunities for infrastructure investments and business relationships on the continent.

Despite evidence of the significant economic opportunities present in the region, for too long Africa has been mischaracterized by the American media as a continent of despair. For example, less than 20 percent of the nearly 27,000 articles in the *New York Times* from 2018 mentioned Africa, and those that did were most often crossword puzzle clues, references towards an African-American person, or overwhelmingly negative stories about corruption, natural disasters, and disease. Moreover, the U.S. engagement with Africa has, for the most part, been a foreign assistance relationship, with the United States providing on average $9 billion a year in foreign aid to the continent for the last 10 years. While other countries have ramped up their economic engagement with Africa via trade, investments, and private sector financing, the United States has remained largely disengaged. Though decades-long U.S. government initiatives in Africa are indicative of longstanding relations, the reality is that these initiatives have not been enough for the United States to compete in the changed development landscape (See Box 1). In fact, the United States has lost significant ground to geopolitical competitors in the region.

In 2016, U.S. exports to Africa reached a 10-year low, with Sub-Saharan Africa now comprising only 0.9 percent of total U.S. exports.

However, in a welcome turn of events, on December 13, 2018, the Trump administration launched the Prosper Africa initiative, which seeks to open markets for American businesses, grow Africa’s middle class, promote youth employment opportunities, improve the business climate, and enable the United States to compete with China and other nations who have business interests in Africa. The next three months are critical to establish a series of goals and associated actions to be implemented in order to ensure sufficient impact and the resiliency of this initiative. This short report discusses some of the challenges and opportunities for U.S. engagement with the continent and presents a series of recommendations for the policymakers driving the Prosper Africa initiative forward.

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8. Based on a simple search of NYT website (01/01/2018-12/31/18). See https://www.nytimes.com/search?end-Date=20181231&query=Africa&sort=newest&startDate=20180101.
1 | A Changed African Context

While population growth has plateaued in most regions of the world, Africa is expanding rapidly. If current trends continue, the United Nations (UN) predicts that Africa will double its population size by 2050 to 2.5 billion people, comprising over 25 percent of the world’s population (Table 1).\(^{13}\) Such sizeable population growth is most apparent in a select few African countries, namely Nigeria, the Democratic Republic of Congo, Ethiopia, Tanzania, and Uganda.\(^{14}\) In the next 30 years, African residents in urban areas will outnumber those in rural communities, which will lead to a greater concentration of purchasing power for services in cities.\(^{15}\)

**Table 1: World Population Projections, 2017-2050 (Millions)**

<table>
<thead>
<tr>
<th>REGION</th>
<th>2017</th>
<th>2030</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>7,550</td>
<td>8,551</td>
<td>9,772</td>
</tr>
<tr>
<td>Africa</td>
<td>1,256</td>
<td>1,704</td>
<td>2,528</td>
</tr>
<tr>
<td>Asia</td>
<td>4,504</td>
<td>4,947</td>
<td>5,257</td>
</tr>
<tr>
<td>Europe</td>
<td>742</td>
<td>739</td>
<td>716</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>646</td>
<td>718</td>
<td>780</td>
</tr>
<tr>
<td>Northern America</td>
<td>361</td>
<td>395</td>
<td>435</td>
</tr>
<tr>
<td>Oceania</td>
<td>41</td>
<td>48</td>
<td>57</td>
</tr>
</tbody>
</table>


Through improved nutrition, enhanced medical care, and greater economic affluence, much of Africa is undergoing a “youth bulge” as fertility rates remain high while infant mortality rates plummet. Such high fertility rates may cause up to 80 births per minute in Africa by 2050.\(^{16}\) If this young population manages to progress to the middle class, an untapped

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consumer market will be ripe for U.S. investors, so it is critical that the United States be proactive, rather than reactive, in its involvement on the continent. These demographic indicators can be viewed as an economic opportunity provided that there are adequate education and employment options, particularly for younger generations. Youth unemployment and youth idleness can increase the likelihood of political and social instability. In Nigeria, 2 million jobs must be created annually until 2025, and in Ethiopia, 3.2 million youth will be entering the labor force every year by 2050. The private sector will need to expand to create meaningful job opportunities for youth. Through trade, investments, and capacity building, the United States can help African countries develop their private sectors and create more jobs for a growing youth population.

It is critical that the United States be proactive, rather than reactive, in its involvement on the continent.

Since the turn of the century, Africa has steadily attracted more trade and more foreign investment from international partners (See Figures 1 and 2). Increased remittances and growing domestic resource mobilization (taxes, savings, and capital market activity) have prompted more African nations such as Kenya, Nigeria, Ghana, Botswana, and others to seek international economic engagement in the form of infrastructure investments, increased trade, and exchanges in science, technology, and innovation. Africa’s middle class is projected to have an annual household consumption of $2 trillion within the next six years.

Many countries have recognized the economic potential of the region and are building strong economic partnerships with African nations. Governments of Europe and Asia are using a combination of diplomatic, financial, and development tools to meet the needs of African countries and win opportunities for their own private sectors.\(^{21}\) Through whole-of-government approaches and strong commitments from heads of state and embassy officials,

many industrialized nations have established comprehensive national strategies with their private sectors to increase exports and entice investments. For example, in 2017, Germany launched the “Marshall Plan with Africa,” a partnership that brings together economic, financial, trade, security, legal, environmental, and health policy. Ethiopia’s and Denmark’s longstanding commitments to decouple carbon emissions from economic growth led to a joint cooperative program, Accelerating Wind Power Generation in Ethiopia, in 2016.

China has been Africa’s largest trading partner since it surpassed the United States in 2009. Chinese two-way trade with Africa is approximately three times that of the United States, valued at $148 billion in 2017 versus $55 billion. In the same year, Chinese foreign direct investment (FDI) flows ($4.1 billion) dwarfed those of the United States ($332 million). Commodity-based trade with Africa has long been significant, but China’s 2015 plans for cooperation with Africa indicate that the trade relationship will shift towards industrialization, agricultural modernization, green development, financial services infrastructure, and trade and investment facilitation. The vice president of the China Centre for International Economic Exchanges, Wei Jianguo, stated last year that “in the next five to ten years, China’s processing trade with Africa will not remain in traditional fields like textiles, but shift to hi-tech sectors.” Jianguo further indicated that the number of Chinese private enterprises investing in Africa is set to increase. From 2013-2017, China provided $87 billion in loans to Africa, for an average of over $17 billion per year. Moreover, China announced the establishment of its first overseas military base there in April 2016 in exchange for poor-quality infrastructure. However, despite these commitments, the Chinese economic approach may cause stress for African nations in terms of debt sustainability and precarious social, environmental, and governance standards.

Countries are showing a greater desire and willingness to compete for projects in Africa by leveraging the relationships they have cultivated on the continent. If the U.S. government and private sector stay complacent, more economic, military, and diplomatic influence in Africa will fall into the hands of U.S. competitors.

From 2013-2017, China provided $87 billion in loans to Africa, for an average of over $17 billion per year.

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22. Ibid.
The United States is particularly primed for increased engagement with Africa for several reasons. First, the United States has supported Africa’s peace and stabilization efforts through its military presence. Although the United States has only one official permanent military base on the continent, the U.S. military has approximately 6,000 troops in Africa, with nearly 100 missions taking place in 20 African nations. Ambassador Bolton maintains that these U.S. assets will empower security cooperatives such as the G5 Sahel Joint Force, which utilizes troops from Mauritania, Niger, Chad, Burkina Faso, and Mali to thwart violent extremism and human trafficking. Since 2008, the U.S. military’s Africa Command (AFRICOM) has been operating in Africa, seeking to “strengthen our security cooperation with Africa and create new opportunities to bolster the capabilities of our partners in Africa” so that “our common goals of development, health, education, democracy, and economic growth” can be achieved. During the 2014-2015 Ebola crisis, AFRICOM sent 3,000 troops to help the Liberians combat the spread of the disease. U.S. security sector spending in Africa has doubled since 2007; however, the Department of Defense has announced a 10 percent cut in U.S. troops in Africa over the next several years, which may prompt these African nations to receive even more of their military equipment and training from China and Russia. American soldiers have made significant sacrifices in places such as Sierra Leone and Liberia to stabilize local governments and

enable private sector growth; it is up to the U.S. government to ensure their service was not in vain by maintaining strong diplomatic and economic relations in these countries.

Second, the United States has a strong presence in terms of development programs and foreign aid spending (Box 1). The United States easily ranks first among the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) countries in terms of gross bilateral official development assistance (ODA) to Sub-Saharan Africa. Of the top ten recipients of U.S. ODA, seven are located in Africa, namely Ethiopia, Kenya, South Sudan, Syria, Nigeria, Uganda, and Tanzania.

Third, the African diaspora in the United States is an asset that needs to be catalyzed to harness its full potential. The number of African immigrants to the United States has nearly doubled each decade since 1970, and Africans now make up 4.8 percent of the U.S. immigrant population. From 1999-2015, the number of African students on U.S. campuses grew by nearly 75 percent. During the 2017-2018 academic year, the United States hosted nearly 40,000 university students from Sub-Saharan Africa, including over 21,600 undergraduates. Some countries like Ghana, South Africa, and Tanzania have even seen an influx of U.S. students on their college campuses since the mid-2000s. Some diaspora initiatives like the African Diaspora Network aim to foster partnerships, share knowledge, and advance investment opportunities by collaborating with other organizations in the United States and Africa, such as the African Business Angel Network. U.S. cultural and academic influence amongst Africans needs to be leveraged beyond our borders and into the global marketplace through closer associations between Africans living in the United States and their countries of origin.

Finally, U.S. tourist activity to Africa could potentially expand over the next decade, building better information on the continent and providing business opportunities for both African and American firms. Estimates from the World Tourism Organization suggest that Africa will have seen a 5 to 7 percent increase in international tourist arrivals from 2017 to 2018 when the figures are released. Over 1.2 billion people traveled internationally in 2016, yet only 58 million visited Africa, indicating that there is prodigious potential for growth. Much of this growth could come from the United States.
as only 1 million U.S. residents visited Africa in 2017. If current tourism trends continue, Africa could see as many as 85 million visitors by 2020 and 134 million by 2030. U.S. and European hotel companies such as Hilton, Marriott, Sheraton, Radisson Blu, and Swissôtel have taken note of this trend by constructing dozens of new hotels in Africa. However, the Trump administration recently proposed a set of visa restrictions on African nations such as Nigeria, Eritrea, Sierra Leone, and others; if U.S. relationships with these countries become strained as a result of this measure, the efforts of Prosper Africa may be undermined or even unattainable.

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**BOX 1: OVERVIEW OF THE MAIN U.S. INITIATIVES IN AFRICA SINCE THE 2000s**

The African Growth and Opportunity Act (AGOA), a non-reciprocal preference program that rewards about 40 countries with a significant degree of duty-free access to U.S. markets, was enacted on May 18, 2000. AGOA was scheduled to end in 2008, but the U.S. government has renewed the program twice until 2025, a significant period of time for one-way market preferences. The legislation’s main goal is to enhance select Sub-Saharan African countries’ access to U.S. markets. To be eligible for AGOA, African countries must meet a number of requirements, including having established or taking steps to establish a market-based economy, an implementation of the rule of law, elimination of barriers to U.S. trade and investment, economic policies to reduce poverty, a system to combat corruption and bribery, and protection of internationally-recognized worker rights. AGOA expands the benefits of duty-free treatment previously available only under each country’s Generalised System of Preferences (GSP) program. Some of the products added through AGOA include items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals, and steel, as AGOA preferences apply to approximately 6,500 tariff lines. As a result of AGOA, total two-way goods trade between the United States and Sub-Saharan Africa increased from $29.4 billion in 2000 to $39 billion in 2017 (mostly in petroleum products).

President George W. Bush’s Emergency Plan for AIDS Relief (PEPFAR), initially designed in 2003 to deliver lifesaving services in the countries hardest hit by HIV/AIDS, has been reauthorized twice since its creation.

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46. Signe, “Africa’s tourism potential: Trends, drivers, opportunities, and strategies.”
47. Ibid.
PEPFAR supported HIV testing services for nearly 95 million people in Fiscal Year 2018 and assisted in training more than 270,000 new healthcare workers to deliver HIV treatment and other health services. The same year, it delivered antiretroviral treatments to over 14.6 million people, including more than 700,000 children.\textsuperscript{52} PEPFAR has used public-private partnerships (PPPs) with foundations, U.S. and non-U.S. businesses, and others to help programs achieve long-term sustainability.\textsuperscript{53} An example of such a PPP is the U.S. government’s partnership with the Kenya Medical Research Institute and four Kenyan sugar companies who provide healthcare services for approximately 16,000 workers, their families, and community residents, totaling approximately 60,000 people.\textsuperscript{54}

**Trade and Investment Hubs, Trade Capacity Building:** There have been several generations of USAID Trade and Investment Hubs in Africa since the early 2000s: one located in the East (Nairobi, Kenya), one in the South (Pretoria, South Africa), and one in the West (currently in Accra, Ghana, but moving soon to Abuja, Nigeria). Trade and Investment Hubs work to reduce the cost and risk of doing business in Africa and to make investments and trade freer and fairer. The hubs seek to create a stable, business-friendly Africa that will provide economic opportunities for U.S. companies and workers and reduce irregular migration and violent extremism. To accomplish this, the hubs promote two-way trade through AGOA, provide targeted investment facilitation, support adherence to intra-regional and international trade agreements and standards, and remove barriers to regional trade in staple foods. Trade hub investments are meant to drive commercial expansion within the region and to global markets by increasing trade capacity building.\textsuperscript{55} The hubs have created investment opportunities in Africa worth $600 million and have leveraged nine times as much money through private investment for each dollar of public funds invested.\textsuperscript{56}

In January 2004, Congress established the **Millennium Challenge Corporation (MCC)**, a bilateral foreign aid agency with a different approach than the State Department and U.S. Agency for International Development (USAID). MCC competitively selects partner countries based on 17 indicators that examine a country’s civil liberties, rule of law, control of corruption, trade policy, regulatory quality, girls’ primary education completion rate, and other factors.\textsuperscript{57} Countries selected for an MCC compact are required to identify their own priorities and solutions

\textsuperscript{54} Ibid.
\textsuperscript{56} Ibid.
\textsuperscript{57} “Selection Indicators,” The Millennium Challenge Corporation (MCC), https://www.mcc.gov/who-we-fund/indicators.
because “projects that are driven by partner countries and incorporate local perspectives lead to sustainable know-how and self-sufficiency that continue long after MCC’s investment ends.” To ensure fiscal responsibility, a Millennium Challenge Account is administered for every country compact, with a strict, transparent monitoring of funds that increases government accountability and capacity building. In Africa, MCC has 22 compacts in place and 12 threshold programs; an additional five compacts and two threshold programs have also been proposed on the continent. MCC contractors, having established a beachhead, next need to develop and leverage additional related markets.

**Power Africa:** In 2013, USAID launched the Power Africa initiative with the goal to add more than 30,000 megawatts (MW) of efficient generation capacity and establish 60 million new home and business connections. The initiative brought together governments, experts, and the private sector to increase the number of people with access to power. Since the beginning, Power Africa has facilitated over 100 private sector power transactions that have generated 9,500 megawatts (MW) of new electricity, connecting more than 57 million people in Sub-Saharan Africa to the power grid. The Power Africa initiative focuses on priorities such as transactions management (one power project at a time), ground support, bridging the financing gap (by de-risking investments), supporting policy reforms, and improved governance, while promoting gender equality and female empowerment.

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59. Ibid.
3 | A Vision for Prosper Africa

Although there are untapped economic opportunities in Africa, the U.S. business community has long described a series of constraints when it comes to investing in the continent. First, Africa requires more business-friendly policies, such as clear and transparent laws and regulations pertaining to investments. A sound investment environment includes transparency of its legal framework, protection of property rights, and nondiscrimination. Lengthy and complicated registration procedures, limits on foreign ownership, high transaction costs, corruption, and complex (or nonexistent) capital market rules deter private capital. Companies also seek a solid “business infrastructure” to invest and operate in the continent, such as accounting services and certifying labs. Financial services are paramount to this end. For example, U.S. banks should be incentivized to operate in Africa because many U.S. companies will not invest without them. These U.S. banks can act as a “transmission point” between U.S. and African SMEs, particularly enterprises owned by women. The United States should also continue its efforts to build domestic capital markets and strengthen the financial sector of African economies.

Africa also has huge infrastructure deficits, especially in transport infrastructure—ports, airports, roads, and railways, which are a crucial component of effective supply chain management. New estimates by the African Development Bank (AfDB) suggest that the continent’s infrastructure needs amount to $130–$170 billion a year, with a financing gap in the range of $67.6–$107.5 billion. Moreover, labor productivity in Africa is lackluster. Investments in human capital and workforce development through skilling programs and technical and vocational education and training (TVET) for youth are necessary to create a productive workforce. African governments need to address these issues in partnership with other stakeholders for U.S. companies to be more willing to invest in Africa.

65. Ibid.
The Prosper Africa initiative is one side of this complex investment equation. Through the Prosper Africa initiative, the United States is trying to reset its economic, political, and development agenda in Africa and present a compelling alternative to rivals like China and Russia. However, for the initiative to be successful and enduring, it has to have (a) clarity in process and (b) a strong thematic focus. We present a vision for Prosper Africa by providing a series of recommendations on these two fronts.

**Clarity in Process**

**CRAFT A PROSPER AFRICA COMMUNICATIONS STRATEGY**

The Prosper Africa initiative needs a clear communications strategy that highlights the U.S. approach for supporting competitive and free markets while also setting ambitious, tangible targets to rally U.S. businesses and the U.S. government to work together. It should reinforce Ambassador Bolton’s message that Africa is a growing opportunity and that many of the countries on the continent can become important allies to the United States in the future. Many African nations have savvy entrepreneurs and offer real opportunities for trade and investment.

The United States needs to take a partnership approach in Africa where the United States helps countries meet their development needs and at the same time expands its economic and political sphere of influence. U.S. assistance to support transparent, rules-based, democratic markets is the best solution for both African and U.S. business, economic, political, and security interests to create jobs, growth, and stability. This approach differentiates the U.S. economic model from China’s, which provides cheap money, does not build skilled labor or sustainable solutions, and does not follow world class environmental, social, and governance standards.

**U.S. assistance to support transparent, rules-based, democratic markets is the best solution for both African and U.S. business, economic, political, and security interests.**

The U.S. whole-of-government approach to Africa should be widely disseminated and publicized by U.S. ambassadors, policymakers, and the White House to highlight U.S. values and sustainable market solutions. Embassy teams need to work with the State Department, USAID, Overseas Private Investment Corporation (OPIC), and others to effectively tackle specific challenges in each country and region. Interagency coordination is critical to the success of Prosper Africa; continued siloing on behalf of MCC, USAID, and the State Department will make Prosper Africa yet another initiative with good ideas but poor execution.

**SET AMBITIOUS GOALS IN TERMS OF TRADE AND INVESTMENT WITH THE CONTINENT**

The United States should set some broad numerical goals in different areas of engagement to measure success and track the initiative’s progress. These numerical guideposts can take shape as intermediate *output* goals (two-three years) and more long-term *outcome* goals (beyond five years). Examples of intermediate output goals could include the number of bilateral trade agreements signed, the number of memorandums of understanding...
(MOUs) or bilateral investment treaties (BITs) in place, the number of business deals closed, the number of diplomatic staff trained in commercial matters, and the number of foreign commercial officers deployed, to name a few.

For trade, the U.S. government should do a baseline analysis with the private sector to set a realistic and ambitious target for two-way non-oil trade between the United States and Africa. For investment, the United States should aim for a threshold that motivates U.S. business and government officials to increase private investment through foreign direct investments (FDI), particularly investments in enterprises and infrastructure.

**ENHANCE THE VIBRANCY OF U.S. LOCAL BUSINESS COMMUNITIES WHO WISH TO DO BUSINESS IN AFRICA**

To convince an American that Africa is worth investing in, retailers, processors, raw material suppliers, financial facilitators, and local private equity funds and banks need to be leveraged. More deal closures, buyer-seller linkages, and international certifications between the United States and Africa are needed. To accomplish this, the Department of Commerce, Small Business Administration, USAID, and other agencies also need to extend their reach into the U.S. business community by making use of the U.S. Export Assistance Centers, National Governors Association networks, state-level trade promotion offices, university research parks, and other mechanisms.

**Areas of Focus**

What are the key areas that the Prosper Africa initiative should pursue? There are several promising areas to consider as Prosper Africa’s primary focus: (1) developing a commercial service corps, (2) prioritizing investments in infrastructure and telecommunications, and (3) passing a regional trade agreement.

The U.S. government may want to select five to eight countries in which to pilot this new approach. Ideally, these should be countries where the United States already has a significant presence on the ground through its military, diplomatic enclaves, and development programs. Countries with strong private sectors and long-standing U.S. programs (through USAID, MCC, AFRICOM, PEPFAR, Peace Corps, and Power Africa) are prime candidates for selection.

**FOCUS ON ENTREPRENEURSHIP AND INVESTMENT OPPORTUNITIES BY DEVELOPING A UNITED STATES-LED ENTREPRENEURIAL AND COMMERCIAL SERVICE CORPS**

The United States currently does not have a strong foreign service cadre dedicated to deal-making in Africa. The Department of Commerce’s U.S. Commercial Service only has 11 Foreign Commercial Service Officers (FCSOs) present in Africa, out of 245 in total. The U.S. Foreign Agricultural Service has 13 offices in Africa, out of 93 globally. USAID has regional Trade and Investment Hubs, which work closely with other governments and the private sector to convince partner governments to improve their logistical standards. These trade hubs, in East, South, and West Africa, also

67. Information provided by an email from the U.S. Department of State on August 8, 2018.
promote U.S.-African trade under AGOA, deepen regional economic integration, and have generated investment opportunities worth $600 million.\textsuperscript{70} The State Department has approximately 1,600 foreign economic officers overseas. However, their mission is reporting on economic trends first and promoting U.S. investment second.\textsuperscript{71}

The United States currently does not have a strong foreign service cadre dedicated to deal-making in Africa.

Ideally, the United States would seek to increase the number of commercial and agricultural attachés, as well as realign the foreign service economic cone’s priorities in Africa toward investment. However, this may be unrealistic since it would necessitate a dramatic increase in the budget of the Department of Commerce. A more plausible approach would be to stitch together a new service corps, refocusing some 3,400 Peace Corps Volunteers working in Africa, expanding the U.S. Senior Corps to include posts in Africa, and forming a constellation of honorary consuls with backgrounds in trade and investment.\textsuperscript{72} This team of U.S. volunteers, working alongside U.S. commercial, agricultural, and economic officers, as well as the USAID Trade and Investment Hubs, would become the foundation of an entrepreneurial and commercial service corps in Africa to assess and facilitate new opportunities for investment and trade across the continent. They would serve as an essential link between U.S. private sector investors and local partners in Africa.

Developing the private sector and fostering entrepreneurship in Africa are crucial components to creating meaningful job opportunities for the growing youth population. Through trade, investments, and capacity building, the United States can be instrumental in the development of private sectors in African countries.

BET BIG ON U.S. INFRASTRUCTURE AND TELECOMMUNICATION INVESTMENTS

Many African countries rely on China for not only traditional infrastructure but also for emerging technologies. Huawei and ZTE are already present in over 30 African countries in the form of national fiber-optic communications networks and e-government networks.\textsuperscript{73} In terms of 5G networks, Huawei is working with Africa’s largest mobile company, MTN, as well as Vodacom (based in South Africa) and Safaricom (based in Kenya). Though U.S. companies have made deals that include everything from handsets to infrastructure, the overall U.S. presence has been modest.

The U.S. government could leverage the new U.S. Development Finance Corporation to prioritize investments in Africa’s telecommunications industry. According to a recent report by the Global System for Mobile Communications (GSMA) trade association, the region’s mobile subscriber base was 444 million in 2017 and is poised to increase at a rate

\textsuperscript{70} USAID, “Trade and Investment Hubs.”
\textsuperscript{72} Information provided during a private roundtable with the Peace Corps on March 8, 2019.
that is more than double the global growth rate through 2022.\(^74\) Moreover, the already high price of internet access has gotten even more expensive for Africans over the past year. New data from the Alliance for Affordable Internet (A4AI) shows the average price of a gigabyte (GB) of data (relative to income) has increased over the past year in Africa while dropping or remaining constant in other regions.\(^75\) Both of these factors point to opportunities for more competition. The U.S. government can work with American, European, and Japanese companies, as well as other governments, to offer an alternative to some of the negative implications of Chinese 5G networks such as privacy and cybersecurity risks.

**FOSTER TWO-WAY TRADE BY NEGOTIATING A U.S.-REGIONAL TRADE AGREEMENT**

The U.S. government should prioritize the passage of free trade agreements with some African nations. Business interests tend to view Africa at a regional rather than country level so passing a sub-regional trade agreement might be the way forward. The United States has only negotiated one bilateral investment treaty (with Rwanda) and one bilateral free trade agreement (with Morocco) with Africa since the turn of the century, although Mauritius, Mozambique, Kenya, and Ghana have all held rounds of negotiations.\(^76\) Since 2008, the United States has had a Trade, Investment, and Development Cooperative Agreement (TIDCA) with the Southern African Customs Union (SACU), which includes South Africa, Botswana, Lesotho, Swaziland, and Namibia.\(^77\) The TIDCA is meant to “help put in place the ‘building blocks’ for a future Trade Facilitation Agreement, which remains a longer-term objective for both the United States and SACU,” according to the Office of the U.S. Trade Representative.\(^78\) It would also be commercially important for the USTR to capitalize on the Gambia’s recent ratification of the Continental Free Trade Area (CFTA) agreement, which will unite the continent’s 1.2 billion people with a combined continental gross domestic product of $3.3 trillion in a single market.\(^79\) While AGOA was successful in opening markets, this free trade agreement will emphasize reciprocity and increase two-way trade, rather than just increase African exports to the United States.

In addition, the United States should take several complementary steps to support its new Prosper Africa initiative. The United States should reinvigorate its Export-Import Bank (EXIM) to better compete against Asian and European nations in winning deals. EXIM is the official export credit agency (ECA) of the United States, facilitating the export of U.S. goods and services through direct loans, export credit insurance, and loan guarantees. EXIM is also tasked with underwriting political and commercial

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\(^78\) Ibid.

risks of overseas investments to enrich exportation and trade.\textsuperscript{80} However, since July 2015, EXIM has lacked a board quorum, which means the agency cannot approve any transaction over $10 million.\textsuperscript{81} The absence of a board quorum has prompted foreign competitors to fill the void since the United States is the only G-20 country without a fully functioning ECA.\textsuperscript{82}

In October, the USDFC will become the U.S. government’s primary development finance institution, and EXIM will continue to operate as the U.S. government’s export credit agency.\textsuperscript{83} The USDFC’s mission is to focus on low- and middle-income countries to ensure its efforts have the greatest impact. The USDFC has double the spending power of OPIC and can provide loan guarantees in local currency, invest in equity stakes of businesses, operate under transparent contracts, provide technical assistance/feasibility studies, and work closely with the State Department and USAID to optimize their country approaches. These mechanisms will enable the USDFC to lend in areas where the private capital market traditionally refuses to enter. If the USDFC engages with the correct partners and works with other U.S. government agencies properly, it can be one of the critical pieces of revitalized U.S. engagement with Africa.

Finally, the U.S. government should build capacity in combating corruption and increasing procurement training. Procurement reform can be a powerful tool to liberalize trade in developing countries, given that many do not currently allow outside players to participate in their bids and often follow opaque procurement practices. USTDA’s Global Procurements Initiative (GPI) promotes competition and transparency in international procurement, that is, on international bids for the purchase of goods and services.\textsuperscript{84} GPI teaches trade officials about life-cycle costs, technology transfers, resiliency, and other costs that are often overlooked when viewing potential bids from a lowest-cost perspective.\textsuperscript{85} From 2013 to 2016, 775 procurement officials in emerging markets were trained thanks to this initiative; however, only about 115 of these officials were from African nations.\textsuperscript{86} This is a small program that could be significantly expanded in the Africa region (as it already has in Kenya).\textsuperscript{87}

\begin{itemize}
\item \textsuperscript{80} Elizabeth Thomas, “What is an Export Credit Agency (ECA) & Why Do We Have One?” Export Finance Solutions, June 6, 2017, https://grow.exim.gov/blog/what-is-an-export-credit-agency-eca-why-do-we-have-one.
\item \textsuperscript{84} “Global Procurement Initiative (GPI) – Goals and Objectives,” USTDA, https://www.ustda.gov/gpi-goals-and-objectives.
\item \textsuperscript{85} Ibid.
\end{itemize}
Conclusion

Once a continent in dire need of official development aid, Africa now seeks infrastructure investments, trade, innovation, and private sector growth. Other industrialized nations have recognized this shift and are using commercial, diplomatic, and development tools to create win-win opportunities in this new environment—China is ready to sign the large checks, while other European and Asian nations use commercial diplomacy to ensure their business leaders are able to compete fairly for projects.

Prosper Africa offers a renewed avenue for U.S. economic engagement with Africa. It has reenergized the U.S. business community and has generated many expectations from African leaders. However, the administration has to focus on key areas of engagement, define clear goals, and implement a number of actions in the coming months. For this initiative to succeed, it will probably require additional financial backing from the U.S. government. Furthermore, Prosper Africa will require a significant improvement on current interagency operations. Otherwise, this initiative risks being a statement of good intentions with no teeth or additive resources.
About the Authors

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