The United States and Africa

Policy Recommendations from the American Private Sector for the Obama Administration

THE CORPORATE COUNCIL ON AFRICA
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Acknowledgments

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Abbreviations

ACOTA	African Contingency Operations Training Assistance Program
AFRICOM	United States Africa Command
AGCI	African Global Competitiveness Initiative
AGOA	African Growth and Opportunity Act
AU	African Union
B10	10 Percent Bio-fuel Blend
BIT	Bilateral Investment Treaty
CAADP	Comprehensive Africa Agricultural Development Program
CCA	The Corporate Council on Africa
CDM	Clean Development Mechanisms
CNTPO	Counter-Narco Terrorism Program Office
COMESA	Common Market for Eastern and Southern Africa
CSI	Container Security Initiative
CSR	Corporate Social Responsibility
C-TPAT	Customs-Trade Partnership Against Terrorism
DFI	Development Financial Institution
DT	Double Tax
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EXIM	Export-Import Bank of the United States
FDI	Foreign Direct Investment
FTA	Free Trade Area
FX	Foreign Exchange
GDA	Global Development Alliance (USAID)
GPOI	Global Peace Operations Initiative
ICT	Information and Communication Technology
IFC	International Finance Corporation
IFI	International Finance Institution
IMET	International Military Education and Training
IMF	International Monetary Fund
IPP	Independent Power Producer
ISPS	International Ship and Port Facility Security Code
LDC	Least Developed Countries
LNG	Liquefied Natural Gas
MAP	Multi-Country AIDS Program (World Bank)

Abbreviations

MCC	Millennium Challenge Corporation
MDG	Millennium Development Goal
MFA	Multi-Fiber Arrangement
MIGA	Multilateral Investment Guarantee Agency
NBIA	National Business Incubation Association
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OFAC	Office of Foreign Assets Control
OFDA	Office of Foreign Disaster Assistance
OPIC	Overseas Private Investment Corporation
PCL	Passive Coherent Location
PEPFAR	President's Emergency Plan for AIDS Relief
PMI	The President's Malaria Initiative
PNSR	Project on National Security Reform
PPA	Power Purchasing Agreement
PVO	Private Voluntary Organization
REC	Regional Economic Community
SADC	Southern African Development Community
SBA	Small Business Association
SDA	Special Delegated Authority
SFI	Secure Freight Initiative
SME	Small and Medium Size Enterprise
SOLAS	Safety of Life at Sea Treaty
SSFA	Safe Skies for Africa
SSPA	Safe-Sea-Ports for Africa
TCB	Trade Capacity Building
UNSC	United Nations Security Council
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USG	United States Government
USTDA	United States Trade and Development Agency
VAT	Value Added Tax
WTO	World Trade Organization
1206	Authority for U.S. military to train and equip foreign military and maritime forces
$	U.S. Dollars

Introduction
The United States and Africa
Business Partners in Development

The Corporate Council on Africa (CCA), representing more than 160 U.S.-based companies operating in Africa, and friends of CCA, have drawn on our collective experience to offer analysis and recommendations for the Obama administration on how to strengthen American engagement with Africa in the areas of trade and investment for mutual benefit. We are at an important moment: U.S. policymakers have an opportunity to chart a coherent, integrated policy process for U.S.-Africa relations, building on past successes and focusing on strengthening cooperative working relationships among the public sector, private sector and civil society in Africa and America. By creating an enabling environment for increased investment through appropriate incentives, and by ensuring security and stability in the region, the U.S. can help to catalyze sustainable growth and development in Africa.

CCA and its members are committed to working with the administration and other stakeholders to turn these opportunities into reality. We believe that active engagement with the private sector is essential for governments planning for their national interests. Business brings a market-oriented approach to basic development challenges of infrastructure, health and security. Businesses also provide new enterprises and meaningful employment for the citizens of all nations.

This report was drafted with the active participation of more than half of CCA's members working in sector groups over a three-month period. The authors addressed trade, finance, security, agriculture, electrical power, extractive industries, healthcare, infrastructure, and tourism. As our dialogue developed, several cross-cutting issues emerged that affect all sectors.

We found that the African Growth and Opportunity Act (AGOA) provided a valuable framework for integrating U.S. economic engagement with Africa, but it should be expanded to foster greater trade and investment and thus spur additional economic benefits for both Africa and America. Available and flexible financing backed by coordinated government policies are key to supporting American competitiveness in Africa's emerging markets. Greater U.S. engagement and cooperation with African governments in strengthening security is key to encouraging greater direct investment and to increasing the benefits for Africans from foreign investment. In most sectors public-private partnerships provide an important means to share expertise, mitigate risks and achieve ambitious outcomes in common endeavors.

The working groups have made many specific recommendations for their respective sectors. However, there are several overlapping key points.   These include:

- Strengthen public-private partnerships and increase United States government (USG) technical assistance and capacity building in aid projects.
- Provide financial incentives to encourage investment in Africa that will generate export jobs in the United States.
- Support agribusiness investments to enable Africa to meet its food needs and supply bio-fuels for a green economy.
- Support investment in Africa's electrical power sector to strengthen the base for economic growth.
- Expand USG support for private sector health care in Africa.
- Increase support for American investment in Africa's tourist sector to foster American travel and African job growth.
- Increase senior level advocacy for American trade and investment with Africa.
- Provide risk mitigation measures across all sectors of business investment.

Taken together, CCA's recommendations offer pragmatic prescriptions that can help spark a renaissance in U.S. trade and investment policy toward Africa and facilitate exciting developments across the spectrum of U.S.- Africa business interests. •

Executive Summary

"This is the moment when we must build on the wealth that open markets have created, and share its benefits more equitably. Trade has been a cornerstone of our growth and global development. But we will not be able to sustain this growth if it favors the few, and not the many."

Barack Obama, July 24, 2008, Berlin, Germany

The national security, foreign policy and commercial interests of the United States mandate a much stronger relationship with the nations of Africa. While sometimes seen pessimistically as a continent defined by conflicts, crime, terrorism, poverty and disease, Africa is no longer just a humanitarian and development challenge, but rather a growing and vibrant source of energy, export opportunities and international partnerships. CCA and its member companies are optimistic about the prospects for growth in U.S. – Africa economic relations, despite the challenges that now confront the global economy. Following is a summary of key recommendations for the nine sectors – security, finance, trade, agribusiness, electrical power, extractive industries, healthcare, infrastructure, and tourism.

1. Security

Africa offers significant risks and opportunities for U.S. foreign policy and American business interests. The continent hosts stark economic and social contrasts existing side by side, though not always in peace and harmony. While cultural differences must be understood and many business-related factors assessed prior to making decisions on investments and partnerships, the process can be paralyzed at any stage by security-related issues.

Recommendations

A. **Response to Armed conflict:** Designate special envoys to areas of existing conflict; deploy pre-emptive inter-agency "fly-away teams" to developing crisis spots to negotiate with the conflictive parties to calm the situation; initiate early calls for United Nations Security Council (UNSC) action on conflict resolution and peacekeeping; increase funding for the African Stand-by Force; and continue to support the Overseas Security Advisory Council as an effective means to exchange security related information with the private sector.

B. **Response to Transnational Security threats:** Maintain a regular U.S. Navy presence in the Gulf of Guinea and expand the program to include all African coastal waters; encourage Gulf of Guinea countries to develop a model of regional maritime security and collaborate with U.S. Africa Command (AFRICOM) to develop a coastal surveillance system; assess the effectiveness of the anti-piracy Combined Task Force 151 and adapt it to other regions facing piracy; and expand U.S. law enforcement deployment to ports to coordinate with host country law enforcement and the private sector.

C. **The Project on National Security Reform (PNSR):** Initiate PNSR reforms as a pilot in Africa to better integrate interagency programs and their collaboration with the private sector.

D. **Conflict Mitigation Actions:** Task AFRICOM to convene regular meetings with all stakeholders to develop a coordinated plan of security engagement in Africa.

E. **The American Private Sector in the Post-Iraq Environment:** Convene a team of public/private stakeholders to assess and recommend improvements in U.S. contracting laws and regulations; and include contractors and NGOs in threat specific contingency planning.

F. **Professionalization of African Security Forces:** Support existing training programs and continue to emphasize civil-military relations; improve coordination between U.S. military and law enforcement; increase police training for other nations; and selectively approve sales of defense and security equipment to qualified African entities.

G. **African Women in Security roles:** Include African women in military and law enforcement training programs.

H. **Relations with African Security Organizations:** Engage sub-regional leadership in discussion of mechanisms for regional collaboration, when U.S. law sanctions a member of the region.

I. **National Security Forces:** Include African military as stakeholders in developing national health and education programs funded by the U.S.

2. Finance

Private capital flows to Africa increased from $15 billion in 2003 to $53 billion in 2008, according to the IMF, however this is insufficient to drive requisite economic development and new investment is now declining. The convergence of the global financial and economic crises and the arrival of the Obama administration provides an opportunity to recommend steps to increase capital flows to Africa. To attract investment, African countries need to continue economic liberalization, reduce foreign exchange controls, maintain competitive labor market policies, create efficient land registration systems, reduce debt and corruption, and improve education and health systems. These recommendations support critical U.S. economic and national security interests in the region. The growth of African economies creates opportunities for American job creation through the export of capital goods to build infrastructure and consumer goods to meet the needs of the emerging middle class.

Recommendations

A. **Expand Trade Finance:** Improve coordination of U.S. government programs to encourage increased trade financing for African projects; encourage greater use of risk mitigation tools (guarantees and insurance) for Africa; replicate EXIM's Nigeria Medium Term Insurance and Guarantee Facility in other African countries; and consider relief for U.S. banks from restrictive ratings and regulations that limit willingness to lend to Africa.

B. **Promote Foreign Direct Investment in Africa:** Increase tax-related incentives for U.S. firms doing business in Africa, and provide targeted incentives for agribusiness, infrastructure and financial services; and encourage African governments to reduce corporate and capital gains taxes.

C. **Overseas Private Investment Corporation (OPIC):** Strengthen the mandate and effectiveness of OPIC to support investments in all sectors in Africa, including "sensitive" ones, such as textiles and apparel, agribusiness, and electronics; nurture African banks by offering long term debt coordinated with sub-regional development banks; and encourage Organization for Economic Cooperation and Development (OECD) credit agencies to increase repayment terms from 10 to 20 years and increase local costs from 15 to 50 percent of export value.

D. **Legal and compliance:** Review the Patriot Act to strike a reasonable balance between information requirements and promotion of banking in African markets; and encourage African governments to adhere to the rule of law and due process.

E. **Strengthen African Capital Markets:** Encourage African countries to access capital markets; encourage African governments to use international credit ratings by training key financial staff in use of ratings; create an African Financial Fellowship Exchange Program; promote regionalization of debt and equity capital markets; and expand the Treasury Department's technical assistance program.

3. Trade

Since May 2000, AGOA has been a cornerstone of U.S. economic relations with Africa, aimed at leveraging duty-free access to the U.S. market to create employment, reduce poverty, promote economic and political stability, and develop markets for U.S. goods and services. Despite AGOA's benefits, African countries still face significant barriers to trade, ranging from poor quality control to inadequate infrastructure. Unless a concerted effort is made to address such issues, liberalized market access will mean little.

Recommendations

A. **Strengthening Trade Policy-AGOA and Beyond:** Provide technical assistance and infrastructure support to AGOA beneficiaries; expand product coverage, by adding duty-free eligibility to certain products that are now ineligible; support regional integration by negotiating regional Free Trade Areas (FTAs) and supporting regional development projects; create a one-stop shop for Africa trade and finance promotion programs; negotiate BITs with more countries or RECs; oppose AGOA-type benefits for non-African countries, particularly in the textile and apparel sectors; and assess the potentially negative implications of the Economic Partnership Agreements (EPAs) being negotiated by the European Union with African countries.

B. **Foreign Assistance, Technical Assistance and Capacity Building:** Make technical assistance a key component of all U.S. programs in Africa; and support African SMEs with U.S. programs from USAID, EXIM, the National Business Incubation Association (NBIA) and the Small Business Association (SBA).

C. **Governance and Transparency:** Collaborate with G-20 members to develop and enforce more effective anti-corruption programs; add anti-corruption conditions to U.S. trade preference programs and collaborate with the AU to strengthen enforcement of its Convention Against Corruption; use aid to strengthen anti-corruption technologies in tax/customs programs and national ID registries; and increase funding for USAID's initiative to empower the "watch dog" role of local media and civil society.

4. Agricultural Development and Agribusiness

The recent spike in international food prices created challenges and opportunities in the food and biofuel industries in Africa. The challenge is the coordinated implementation of policies to support sustainable increased productivity in African agriculture. The opportunity is that the Comprehensive Africa Agricultural Development Program (CAADP) provides a framework for the efficient application of capital and technology to increase productivity and reduce poverty.

Recommendations

A. **Enhance international collaboration and public-private partnerships:** Continue support for CAADP; establish a senior inter-agency group to implement a U.S./African Agricultural Development Initiative; establish an Agricultural Corps within the Peace Corps; and strengthen USG funding for rural African infrastructure. Build on existing successful public-private partnerships and develop new ones with U.S. agricultural industries.

B. **Provide technical assistance and capacity building:** Link African universities, U.S. land-grant universities and the private sector to support research and extension programs; offer trade incentives to African nations that remove constraints on intra-African trade; support U.S. companies that offer agribusiness technical assistance; offer carbon offset programs to encourage investment in African biofuels, and offer duty-free access for African biofuels to the US market.

C. **Increase incentive structures in the U.S. and Africa:** Enhance development of value-chains; provide incentives for U.S. private investment in African agribusiness; support the Commercial Law Development Program to increase interstate trade; and increase political risk insurance for U.S. companies investing in Africa.

D. **Increase US market access for African agricultural products:** Revise AGOA to promote export of semi-processed exports from Africa; strengthen African capacity to meet sanitary and phytosanitary regulations; and complete the Doha Round to foster agricultural trade.

5. Electrical Power

The lack of energy infrastructure, high energy costs, and environmental degradation are major obstacles to development for much of the African continent. U.S. companies and organizations hold much of the expertise needed to address Africa's electricity deficit. This expertise could help Africa leapfrog to green energy.

Recommendations

A. **Market-based pricing:** Encourage African governments to adopt market-based pricing to encourage investment in the power sector.

B. **Enhancing Investment and Trade Finance:** Enhance U.S. government financing (OPIC, EXIM, MCC) to support investment through the Overseas Private Investment Corporation (OPIC), the Export-Import Bank of the United States (EXIM), and the Millennium Challenge Corporation (MCC).

C. **Carbon Offsets:** As the U.S. implements green-house policies, U.S. law should create incentives for investment in offset programs that would benefit Africa.

D. **Fuels:**
   a. **Biofuels:** Launch a United States Department of Agriculture (USDA)-led green lend-lease program to provide financing, technology and training for green fuels and power supplies in Africa; support U.S. export of bio-refineries and power generation equipment; create a tech-transfer program to raise African produced biofuels to a 10 percent (B10) blend; and consider opening the U.S. market to bio-ethanol from Africa.

   b. **Gas flaring:** Fund projects that mitigate gas flaring in African oil/gas production that could be used for power generation and Liquefied Natural Gas (LNG) exports; and make Clean Development Mechanisms (CDM) and offset credits available for reducing gas flaring, if it is used for power generation or other productive purposes.

E. **Rural Electrification:** Charge the United States Agency for International Development (USAID), MCC and OPIC to support rural electrification projects, including off-grid projects.

F. **Renewable Energy:** Charge the United States Agency for International Development (USAID), MCC and OPIC to support rural electrification projects, including off-grid projects.

G. **Human resources and capacity building:** Support programs that train more skilled experts in Africa's electricity sector; fund four regional energy education and policy research hubs; fund entrepreneurial training for Small and Medium Size Enterprises (SMEs); fund training for African civil servants who develop and implement policies that would enable Africa to leapfrog to green energy.

6. Extractive Industries

Africa's oil/gas and mining industries are important to U.S. energy security; the Gulf of Guinea is projected to supply 25 percent of U.S. imports by 2015. Investments in this sector facilitate the building of modern infrastructure, including power stations, roads, schools and hospitals. Most investors in the extractive sector also have programs to facilitate the growth of SMEs. However, the realization of broad economic growth is constrained by weak government institutions, corruption, poor infrastructure, and poor security in the Niger Delta.

Recommendations

A. **Transparency and accountability:** The USG should continue to support the Extractive Industries Transparency Initiative (EITI) and advocate for increased revenue transparency and anti-corruption efforts in producing countries; provide technical assistance to countries making progress on revenue transparency; provide training for public officials on accountability standards; and avoid mandating disclosure unilaterally on extractive industry receipts and payments.

B. **Contract sanctity:** Advocate for contract sanctity to encourage more investment; promote effective arbitration and enforcement of property rights; and negotiate additional Bilateral Investment Treaties (BITs).

C. **Security and Human Rights:** Increase training of host country law enforcement agencies; and support the Voluntary Principles on Security and Human Rights.

D. **U.S. government agencies:** Continue funding for MCC, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), USAID, and the United States Trade and Development Agency (USTDA) programs that support job growth, and encourage partnership with U.S. companies with similar programs.

E. **Increase U.S. Commercial Advocacy:** Encourage Cabinet level visits to Africa, and increase senior level advocacy for U.S. companies to increase American competitiveness for contracts in Africa.

7. Healthcare

The African healthcare market is projected to double by 2016 requiring an estimated $25-$30 billion in new investments in health care assets. About 60 percent of the $16.7 billion spent for health services in 2005 was financed by private parties, and 50 percent delivered by private providers. Given the overburdened national health systems in Africa, it is essential that the private sector play a central role in the growth of health services. Many of the following recommendations are compatible with the Health Infrastructure 2020 Initiative and the Obama administration's SME Fund.

Recommendations

A. **Expand U.S. government support for the private sector role in health in Africa:** Acknowledge key role played by commercial private sector in providing health products and services in Africa, and value of long-term public-private partnerships; reform U.S. regulatory impediments to private sector participation in African health systems development; and advocate pro-market policies to encourage new investment in health infrastructure and services.

B. **Encourage market-based health investment in Africa to promote demand-driven health care delivery models:** Promote pro-investment environments in Africa to support African regulatory bodies, national quality control, and regional trade infrastructure; and encourage financing for health related business in Africa.

C. **Improve U.S. government partnership process with private sector on global health issues:** Collaborate with private sector to make public private-partnerships transparent and predictable; establish a single coordinating entity for international health policy; and promote dissemination of best practices.

D. **Broaden the U.S. government's global health focus:** Incorporate disease-specific programs, including chronic disease prevention, into a comprehensive preventive health systems approach in partnership with the private sector.

8. Infrastructure

Africa's lack of basic infrastructure looms as one of the most important obstacles to its competitiveness, stability, and economic growth. The long-term nature of infrastructure development, both regulatory (soft-side) and physical (hard-side), promotes deeper and more meaningful diplomatic and economic relationships with African nations. This interaction opens up new markets for U.S. goods and services, increases Africa's trade and global connectivity and enhances the economic growth and security of the U.S.

Recommendations

A. **Human infrastructure (Soft-side):** Strengthen MCC's technical support to African countries for infrastructure; create a USG office, with a staff that has private sector experience, to coordinate infrastructure support in emerging markets; provide technical assistance to strengthen regulatory frameworks; leverage African resources to invest in domestic capital markets for infrastructure; encourage International Finance Institutions (IFIs) to prioritize infrastructure financing; and coordinate infrastructure development with Africa's regional economic communities.

B. **Physical infrastructure (Hard-side):**

a. **Maritime:** Realign U.S. policy and programs to support maritime infrastructure development; support new USTDA maritime infrastructure activities in key ports; expand the African Global Competitiveness Initiative (AGCI) maritime infrastructure development; and initiate the Safe-Sea-Ports for Africa program.

b. **Air Transportation:** Assist African governments to ratify and implement the Cape Town Convention and Aircraft Protocol; and encourage the African Union (AU) and the Regional Economic Communities (RECs) to collaborate with the private sector in developing national, regional and continental Air Traffic Control and Air Traffic Management Centers under the Safe Skies for Africa Program.

c. **Railroads:** Collaborate with African governments and international donors to improve African rail networks.

d. **Information and Communication Technology (ICT):** Encourage alternative infrastructure providers to foster competition and a competitive environment; and encourage regional collaboration to create an enabling regulatory environment.

e. **Logistics:** Require that all USG funded transportation in Africa be provided by African or American owned companies; and require that USG funded Private Voluntary Organizations (PVOs)/ Non-Governmental Organizations (NGOs) doing humanitarian work in Africa use African or American owned transport services.

f. **Safe water and sanitation:** Prioritize support for sustainable water and sanitation.

g. **Infrastructure in African Post-conflict countries:** Incorporate infrastructure rehabilitation in post-conflict planning to reduce conflicts, create jobs, and provide essential services.

9. Tourism

Travel and tourism comprise one of the largest industries in the world (2008 global economic activity forecasted at 9.9 percent of total GDP) and provides a unique basis for development. In 2007 the tourism sector in sub-Saharan Africa generated close to $90 billion in economic activity and is expected to exceed $185 billion in the next seven years. If the African continent is to continue to grow its tourism sector, it must address a number of challenges. Africa continues to lag severely behind all other regions of the world in the number of tourists it receives annually. The Obama administration's attention and support for tourism would reinforce U. S. private sector investments in increasing tourism's contribution to African development.

Recommendations

A. **Developing Africa's Tourism Infrastructure:** Provide financial incentives to U.S. companies and expertise to support country and regional efforts to upgrade web-based promotion of African tourism.

B. **Training for Careers in Tourism:** Support the expansion of tourism-focused curriculum at African universities and vocational training centers to encourage students to enter the hospitality industry and to train the next generation of tourism managers and employees.

C. **Expanding Air Service from the United Sates to Africa:** Increase the U.S. government's participation in the "Safe Skies for Africa" program by broadening available assistance; create incentives for African governments to modernize air traffic control equipment and upgrade staff skills; facilitate the sale and operation of U.S. –manufactured safety and security equipment and provide relevant training; and maintain and expand U.S. programs that provide technical assistance to African civil aviation authorities.

D. **Improving Africa's Image in the United States:** Take an active role in shaping a more positive image of Africa in the U.S.; use visits of the president, first lady or Cabinet cabinet officers to Africa to increase American understanding of the cultures and business opportunities in the countries visited; use the visits of African Heads heads of state and government to the White House to promote more comprehensive media coverage of Africa; encourage U.S. government agencies to work with the media to portray more accurately the depth and breadth of America's partnership with Africa; increase the State Department Bureau of Educational and Cultural Exchange's collaboration with American organizations that have strong people-to-people programs with Africans; and create an inter-agency database, in collaboration with the private sector, on American travel to Africa to better define business opportunities in the hospitality sector.

E. **Modernizing Travel Advisory Procedures:** Review the State Department process of issuing Travel Advisories and Warnings to define more accurately the scope of the area of concern to minimize negative impact on safe areas in the country; and to provide more specific and timely updates on areas of concern.

F. **Addressing Crime and Security Issues in Africa:** Provide support for training police to deal with crime in key tourist destinations in Africa, including South Africa and Kenya.

Chapter 1: Security

Context

There is arguably no region with more risk and opportunity for U.S. foreign policy—and American business interests—than Africa. The continent's significant scale is home to stark economic and social contrasts existing side by side, though not always in peace and harmony. While cultural differences must be understood and many business-related factors assessed prior to making decisions on investments and partnerships, the process can be paralyzed at any stage by security-related issues.

The United States is Africa's largest single-country trading partner. American businesses are engaged across the continent, but more so in reasonably stable political climates and secure locations. The American private sector, viewing Africa both through the prism of experience and the potential as an investment destination, expresses concern regarding the current ineffective engagement of the USG on important issues related to security.

The recently published Project on National Security Reform (PNSR) represents an excellent starting point for improving institutional organization and professionalism, developing better informed foreign policy and creating more effective security-related mechanisms and arrangements that will benefit U.S. policies and relations with Africa.

Policy Recommendations

Response to Armed Conflict

Armed conflict in Africa continues to be the prime cause of humanitarian suffering, poverty, political and economic destabilization, lack of development and disincentive to foreign investment on the continent. As such, every action taken to prevent, mitigate and/or resolve conflict has a positive, near-immediate impact on affected peoples, societies and economies.

- Designate special envoys to areas of existing conflict. Special envoys can contribute unique perspective and focus that make important differences. Effective coordination and communications linking the State Department, Defense Department, embassies and the AFRICOM are essential. The special envoy may also head a "fly-away team" (see below).

- Deploy pre-emptive interagency "fly-away teams" to developing African crisis hot spots in a manner similar to rapid reaction USAID/the Office of Foreign Disaster Assistance Response Teams. The team leader must have seniority and diplomatic authority to negotiate with parties in a conflict—and AFRICOM must be involved. This action appears compatible with the Interagency Crisis Task Force concept proposed by the PNSR.

- Initiate early calls for expedited UNSC action in conflict resolution and peacekeeping. Active support should also be given to conflict prevention, cease-fire negotiations and monitoring, and peacekeeping activities undertaken by the AU and sub-regional security entities.

- Increase financial and in-kind support for the African Stand-by Force.

- Continue to fund the Overseas Security Advisory Council as a highly effective means of disseminating timely security-related information to the American private sector. It is an example of a highly successful public-private partnership.

Response to Transnational Security Threats

Inadequate maritime, port and border security, organized crime, terrorism, food insecurity, migration and refugees, etc. all represent destabilizing factors in Africa. The protection of off-shore oil infrastructure, shipping, the fishing industry and containerized goods in ports must be high priorities. Actions taken to strengthen the capacities of African law enforcement organizations are cost-effective measures that would contribute to social stability, protect U.S. and African national security and commercial interests and create more attractive climates for American investment.

- Capitalize on the success of the U.S. Navy and Coast Guard Africa Partnership Station. Maintain a regular naval presence in the critical, resource-rich Gulf of Guinea and expand the program to include all African coastal waters.

- Strengthen coordination with Gulf of Guinea countries, including the Gulf of Guinea Commission, and encourage the development of a model of regional maritime security.

- Task AFRICOM with engaging maritime nations and regional security organizations to establish a coastal surveillance system for the Gulf of Guinea.

- Evaluate the effectiveness of anti-piracy Combined Task Force 151 currently operating off the Horn of Africa and adapt the concept to other areas vulnerable to piracy.

- Designate physical security in African ports as a priority for existing assistance programs.

- Expand the deployment of the Naval Criminal Investigative Service, the Army Criminal Investigative Division, FBI legal attachés and other personnel to long-term assignments in cities and ports where agents can establish effective liaison with law enforcement and security personnel, and the private sector.

The Project on National Security Reform (PNSR)

The PNSR was mandated by Congress in FY2008 legislation. A report on the study was submitted in November 2008. It identifies several interwoven problems in the U.S. national security system such as resource allocation by department rather than broader national missions, a lack of effective integrating mechanisms ("stovepiping"), and an over-centralized and overburdened management process at the White House. The study's recommendations have relevance to U.S. security interests in Africa.

- Implement PNSR recommendations, selectively or collectively, as the leading edge of systemic reforms that would benefit security objectives in the complex African environment in which the American private sector seeks to expand its engagement. Use the African laboratory as proof of concept for the PNSR model.

Actions to Prevent or Reduce the Threat of Conflict

The USG has multilateral engagement tools at its disposal in dealing with Africa. Examples are AFRICOM; the Africa Center for Strategic Studies (ACSS); the Global Peace Operations Initiative (GPOI);

African Contingency Operations Training Assistance Program (ACOTA); and the International Criminal Investigations Training Assistance Program. Coordination is improving as AFRICOM takes on its assigned mission, but true synergy is yet to be achieved.

- Task AFRICOM (perhaps as part of the PNSR-proposed Interagency Team) to convene regular meetings with the other security entities and develop a coordinated plan of security engagement in Africa. The U.S. private sector must be included to maximize access to resources and facilitate business involvement in Africa.

- Ensure Congress adequately funds AFRICOM for current and future missions.

- Utilize Foreign Military Financing (FMF), Foreign Military Sales (FMS) and "1206" authorities to facilitate AFRICOM participation in and support of multilateral coastal surveillance, law enforcement and other initiatives.

The American Private Sector in the Post-Iraq Environment

Contractors are an integral and long-established part of the mix of resources used by the USG in training and other functions. Both governmental and contractor elements bring particular advantages. The post-Iraq environment presents unique opportunities to improve on these relationships, apply lessons learned, clarify responsibilities, build combined teams as appropriate and capitalize on the power of each solution set.

- Assemble a team with expertise in government service, the private sector, legislative processes, and the intricacies of U.S. contracting laws and regulations. Task the team to reexamine the relationship from top to bottom and develop specific recommendations for industry, government program and contracting entities, and Congress.

- With contractors and NGOs increasingly targeted to leverage the behavior of government and/or external forces, these organizations must be included in threat-specific contingency planning.

Professionalization of African Security Forces

Few African security organizations possess the capacity to enforce international and national law, maintain peace and domestic tranquility, deal in an effective, preventative manner with insurgency and crime, or inspire the confidence and respect of the people and international businesses. Actions taken to strengthen military and law enforcement capacity and professionalism are cost-effective measures that contribute to social stability and enhance investment climates. *(see also Chapter 9, Tourism)*

- Support ongoing International Military Education and Training (IMET) programs, GPOI, ACOTA and the Defense Department's Distinguished Visitors programs. Continue to emphasize civil-military relations and enhancing the capacity for civilian leadership in security sectors.

- Eliminate "stovepiping" of missions and interests in U.S. military and law enforcement circles that hinder effective cooperation. Integrate defense and police in planning and execution of programs related to Africa.

- Increase support for the training of international constabulary forces, the International Law Enforcement Academy in Botswana being one underutilized example. Encourage the highest standards of professional training of local unarmed security forces by international corporations (in close coordination with host country authorities) for their in-country minimum security needs.

- Approve waivers to existing laws and regulations on a selective basis to permit critical sales of U.S.-manufactured defense and law enforcement equipment and technical services to qualified African entities.

African Women in Security Roles

African culture has denied women access to education, ignored domestic and other abuse, and underutilized women in law enforcement. Through effective training, recruiting, and empowerment, the USG and qualified security contractors may have an opportunity to strengthen security organizations while simultaneously providing women with jobs and the knowledge and skills necessary to change traditional attitudes.

- Specify the inclusion of African women in programs such as Counter-Narcotics Terrorism Program Office (CNTPO), and Department of State managed programs such as Civilian Police (CIVPOL), Worldwide Personal Protective Services (WPPS), Africa Peacekeeping Program (AFRICAP) and (ACOTA). Identify potential public-private partnerships.

Relations with African Security Organizations

Africa works best in a communal format and Africans frequently choose to operate through consensus-rule alliances rather than bilateral arrangements. Cooperative action involving the U.S. and RECs is hampered if one member country is subject to sanctions or other restrictions by the U.S. government. The impasse with SADC created by Zimbabwe is the most recent example.

- Initiate discussion with relevant sub-regional group leadership to articulate challenges presented by U.S. law. The aim would be to develop jointly a more robust and responsive mechanism to engage when not every country can participate, but when the value of collective engagement outweighs a bilateral approach.

Country Security Forces

Military and public security forces in African countries frequently are engaged by the West only in their security roles. These elements frequently represent the best educated and organized elements of society. Many organizations in civil society would welcome the positive participation of their defense force in other vital social sectors, such as health or education.

- Direct the Departments of State and Commerce, USAID and other USG agencies to include African defense and security sector organizations as contributing stake holders in developing in-country programs in health, education and other sectors. •

Chapter 2: Finance

Context

With the arrival of a new U.S. administration, the convergence of the global financial crisis and recent developments in the African financial environment create a timely opportunity to recommend policy changes that will facilitate increased capital flows to Africa. These changes will also support critical U.S. economic and national security interests in the region.

In June 2003, the Commission on Capital Flows to Africa, formed by CCA, the Council on Foreign Relations, the Peterson Institute for International Economics and the Joint Center for Political and Economic Studies, issued a report (the "Commission Report") laying out a comprehensive 10-year strategy for increasing capital flows to Africa.

According to the IMF, private capital flows to Africa have risen since the Commission Report from nearly $15 billion to $53 billion. Despite this increase, Africa still is not attracting a sufficient level of capital to drive the requisite economic development. The continent currently attracts less than half a percent of total cross-border portfolio flows. In light of the ongoing world financial crises, the recent trend of increasing capital flows to Africa may in fact be reversed.

The following recommendations assume a direct correlation between foreign direct investment (FDI) flows and economic growth. However, a favorable investment environment is a critical factor in the ability of FDI to positively affect development in African countries. Therefore, it is essential that African countries continue to: (1) liberalize their economies; (2) remove (or at least reduce) exchange controls; (3) allow foreign participation in the economy (by way of freedom to invest and disinvest); (4) limit labor market policies that reduce competitiveness; (5) permit freer immigration of skilled labor; (6) reduce visa requirements for visiting business people; (7) increase legal and administrative transparency; (8) create effective and competent systems for registering and transferring land or interests in land; (9) reduce debt, bureaucracy, and corruption; and (10) strengthen health and educational systems. This will also serve to increase the attractiveness of African countries as investment destinations.

Recommendations

U.S. commercial banks should increase their lending to support the U.S. private sector exports to and capital expenditures in sub-Saharan Africa. For reasons of perceived credit risk, U.S. banks have a relatively small focus and presence in sub-Saharan Africa that limits American corporate trade and investment and allows African business opportunities to be dominated by other countries.

There is a need to build on examples of programmatic successes of U.S. financial institutions. Of particular note is EXIM's $300 million Special Delegated Authority (SDA) guarantee facility established in June 2006 for 14 Nigerian banks to provide SMEs guarantees for short and medium term transactions on an expedited basis. EXIM's Medium Term Insurance and Guarantee activity in Nigeria has also increased from $35 million in 2006 to over $117 million in 2007. In September 2008, EXIM announced that the SDA facility was increased to $1 billion.

Policy Recommendations

Commercial Banking and Trade Finance

To increase the presence of U.S. banks in Africa and facilitate greater commercial banking and trade finance activity, we recommend that the Obama administration take the following steps:

- Better coordinate on a comprehensive and cost effective basis, all U.S. government programs aimed at helping commercial banks and other financiers increase their financing activities for African projects.
- Encourage use of risk mitigation mechanisms, such as guarantees and insurance from USAID, OPIC, EXIM, MIGA and others, to ensure greater focus on Africa.
- Increase EXIM lending and guarantees for African transactions.
- Replicate the EXIM's Nigerian Medium Term Insurance and Guarantee Facility program in at least two other sub-Saharan African countries by 2010.
- Revitalize the AGOA Forum to increase its effectiveness in fostering U.S. private sector investments.
- Consider relief for U.S. banks from restrictive ratings and other regulations (such as those under Basel II) that have the effect of limiting the willingness of U.S. banks to lend to African borrowers.

Promoting Foreign Direct Investments in Africa

While foreign direct investment in sub-Saharan Africa is rising, the U.S. share remains small and is focused largely, though not exclusively, on the natural resource (including oil) sector. To increase, broaden and deepen FDI into these and other sectors such as agribusiness, consumer products, and services, the Obama administration should do the following:

- Increase tax-related incentives for U.S. firms doing business in Africa *(see Annex 2).* Given the relatively small size of U.S. investment in Africa, the net cost to the United States government will be minimal. However, the comparative net benefit to African economies could be substantial. Specifically the U.S. should:
  - Reduce the U.S. tax on repatriated earnings on new investments to zero for a ten-year period.
  - Consider waiving U.S. tax provisions that nullify investment incentives provided to U.S. investors by some African countries through such measures as local tax reductions and tax holidays.
  - Provide U.S. tax incentives for investing in Africa for targeted sectors, e.g., infrastructure, agribusiness, health and financial services.
  - Take a more flexible negotiating approach to broaden the network of Double Tax (DT) treaties with African countries.
  - Persuade African countries to improve the transparency, effectiveness, efficiency and fairness of their tax regimes. USAID and MCC funding can be made contingent upon such tax reform programs.

- Encourage African governments to reduce corporate and capital gains taxes.

The Overseas Private Investment Corporation

The mandate and flexibility of OPIC should be strengthened and increased to more effectively promote private investment in Africa. Specifically the Obama administration should:

- Permit OPIC to support investment in all sectors in Africa, including venture capital for SMEs, and sectors currently categorized as "sensitive", such as textiles and apparel, electronics, agribusiness, and industrial products.

- Permit OPIC to support investments that promise to provide net benefits for the U.S. economy, rather than prohibiting it from supporting projects in which American jobs may be lost.

- Encourage OPIC to nurture financial institutions on the ground in Africa by providing long term debt products in coordination with development finance institutions. Assistance should be targeted in particular at sub-regional development banks in Africa such as the East African Development Bank; the West African Development Bank; the African Development Bank; Development Bank of South Africa; etc.

- Provide OPIC with the flexibility to lead in structuring transactions involving other Development Financial Institutions (DFIs) so it can be on par with such institutions globally.

- Encourage OECD export credit agencies to allow 20-year repayment terms (instead of the current 10 years) for African projects, and to raise the ceiling for local costs from 15 to 50 percent of export value.

- Devote a portion of U.S. Overseas Development Assistance funds to establishing long-term debt and equity financing vehicles for SMEs in Africa as well as to providing related technical assistance so the SMEs can make more effective use of such capital.

- Broaden AGOA to incorporate other sectors, including a dedicated initiative in agriculture and agro-processing.

Legal and Compliance

Recent financial market developments clearly illustrate the need for sound regulatory regimes that follow best international practice and are designed to protect market participants while avoiding overly restrictive and unnecessary bureaucracy that suffocates growth and dynamism. Striking the right balance in Africa has been difficult as is clear from initiatives such as the Patriot Act, Office of Foreign Assets Control (OFAC), and Basel II which have had serious unintended negative impact on capital flows from the U.S. to Africa.

With respect to the African legal and regulatory landscape, transparency and sustained adherence to the rule of law continue to be a problem for a number of African countries. The challenges of meeting U.S. regulations and the often opaque legal landscape in certain African countries can negatively affect capital flows to those African countries. To assist in mitigating these challenges, we recommend that the Obama administration do the following:

- Review the Patriot Act as it relates to U.S. banks' operations in Africa to ensure the regulations strike a reasonable balance between information and tracking requirements and the goal to promote American banking activity in these growing markets.

- Review current disparities among African commercial banks regarding their compliance with Patriot Act requirements. Offer African countries' central banks accelerated training related to compliance so that most large African banks possess similar levels of compliance.

- Update and review OFAC to ensure the lists are both transparent and current, as living documents should be.

- Encourage African governments to be more committed to and effective in applying the rule of law and due process.

- Persuade African governments to promote systematic and effective legislation to enable external judicial and arbitral settlements to be enforced domestically, e.g., through adherence to the New York Convention and systematic entry into foreign judgment enforcement conventions with all capital-surplus countries.

- Encourage African governments to use the World Bank Group's arbitration mechanism, International Centre for Settlement of Investment Disputes.

- Encourage MCC to incorporate key financial, legal and regulatory measures into its programs supporting private sector growth.

- Promote free trade zones based on international or U.S. law rather than local law.

African Capital Markets

Strengthening local African debt and equity capital markets is critical to attracting and sustaining long term capital flows to Africa. Private sector interest in Africa is, in part, predicated on strong macro-economic performance and outlook, improved governance, debt relief, and a stable political landscape, leading to improved external and fiscal balances. About 20 African countries have formal credit ratings. However, they are low and the countries and capital markets do not use them effectively. To facilitate strengthening of the African capital markets, the following are recommended to the Obama administration:

- Utilize American influence at the IMF to incorporate ratings as a part of the Highly Indebted Poor Countries process to encourage African countries to access capital markets. IMF restrictions with respect to public sector commercial external debt should be relaxed selectively for credit-worthy borrowers.

- Encourage African governments to make better use of international credit ratings to access long term debt and equity capital, including the following:

  - Train staff of finance ministries, central banks and commercial banks to better understand how to use ratings to access international capital markets and to develop local capital markets.

  - Establish a U.S. Treasury African Finance Forum for African governments and U.S. public and private sector counterparties to share on a regular (e.g., annual) basis experiences of African governments and businesses in accessing debt and equity markets.

- Create an African Financial Fellowship Exchange Program, in conjunction with other OECD governments and private sector entities, which would send professionals with financial, capital markets, corporate finance, or economic policy experience to African countries to work in public and private institutions for a certain period. In exchange, each participating African country would send two individuals for training for up to two years at qualified private sector financial institutions the U.S. and each of the other participating OECD countries.

- Promote regionalization of debt and equity capital markets, where appropriate, to enhance liquidity and ensure effective management and scalability.

- Encourage African governments to continue liberalizing capital accounts to foster longer term investments and the development of the local capital market infrastructure. The introduction of foreign capital in the form of Central Bank foreign exchange (FX) swaps can deepen local liquidity and provide funding transparency.

- Encourage better local financial market and banking supervision and regulation to minimize banking crises.

- Strengthen operations of the U.S. Department of the Treasury's Office of Technical Assistance by doing the following:

  - Continue promoting capacity development of local central banks and financial institutions for asset/ liability management. Stronger management capacity promotes both foreign and domestic financial confidence, enabling longer term debt for capital expenditures.

  - Expand, in conjunction with Treasury's Office of African Nations, the program to support the further development of domestic yield curves, and help broaden both the foreign and local investor base, following the example of the World Bank Group, where the International Finance Corporation has:

- Employed 3 to 5 year FX swap lines using derivatives and offshore investor interest to encourage the development of the domestic yield curve.

- Used its Triple-A ratings to provide local currency financing.

- Mitigated African borrowers' foreign exchange risks by structuring local currency loan participations for international investors.

- Provide and/or facilitate technical assistance to African countries in designing and implementing good tax policies and in improving tax administration. Revenue authorities need staff training in technical issues such as auditing and investigations, methods to monitor work done by their staff (for example, the time and effort as well as yield from investigations, the yield from queries addressed to taxpayers, and efforts to ensure that all those that should be paying tax actually do so) and in monitoring staff honesty and freedom from corruption.

- Strengthen the resources and ability of USTDA, USAID (e.g., its African Infrastructure Program) and other USG agencies to provide technical assistance for African government officials in such key areas as:

- Contract drafting.

- Development of appropriate regulatory frameworks for infrastructure and other investments (e.g., to include strong cost recovery clauses).

- Best practices in procurement processes (e.g., the World Bank process).

- Contract administration.

- Pre-investment project preparation.

- Project finance

Chapter 3: Trade

Context

Since May 2000, the African Growth and Opportunity Act (AGOA) has been a cornerstone of U.S. economic relations with Africa, aimed at leveraging duty-free access to the U.S. market to create employment, reduce poverty, promote economic and political stability, and develop markets for U.S. goods and services.

Africans enthusiastically welcomed AGOA, and U.S. imports have risen by more than 200 percent, creating 200,000 African jobs that did not displace U.S. jobs *(see Annex 3)*. U.S. exports also increased, by 149 percent, to $13.9 billion in 2007. Yet most of the growth in imports was in petroleum and minerals, which would have occurred without AGOA. Non-extractive product trade grew by 50 percent—significant, but less than had been hoped. There is growing consensus that more is needed if Africa is to reach its full potential as a U.S. trade partner.

Despite AGOA's benefits, African countries still face significant barriers to trade, ranging from poor quality control to inadequate infrastructure. Unless a concerted effort is made to address such issues, liberalized market access will mean little. A particularly important example is textiles and apparel, African exports of which more than doubled under AGOA. But these successes were tarnished upon expiration of the Multi-Fiber Arrangement (MFA) in 2005, exposing Africa's infant industry to competition from well-established Asian producers. U.S. apparel imports from Africa subsequently declined by 25 percent with the loss of an estimated 50,000 African jobs.

Other sectors also display unmet potential, particularly agriculture – the largest economic activity and one in which roughly three fourths of Africans make their living. U.S. agricultural imports have grown by just 38 percent under AGOA, although virtually all products in the sector enter duty free. More investment and value-added in Africa's agricultural sector are needed if the developmental benefits of AGOA are to be realized. (Agricultural development and agribusiness opportunities are assessed in more detail in the next chapter.)

Policy Recommendations

Strengthening Trade Policy: AGOA and Beyond

AGOA is based on generous market access and simple rules of origin. Extensions to AGOA have given African and American businesses more time to take advantage of its provisions, but the extensions usually have come in two-or three-year bursts that are too short to permit more than incremental responses.

Trade preferences like AGOA suffer diminishing returns in the face of reciprocal FTAs or Doha Round trade liberalization. While Doha offers significant opportunities for African agriculture, some of Africa's fragile manufacturing sectors—especially apparel—almost certainly will lose out to stronger Asian producers without significant capacity building and a grace period in which to become competitive.

As the Doha negotiations unfolded, African nations frequently supported the positions of India and other advanced developing countries against the United States, even where those positions appeared contrary to their own interests. The Obama administration should forge alliances with the Africans in the Doha Round, including via consultations with the African Union. An important step would be a U.S.-led effort to eliminate the WTO distinction between least developed countries (LDCs) and non-LDCs in Africa, which undermines African efforts toward regional integration.

African countries need to trade more with their neighbors before they can trade effectively with the world, and regional integration can advance that effort. Free Trade Agreements (FTAs) between industrial countries and African regional groupings can help by pushing the Africans to coordinate policies, rules of origin, and trading rules. U.S. support for such FTAs also would help resolve issues of WTO compatibility that have not yet arisen in relation to AGOA, but which contributed to the European Union's decision to terminate the Cotonou Agreement in favor of regional Economic Partnership Agreements (EPAs). But these EU EPAs have serious implications for regional integration and the competitive position of U.S. exports to Africa.

A policy of dealing with African regional groups must begin by both realizing the benefits to African and U.S. policy makers of their success and recognizing their current limitations. Regional integration is fervently desired by Africans and is necessary for creating more competitive economies; in certain areas—particularly achieving economies of scale, large infrastructure projects such as air traffic control or regional power pools, and some environmental projects—it is essential. As with national governments, however, the legal, institutional, technical and educational foundations of regional groupings generally are weak and may require donor assistance to meet the challenges inherent in deeper integration. The challenge for the U.S. is to work with regional groups and national governments to design policies that do not create new barriers to future integration.

- Combine AGOA benefits with technical assistance and infrastructure support.
- Make AGOA permanent to support longer planning horizons, but use annual reviews of benefits and country eligibility to move toward reciprocity.
- Expand AGOA's product coverage, including by adding duty-free eligibility for certain products now excluded and by eliminating limitations on duty-free treatment for products currently designated as non-apparel textile products, tobacco and groundnuts.
- Support regional integration by consultations with the African Union, negotiating FTAs with Regional Economic Communities (RECs) where feasible, and backing regional projects by U.S. and in international financial institutions and development institutions.
- Work to complete talks at the Doha Round to deliver a multilateral trade environment that will foster an export market for African agricultural products and thereby incentive for U.S. companies and financing to invest in Africa.
- Create a one-stop shop for Africa trade finance and trade promotion programs.
- Negotiate Bilateral Investment Treaties (BITs) with individual countries or RECs.
- Place special priority on ensuring the competitiveness of Africa's apparel sector following the end of safeguard quotas on imports from China on January 1, 2009.

- Oppose extension of AGOA-type benefits to non-African countries, particularly in the textile and apparel sectors.

- Seek elimination or modification of WTO policies and practices that differentiate between LDCs and non-LDCs, there by impeding regional economic integration, by treating the entire Sub-Saharan Africa region as a single development zone for purposes of deepening and expanding regional economic integration.

- Devote immediate attention to the potential negative implications of the EPAs being negotiated by the EU with the ACP.

Foreign Assistance, Technical Assistance, and Capacity Building

Congress and the Obama administration are likely to initiate a comprehensive review of U.S. foreign assistance policies and institutions. The importance of MCC and its capacity-building initiatives in recent years has complemented AGOA preferences and traditional USAID programs, but there is a need for better integration of U.S. development activities.

A mantra of the past decade has been “trade not aid”. These are, however, complementary responses to the same issues. U.S. aid programs should continue support for the African private sector, encourage the U.S. private sector to invest in developing economies, and promote accountable fiscal, regulatory, tax, trade and governance policies in partner nations. The MCC’s focus on performance and ownership by those nations, and its use of all-grant programs, are important innovations that should be retained.

All observers of sub-Saharan Africa note its weak capacity. Whether in government, health, education, finance, or business, resources tend to be inadequate, legislative underpinnings outdated, and staff education levels and technical competence well short of global standards. Even the strongest economy, South Africa, suffers from the low levels of educational attainment of the last apartheid generations.

Technical assistance (TA) has received increasing emphasis by aid donors since the Cold War ended. Most TA from the United States is Trade-related Capacity Building (TCB) designed to help recipients take advantage of AGOA. Nearly one-third of all such support since 2001 occurred in FY2007 alone, primarily from the MCC and USAID. Other programs are operated by many agencies, usually with USAID financing, in areas from food safety to law enforcement, bank regulation, and health. In a global economy, Africa’s need for TA will only become more pressing, and the most basic and effective form of TA is for education.

SMEs constitute an under-utilized growth sector. SMEs are strong job-creating mechanisms, yet they suffer disproportionately from official red tape, counterproductive tax regimes, corrupt tendering processes, and lack of finance. They tend to be too large for micro-finance but too small for commercial borrowing. Fragmented programs often leave pioneer SMEs operating without adequate knowledge, skills and support. USAID and other institutions have taken remedial steps, but much more is needed.

- Make TA a fundamental component of all U.S. programs in Africa.

Support the SME sector, e.g., via USAID’s Trade Hubs, EXIM’s working capital loan guarantees, National Business Incubator Association (NBIA) programs, and Small Business Administration resources.

Governance and Transparency

Corruption costs Africa some $175 billion per year, and hits the poor hardest. In polls, 75 percent of Africans cite control of corruption as a priority, along with jobs, healthcare, and education. Corruption adds substantially to import/export costs for U.S. companies, and to costs of transportation, production, regulatory regimes, labor—all aspects of business. Yet official corruption is not a disqualifier for trade preferences, although such requirements are prominent in other U.S. programs like MCC.

- Work with the G-20 to develop and enforce more effective anti-corruption programs.

- Add anti-corruption conditions to U.S. trade preference programs.

- Work with the African Union to put teeth in its Convention against Corruption.

- Place increased focus in U.S. foreign assistance on anti-corruption technologies in, e.g., tax/customs programs and national ID registries.

- Encourage creation of independent anti-corruption bodies in Africa with enforcement and prosecutorial authority.

- Provide additional funding for USAID's 2005 initiative to empower local media and civil society to play a "watch dog" role.

Corporate Social Responsibility

U.S. businesses have long promoted and valued a CSR culture, which posits that corporations have an obligation to consider the interests of customers, employees, shareholders and the communities in which they operate. As a global business leader, the United States should set a standard in Africa of responsible corporate behavior. In an era of increasing international commercial competition and expansion in Africa, particularly in the area of infrastructure development, U.S. businesses need to use their commitment to effective CSR practices to create a competitive advantage.

- Encourage U.S. businesses to develop CSR investments as part of the investment strategy. Focus on measurable initiatives such as infrastructural and service projects in healthcare, education and the environment, including student scholarships, particularly for rural populations.

- U.S. businesses should be encouraged through tax incentives—similar to those they have at home in the U.S.—to sponsor community infrastructural projects in rural Africa.

Chapter 4: Agricultural Development and Agribusiness

Context

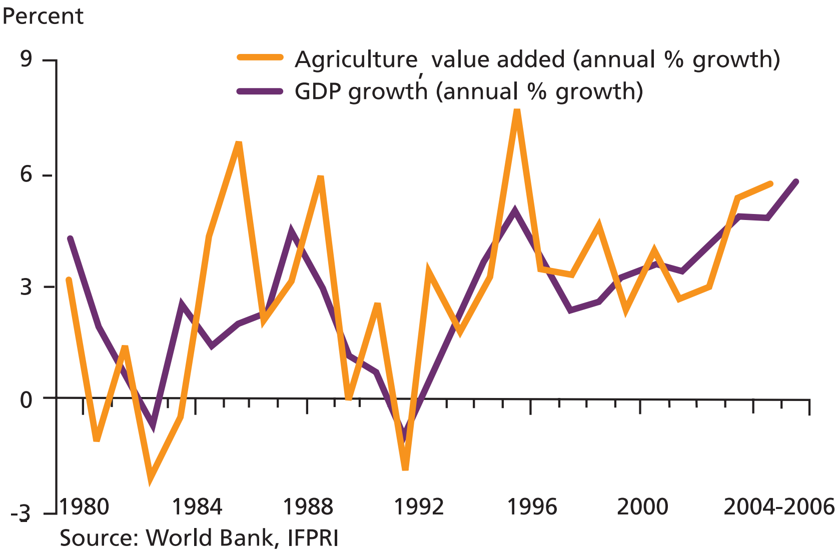
The recent spike in international food prices has placed food security near the top of the U.S. national security conversation. This sharpens the opportunity for investments in the food and biofuel industries in Africa, while offering both challenges and opportunities for U.S. policy towards Africa.

A major goal of U.S. support in Africa should be the acceleration of economic growth to reduce poverty across the continent. The most effective and sustainable way to accomplish this is to raise the productivity of the African agricultural sector, on which 60 to 70 percent of Africans depend for their livelihood, support Africa's formation of RECs, and further develop agriculture value-chains. The U.S. has experience assisting countries in raising productive capacity, leading to sustained economic growth.

The U.S. contribution to the Asian green revolution and the institutional elements of U.S. agriculture and agribusiness sectors are the closest examples of what is needed in Africa today. In addition to technology and financial assistance from the U.S., a major contributing factor to the success of the green revolution was strong leadership and ownership by Asian governments, in particular India. The U.S. should seek and nurture a similar level of leadership and ownership from African governments to accompany a scaled up involvement in Africa. The Alliance for a Green Revolution in Africa (AGRA) established with support from the Rockefeller Foundation and the Bill and Melinda Gates Foundation in 2006, and led by former U. N. Secretary-General Kofi Annan, has also begun to take steps towards promoting a green revolution similar to that of Asia. It is currently implementing a comprehensive agricultural development program for Africa with a focus on connecting African farmers and markets to the latest technologies and methods.

New developments give reason for hope. The CAADP, which has been adopted by the AU and is currently being implemented in several countries in Africa's largest RECs, offers a real framework that would ensure such leadership and ownership. The USAID has played a critical role in supporting the CAADP agenda and mobilizing the

GDP and Agricultural Growth in Sub-Saharan Africa 1980-2006



Source: World Bank, IFPRI

development community to align with it. The U.S. should continue to strengthen the CAADP process and work through it to scale up its investment in support of broad-based economic growth for poverty reduction in Africa.

Recommendations

We strongly recommend that the Obama administration give the highest priority to agricultural and agribusiness development in Africa. We propose a set of policy recommendations that address a broad range of issues facing the African agricultural and agribusiness sectors. The key issues these recommendations address are the following: (1) international collaboration and public-private partnerships; (2) technical assistance and capacity building; (3) incentive structures in the U.S. and Africa; and (4) increased U.S. market access for African agricultural products.

Policy Recommendations

International Collaboration and Public-Private Partnerships

- Elevate agriculture and agribusiness as a leading priority in U.S. developmental assistance to Africa.
- Evaluate existing successful public-private partnerships in Africa for possible scale up, and identify new opportunities for pilot programs in African countries that meet MCC criteria.
- Support the implementation of the AU's CAADP as an African solution to African agricultural development and broad-based, sustained, economic growth.
- Establish an inter-agency group, headed by the White House and supported by the USDA, USAID, OPIC, U.S. Department of Commerce, and other relevant agencies to implement and oversee a newly developed U.S./African agricultural development initiative. This inter-agency group should also regularly meet with representatives from the private sector to orchestrate a coordinated effort to attain sustained growth in Africa's agricultural value-chains.
- Strengthen African agricultural and agribusiness institutions through expanded ties to land grant colleges and universities and agricultural research institutes in the U.S.
- Establish an "Agricultural Corps" within the U.S. Peace Corps to bring U.S. agricultural and entrepreneurship expertise to Africa's RECs.
- Strengthen MCC and other USG agencies to support the development of rural agricultural marketing infrastructure, including feeder roads, cell phone towers, and small-scale storage facilities for tree and field crop and livestock farmer associations.

Technical Assistance and Capacity Building

- Fund a breeding research and farmer outreach program for selected food and cash crops, as well as livestock, including equipping selected African sub-regional research organizations and national agricultural research systems that are working with the Forum for Agricultural Research in Africa and African Agricultural Technology Foundation. Link these African institutions with U.S. land grant colleges and universities. This program would develop a mechanism for research and knowledge development in collaboration with African research institutions and the farmers and commodity transforming value-chains they serve.

- Offer trade incentives and technical support to African nations that remove constraints on the free movement of agricultural goods throughout Africa via existing RECs such as the Economic Community of West African States (ECOWAS), the Common Market for Eastern and Southern Africa (COMESA), and the Southern African Development Community (SADC).
- Strengthen Africa's sub-regional web-based message centers to allow farmers access to real-time commodity prices.
- Charge the USDA and relevant agencies with providing technical assistance to expand and enhance market channels for rice, corn, livestock, tree crops, and aquaculture production, processing and storage.
- Support U.S.-headquartered companies that have research collaboration with U.S. land grant universities, in providing technical mentoring programs. A targeted program similar to the Fulbright Scholars program would be ideal.
- Increase investment in existing agribusiness programs in African university networks and expand tertiary agribusiness programs in Africa to raise African skill levels in agricultural commodity trading, commodity exchange contract design, financing, and smallholder business entrepreneurship. U.S. land grant and other leading U.S. education and trade organizations are very capable of providing the requisite long-term technical assistance.
- Implement U.S.-Africa carbon offset programs to encourage investment in the production and processing of African biofuels for regional use and for export to the international market.
- Develop a duty-free agreement on biofuel imports made from agricultural sources such as jatropha and sugarcane from Africa into the United States.

Incentive Structures in the United States and Africa

- Place priority U.S. attention on agricultural value-chain development from farmers and farmer associations to agro-processors through coordinated efforts between USAID, U.S. Department of Commerce, and CAADP to expand local storage, irrigation, transportation and processing capacity and to enhance local logistical management and coordination, particularly crops such as rice, cassava, gum Arabic, tree crops, yam, cocoa, coffee, cashew, and shea butter.
- Design and implement a range of incentives, such as tax credits, for U.S. private sector investment in African agricultural production, processing, and marketing infrastructure.
- Support implementation of recommendations of the Land Policy Initiative by the AU and the U.N. Economic Commission for Africa, including establishing a legal aid program for adapting land laws to promote integration of small scale farmers into the formal economy.
- Support the Commercial Law Development Program of the U.S. Department of Commerce to work with Africa's regional economic communities and commodity trade associations to develop the legal underpinnings for warehouse receipting, and interstate commercial trade.
- Adapt African agriculture to climate change with a jatropha development program on marginal lands; a mine slag reclamation program, using biofuel feedstocks; and a start-up credit facility for adopters of integrated conservation agriculture.
- Offer increased levels of agricultural and political risk insurance for companies interested in doing business in Africa by coordinating the efforts of OPIC and the USDA who both have experience in issuing insurance for companies working in emerging economies.

Increased U.S. Market Access for African Agricultural Products

- Revise the AGOA to promote high-value agricultural and semi-processed exports from Africa.
- Strengthen African sanitary and phytosanitary regulations and technical capacity to implement and enforce the regulations to meet international standards by offering funding and expertise to African agricultural exporters to develop quality food supply-chains by way of USDA's Food Safety & Inspection Service and Animal and Plant Health Inspection Service. This will help African exporters by lowering compliance costs, which are often prohibitively high. Similar efforts should also be made to align African producers and processors with Codex Alimentarius regulations, particularly those that are producing items for direct consumer consumption. •

Chapter 5: Electrical Power

Context

Of the more than 1.6 billion people living without access to electricity worldwide, over one-third lives in Africa. Excluding South Africa, only 20 percent of sub-Saharan Africa's population has direct access to electricity. This number plummets to five percent in rural locations. The nations of sub-Saharan Africa currently generate less than 70 gigawatts of electricity, roughly equal to that of Spain alone.

Many African businesses must purchase diesel generators to have access to reliable and consistent power, tripling their power costs per kilowatt-hour and thereby depressing profit margins, limiting business investment, and decreasing export competitiveness. In addition, the two major sources of energy in Africa today, coal and biomass, are often used in an unsustainable fashion that contributes to carbon emissions, deforestation, erosion of farmland, and other environmental problems.

The lack of energy infrastructure, high energy costs, and environmental degradation are major obstacles to development for much of the African continent.

These problems offer both challenges and opportunities for U.S. policy towards Africa. Traditionally, U.S. policy towards Africa has focused on urgent strategic issues arising from conflict and humanitarian emergencies, along with major social sector issues, such as health and education, but investment in the continent's electricity sector is essential if sustainable economic growth is to take hold. Underinvestment in Africa's value-chain, and in the infrastructure necessary to bring much needed electricity to the end user, has left Africa in a perpetual state of dependency.

U.S. companies and organizations have significant expertise relevant to address Africa's electricity deficit. This expertise could be deployed to help the continent move beyond 20th century technologies and leapfrog to green energy. U.S. policy must empower those African countries with proven track records of development to take ownership of their energy needs and, with the assistance of U.S. companies and organizations, develop African solutions to address African problems.

Just as Africa's telecommunications industry was able to skip a generation of technology and install wireless networks to bring telecommunications service to millions of Africans for the first time, so too can Africa's energy sector jump beyond traditional, higher emissions technologies and move directly to more environmentally friendly and renewable solutions.

Recommendations

We strongly recommend that the Obama administration place high priority on Africa's electricity sector. The policy recommendations below address a broad range of electricity challenges that will drive Africa towards a greener and more sustainable future that will not only serve to lower poverty on the continent, but also generate significant value for U.S. interests. The key issues these recommendations address are: (1) developing market-based pricing for power; (2) enhancing financing opportunities for African countries through the strengthening of OPIC, EXIM and USAID programs; (3) utilizing carbon offset programs to promote the development of green energy projects in Africa; (4) harnessing Africa's vast fuel potential by limiting the flaring of natural gas and developing the African biofuels market; (5) expanding rural electrification; (6) expanding Africa's renewable energy sectors; and (7) developing capacity building programs that deal with the lack of human resources across the continent.

Policy Recommendations

Market-based Pricing

Subsidies on inputs and electricity in many African countries distort prices and discourage investment in capital-intensive electricity projects.

- In all U.S. government programs, encourage and provide the institutional support to African governments to transition, carefully and gradually, away from state-controlled fuel and electricity prices, thereby allowing investors in power generation to earn a return on their investments. This transition should also supply a safety net for the very poor as well as education of the public about the benefits of market-based pricing leading to a sustainable transition free of socio-economic problems.
- As a transitional mechanism, charge OPIC and the Multilateral Investment Guarantee Agency (MIGA) with developing special Power Purchasing Agreement (PPA) guarantee programs to assure private sector investors that PPAs will be honored for their full life, even after changes in the political landscape of a given country.

Enhancing Investment and Trade Finance

U.S. government financing appears available on less favorable terms in many African countries as compared to other developing nations.

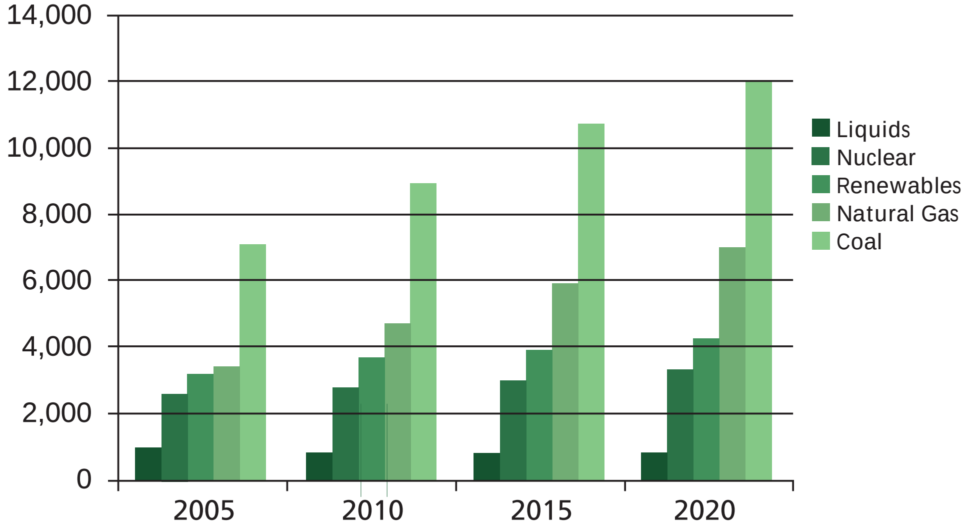
- Launch a special U.S. export credit program for electricity infrastructure projects in Africa, which includes the following two primary elements:
- Significant decrease or elimination of country limitations on sub-Saharan African countries in EXIM programs.
- Development of a comprehensive bilateral package of USAID (or MCC) funding (grants, development funding, and permanent financing) for cleaner electricity technologies that will cover incremental costs of cleaner versus traditional energy systems.

Carbon Offsets

As the Obama administration implements a carbon policy in the U.S., it should consider incentives to provide opportunities to develop infrastructure in Africa while lowering overall costs of abatement by including offsets specifically for investment in Africa.

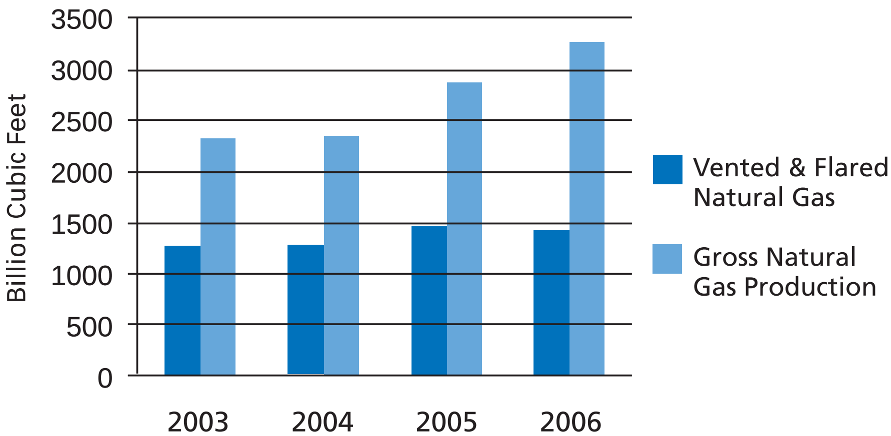
- Ensure that Africa receives a share of any U.S. offset program, recognizing that such offsets are a way to promote U.S. investment in African clean energy infrastructure.
- Provide credits for renovation of existing facilities and for greenfield renewable energy projects.
- Work with the international community to promote an international carbon credit exchange that will allow African companies to receive much-needed capital through the sale of carbon credits.

Net Electricity Generation in Africa by Fuel 2005-2020



Source: Energy Information Administration of the U.S. Department of Energy, International Energy Outlook 2008

Sub-Saharan Africa's Gross National Gas Production and Flaring



Fuels

The Obama administration should encourage the use of African fuel sources to power African development and offset deforestation caused by the use of wood as a primary fuel.

- **Biofuels**
  Harness Africa's vast biomass resources to address food security, energy security, and sustainable development on the continent.

- Charge USDA with utilizing its human capital, training capacity, farm support programs and hybrid seed research to implement a green lend-lease program that provides financing, technology, and training to model green fuels and renewable power supplies.

- Promote U.S. manufacturing by supporting the export of modular bio-refineries and power generation equipment, which provide fuel and power for plant operations and independent power producers (IPPs) in Africa.

- Create an investment and technology transfer program that brings emerging sub-Saharan African markets up to a locally-produced 10 percent biofuel blend (B10) mandate.

- Assess opening the American market, either wholly or through a tariff rate quota, to imports of bio-ethanol from emerging African nations.

- **Gas Flaring**
  Due to security risks, weak local demand for natural gas and inadequate access to international gas markets and funding, African gas resources have not yet been turned into a viable business opportunity.

- Use existing institutions such as OPIC and MCC to fund projects that mitigate gas flared by oil companies in Africa. These funds should be invested in projects (potentially including those managed by non-traditional oil companies) to use previously flared gas for power generation and liquefied natural gas exports.

- Make CDMs and U.S. offset credits available for gas flaring reduction programs, whether or not also re cquired by law, but only in cases where gas is utilized for power generation or other productive purposes.

Rural Electrification

- The Obama administration should assist Africa in the development of rural electrification projects.

- Charge USAID and OPIC with utilizing U.S. experience in rural electrification to provide electrification in rural areas where grid-based electrification does not yet extend.

Renewable Energy

- The Obama administration should support the increased adoption of renewable energy in Africa.

- Establish within MCC a program that provides financial and technical support to African governments that create effective incentive structures promoting renewable energy projects

- The U.S. executive director of the World Bank Group Board should request, on behalf of the entire board, that World Bank senior management modify the rules and procedures governing the Clean Technology Fund such that the fund provides effective incentives to encourage private investment by American and other companies to participate in green energy projects in the nations of Africa and in other developing countries.

Human Resources and Capacity Building

- The Obama administration should promote and support projects or programs that result in significant increases in the number of skilled experts in Africa's electricity sector.

- Provide funding for the establishment of four regional energy education and policy research hubs at universities in western, eastern, central, and southern Africa.

- Provide assistance for training entrepreneurs in rural communities on how to establish and operate electricity-focused SMEs.

- Require that all USAID projects with an electricity component increase the share of resources that are dedicated to human capacity building and practical knowledge transfer, including advanced electrical system management training in the United States.

- Promote informational campaigns in Africa that seek to increase overall public awareness of electricity production and consumption as well as best practices to help in the fight against climate change.

- Supply training for African civil servants as a primary goal to develop robust local government departments that can effectively put into action the policies necessary to allow Africa to leapfrog to green. In addition, the U.S. government should encourage African governments to install incentives for improved job performance, develop stronger checks and balances, and increase accountability and transparency.

- Deliver a secure online learning forum between the U.S. and African governments on energy policy. •

Chapter 6: Extractive Industries

Context

Africa's extractive industries, including crude oil, natural gas and mining, are of significant importance to U.S. energy security. The African region, and especially the Gulf of Guinea, is emerging as an important supplier of crude oil and natural gas to the United States. The region contributes more than 19 percent of U.S. crude oil imports and many analysts predict that it will provide more than 25 percent of U.S. imports by 2015.

Sub-Saharan Africa Natural Resource Production

Commodity	SSA Production as % of world	Major Countries
Bauxite	9%	Guinea, Mali
Copper	5%	DR Congo, Zambia
Gold	21%	South Africa, Mali, Ghana, Tanzania
Manganese	39%	South Africa, Gabon
Zinc	4%	Namibia, South Africa
Diamonds	46%	Botswana, DR Congo, South Africa
Uranium	16%	Namibia, Niger

Source: Bloomberg, CRU, Morgan Stanley Research

Africa's strategic value to the U.S. is enhanced by the quality of its light crude oil, proximity to the U.S. market relative to the Middle East and the absence of narrow maritime shipping lanes. Sector experts project that, from 2006 – 2012, the cumulative capital investment in exploration and production activities in countries bordering the Gulf of Guinea and the Congo Delta will be close to $74 billion. According to Oil and Gas Journal, this amount is 60 percent higher than the cumulative exploration and production investment seen from 2001-2005. Approximately one-third of this investment will come from the United States.

The American private sector engaged in Africa's extractive industries is an essential catalyst for investment and job creation in Africa. Because of the massive capital required for African resource extraction projects, these investments help facilitate the building of modern infrastructure, including power generation stations, roads, schools and hospitals. Most investors in Africa's extractive industries also have programs to facilitate the growth of SMEs. In Equatorial Guinea, Chad, Democratic Republic of Congo, Nigeria and Angola, the American private sector is engaged in an array of development projects, ranging from resettling ex-combatants, to training teachers, to eradicating malaria, to creating micro-finance institutions.

Despite the opportunities for economic growth presented by resource extraction in Africa, there are considerable obstacles to development and prosperity. These include: (1) weak government institutions; (2) inadequate health care facilities; (3) insecurity in the Niger River Delta; (4) poor infrastructure; and (5) corruption.

Insecurity in some countries where extractive companies are currently engaged has imposed massive costs on the host government, the private sector and local populations. In 2006, Nigeria lost more than 600,000 barrels daily of crude oil as a result of militant group activities. This decline was offset by production from new oil streams. Lack of effective control over maritime waters in the Gulf of Guinea has encouraged high levels of piracy (second only to the Strait of Malacca), illicit trafficking of weapons and drugs, kidnappings, illegal oil bunkering and attacks by militants against energy infrastructure.

Recommendations

The Obama administration should support important initiatives in Africa that enhance local and regional stability and prudent utilization of funds gained from the extraction of resources. Gains from stable conditions and improved investment activity in Africa's extractive industries by American companies will help advance U.S. national security and promote economic growth in African countries.

Policy Recommendations

Transparency and Accountability

Many countries in Africa lack the human capital to prepare, audit and monitor public finance and to manage funds gained from the extraction of resources.

- The United States should continue to strongly support the EITI *(see Annex 1)*.

- U.S. representatives in international organizations, such as the G-8, World Bank and the International Monetary Fund (IMF), should advocate for continued progress on revenue transparency and anti-corruption efforts and encourage member countries in these organizations to become part of the EITI process.

- The U.S. government, working with the World Bank, should establish a multinational forum to work with the EITI secretariat. The forum should provide technical expertise to nations moving forward on revenue transparency.

- Efforts should also be made to link U.S. and African academic institutions in the training of public officials on accountability standards.

- Avoid mandating disclosure unilaterally on U.S. extractive industry receipts and payments. This will severely hamper U.S. commercial competitiveness and create an uneven playing field for U.S. companies against some of the world's largest players, including some that are not listed on U.S. exchanges.

Contract Sanctity

- The U.S. in its engagement with African countries should advocate for contract sanctity as a means towards encouraging greater investment by U.S. firms.

- Advocate for reliable long-term contracts and clear tax rules.

- Insist that contractual agreements include provisions for effective arbitration of contract disputes and enforcement of property rights.

- The use of BITs between the U.S. and African countries should be encouraged. (The U.S. has BITs with five sub-Saharan African countries; the last was signed with Rwanda in February 2008).

Security and Human Rights

- The U.S. government should increase its assistance in the training and equipping of civilian law enforcement agencies and government security agencies in host countries. *(see Chapter 1. Security)*.

- Continue to strongly support the Voluntary Principles on Security and Human Rights *(see Annex 1).*

- Help train and improve the capacity of law enforcement and security agencies in Africa, and especially in the Gulf of Guinea. Improved capacity and training will strengthen the ability of security agencies to tackle crime and to effectively police borders and territorial coastal waters.

USG Agencies

Some USG agencies operating in Africa have successfully helped to build the capacity of local institutions to tackle infrastructure and health challenges.

- Continue to support funding for agencies such as MCC, PEPFAR, USAID, and USTDA. These agencies should develop mechanisms to stimulate job creation with a priority focus on the youth entering the workforce. Encourage partnership of these agencies with U.S. companies, some of whom already have successful local initiatives.

Increase U.S. Commercial Advocacy

U.S. private sector investment promotes the use of the best technological and environmental practices, high ethical business standards, and long term sustainability programs—drivers for long term and positive change.

- Encourage more high-level cabinet visits between the U.S. and Africa, including Agriculture, Commerce, Energy, HHS, State, Treasury and USTR.

- Increase engagement by senior USG officials in advocating for U.S. companies. This will help counter aggressive engagement by other governments actively seeking to advance the interest of their national companies. To accomplish this efficiently and effectively, and to ensure that there is an integrated and coherent policy across the USG, there should be a designated senior White House official who is mandated to lead the interagency process. •

Chapter 7: Healthcare

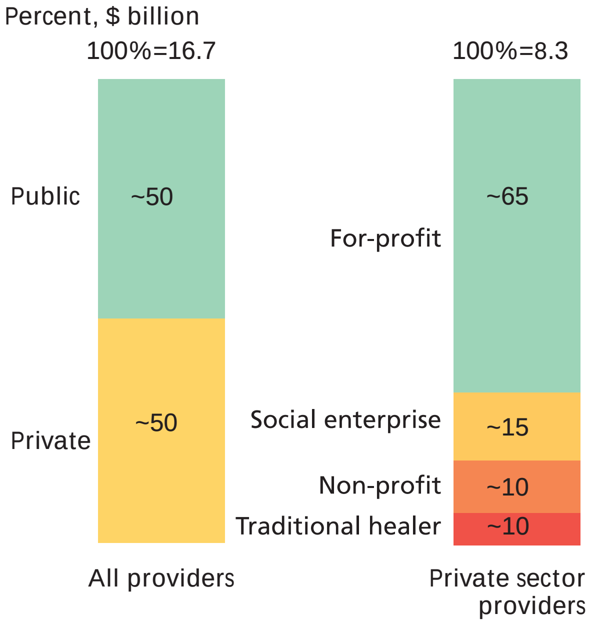
Context

The International Finance Corporation, in its 2007 study, *The Business of Health in Africa*, predicts a doubling of the African health care market by 2016. This will require an estimated $25 billion to $30 billion in new investments in health care assets, including hospitals, clinics, and distribution warehouses to meet the growing health care demands of sub-Saharan Africa. Total health expenditures on the continent in 2005 were estimated to be $16.7 billion. Sixty percent of this expenditure—predominantly out-of-pocket payments by individuals—was financed by private parties, while about 50 percent was captured by private providers.

Despite the international community's attention to public health systems, in many circumstances, the private sector—which includes both the commercial, for-profit sector and not-for-profit NGOs—is the primary channel through which the majority of Africans pay for, obtain access to and receive health care. In this chapter, the term "private sector" is used to refer specifically to the commercial sector.

Much of the unprecedented growth in demand and

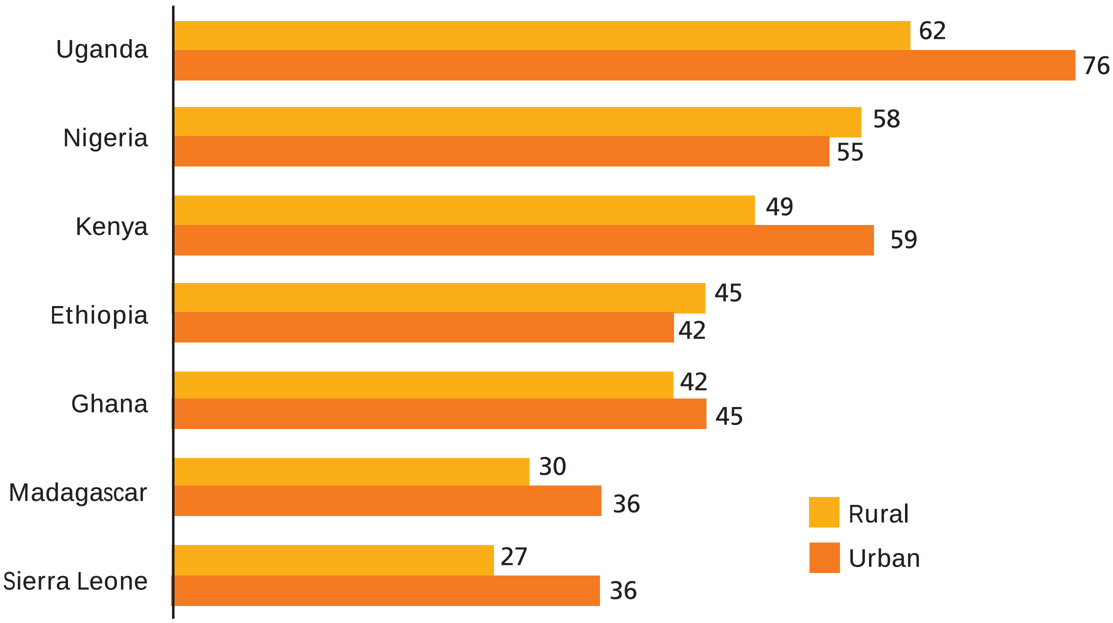
Approximate expenditure on health care by provider ownership, 2005*



*Data for Sub-Saharan Africa (excluding South Africa) is exstrapolated from the most recently available data (1995-2002) from national health accounts for Ethiopia, Kenya, Malawi, Namibia, Nigeria, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe, and additional data available for 13 other individual nations.

Source: NHA reports; country interviews, literature serach; McKinsey analysis

Population using private, for-profit providers of modern medicine
Percent of population*



*Data based on usage, not expenditure (most recent survey year available between 1995-2004); data not available for all countries.
Source: Africa Development Indicators, World Bank 2006.

services is driven by the historic marshalling of resources for health undertaken by the global response to HIV/AIDS, TB and Malaria. The major donors in this effort are the U.S. government via mechanisms such as PEPFAR and the President's Malaria Initiative (PMI), other bilateral donors, the Global Fund to Fight AIDS, Tuberculosis and Malaria, the World Bank's Multi-Country AIDS Program (MAP) and the philanthropic efforts of The Bill and Melinda Gates Foundation.

While fiscal resources expand, the national health systems that support these efforts are vastly overburdened and understaffed. They are characterized by a multitude of actors (government agencies, donors, and local and international non-governmental organizations, faith-based organizations, and private sector entities) and stymied by systemic redundancies, management and supply chain inefficiencies, and human resource and information systems constraints.

When these inefficiencies are coupled with the largely invisible African epidemic of growing chronic diseases such as heart disease and diabetes, it becomes clear that the pandemics of today will require creative thinking, coordinated responses across implementing partners, and reinvigorated donor and government policies. As the Obama administration seeks to reshape U.S. diplomatic and development policies, it will be critical to ensure a greater role for the private sector.

A number of programs and policy shifts have been proposed, including the Health Infrastructure 2020 Initiative and the Obama administration's SME Fund. The SME Fund, for example, would be an ideal vehicle through which the administration could promote market-based approaches in the health sector. Through this fund, local entrepreneurs could access the seed capital and technical assistance through the OPIC that is needed for partnerships with U.S.-based companies.

These initiatives, together with the following policy recommendations, will contribute to the development of large-scale public-private partnerships and private sector investment opportunities that will help set the stage for a more vigorous and productive participation of the private sector in addressing Africa's health care constraints.

Recommendations

We strongly recommend that the Obama administration give high priority to the role of the private sector in fulfilling its African health agenda and to expanded best practices shaping public-private partnerships addressing the range of health requirements facing Africa. The key issues these recommendations address are to (1) expand U.S. government support for the role of the U.S. private sector; (2) facilitate market-based health initiatives in Africa; (3) improve partnership models to facilitate work with the private sector; and (4) broaden the USG's global health focus.

Policy Recommendations

Expand USG support for the private sector role in health in Africa

- Acknowledge that the commercial private sector is a key player in providing health products and services to Africa and that USG programs would benefit from long-term partnerships with the private sector, particularly through market-based initiatives established on the principle of joint risk/joint investment, in order to sustain international health engagement.

- Identify and reform U.S. regulatory impediments to private sector participation in African health systems development including burdensome tax and tariffs on all U.S.-made medicines, vaccines and medical devices.

- Use the Health Infrastructure 2020 Initiative as a platform to create policy incentives for the U.S. private sector to leverage their core competencies and support government health programs that contribute to human resource development in the African health sector, including pre-service and in-service technical and management training programs for physicians, nurses, and technicians.

- Strengthen the involvement of the private sector in achieving the Millennium Development Goals (MDGs) 4, 5, & 6 by embracing market-based approaches which are sustainable and increase revenue for communities (e.g., involving local manufacturers and distributors).

- Establish a consistent USG policy for private sector engagement in health in multilateral agencies and development banks, and encourage a coordinated and consistent set of policies across these institutions as they seek to engage the private sector in addressing health issues for Africa.

- Regularly engage U.S. health industry leaders to better gauge their perspective on partnering with the government on various health initiatives, such as Health Infrastructure 2020.

- Advocate pro-market policies to encourage new investment in health infrastructure and the introduction of new technologies and services.

- Strengthen partnerships with networks of U.S. institutions of higher education to provide access to health and medical education in areas with limited resources.

Encourage market-based health investment in Africa resulting in demand-driven models of healthcare delivery

- Promote pro-investment environments in Africa including robust support for capacity building of African regulatory bodies, national quality control mechanisms, and regional trade infrastructure.

- Give specific consideration to local health priorities and cost-effective use of resources through market segmentation.

- Use public money to wholly fund or subsidize health services and treatment to those who cannot afford it while supporting policies that allow those with higher incomes to pay market prices for care. Such segmentation will mitigate unnecessary market distortions caused by large-scale U.S. government engagement in health.

- Expand access to health financing mechanisms that encourage long-term growth and investment partnerships particularly access to funds supporting health-related businesses in Africa, including encouraging micro health insurance, health savings accounts, or health credits.

Improve USG relationships and partnership processes with private sector on global health issues

- In collaboration with members of the U.S. private sector, review and revise the process/mechanisms for public-private partnerships so that they are simple, transparent, predictable, and replicable.
- CCA endorses the Institute of Medicine's recommendation to establish a single coordinating entity for international health policy at the highest level to ensure coordination across the government, thereby minimizing redundancies among USG agencies that implement health program in Africa and achieving greater efficiency in the use and flow of resources.
- Task senior USG officials (namely ambassadors and USAID mission directors) at the country level with giving priority to health issues and encouraging private sector participation in resolving national health constraints.
- Promote greater dissemination and implementation of best practices including partnerships models such as USAID's Global Development Alliance (GDA) and PMI.
- Adjust USG policies at the agency and program levels by modifying the metrics of success to include incentives for public-private partnerships and health systems development.

Broaden the USG's global health focus

- Incorporate disease-specific programs into a comprehensive preventative health systems approach in partnership with the private sector. The approach should include human capacity development, healthcare financing, supply chain management, and health information systems development.
- Give attention to the role of the private sector in better addressing neglected tropical diseases and chronic disease prevention and mitigation not included in infectious disease strategies and policies.

Chapter 8: Infrastructure

Context

The United States is Africa's largest trading partner, but its foreign assistance towards Africa is inconsistent with that role. Infrastructure, referred to as "the backbone of Africa's development" at the January 2009 AU Summit, is a critical aspect of U.S. foreign policy towards Africa. Unfocused and minimal USG resources promoting infrastructure development dampen and inhibit U.S. private sector engagement in Africa.

Africa's lack of basic infrastructure looms as one of the most important obstacles to its competitiveness, stability, and economic growth. The long-term nature of infrastructure development, both regulatory (soft-side) and physical (hard-side), promotes deeper and more meaningful diplomatic and economic relationships with African nations. This interaction opens up new markets for U.S. goods and services, increases Africa's trade and global connectivity and enhances the economic growth and security of the U.S.

Current U.S. foreign assistance to Africa is primarily focused on aid, not development. The Bush administration increased aid to Africa from $2.5 billion to $5.5 billion. Most of this increase was for mitigating the scourge of HIV/AIDS. USG assistance pales next to the European Union Commission's total aid of $20.3 billion and the United Kingdom DFID's $5.2 billion. China and India have combined aid-linked investments in Africa worth more than $20 billion.

These figures consist largely of investments in infrastructure, which has brought African nations closer to non-American investors. In turn, the investments have provided a major boost to economies by encouraging European, Chinese and Indian firms to work in Africa, a phenomenon that leads to job creation at home. The Obama administration can do the same for the United States.

Recommendations

The following recommendations suggest concrete ways for the Obama administration to promote U.S. investment in infrastructure to enhance partner nation stability and job creation in both the U.S. and in Africa. The document is divided into "soft" and "hard" infrastructure recommendations. We recommend a change in the way the USG and the U.S. private sector interact to encourage long-term relationships/partnerships and to increase significantly the presence of American companies on the continent.

Access to Infrastructure (Source: World Bank Sustainable Infrastructure Action Plan, 2008)							
REGION		EAP	ECA	LAC	MNA	SAR	SSA
Population (in millions) (WB 2006) (1)		1,899	459	555	310	1492	770
Living population with less than $1 per day (in millions) (WB 2007) (2)		169	4.4	47	4.4	446	298
Urban population (%) (WB 2006) (3)		42	64	78	57	29	36
Urban population in 2030 (%) (WB 2006)		70	63	92	61	40	52
Access to electricity (%) (EIA 2005) (4)		89	99	90	78	52	26
Access to water supply (%) (wssinfo.org) (5)	Urban	93	95	94	95	94	83
	Rural	67	82	66	77	80	44
Access to sanitation (%) (WB 2006) (5)	Urban	73	91	86	93	67	73
	Rural	35	81	52	70	22	43
Access to telephone per 100 population (WB-2006) (6)	Fixed	23	25	18	17	3	1
	Mobile	35	63	55	36	15	14
Access to rural transportation (%) (WB 2002-4) (7)		90	82	59	59	57	34

1 World Bank Development Database, 2006.
2 World Bank Development Economics Data Group (DEC), October 2007 – Data from 2004.
3 World Bank Development Database, 2006.
4 International Energy Agency (IEA), 2005. EAP data includes China, while MNA does not include Northern African States.
5 Joint Monitoring Program Database (wssinfo.org), 2004 Data.
6 World Development Indicators, 2006.
7 Rural Access Index (RAI) estimates the proportion of rural population, which has access to an all-weather road, based on household survey data: 2002–04.

Policy Recommendations

Soft-side

- Strengthen MCC's technical support to African countries for infrastructure. This can be accomplished by incorporating a technical unit within the various compact countries enabling ministries to facilitate contracting and project development.

- Create an office within the U.S. government to coordinate infrastructure support that is staffed by individuals with significant private sector experience in emerging markets.

- Provide U.S. technical assistance to strengthen regulatory frameworks that promote infrastructure investment. Five specific examples include:

    - Support for land and private property rights legislation that levels the partner nation's domestic playing field while encouraging FDI.

    - Support for the professionalization of civilian security mechanisms, including police, customs and other related security services, that provide a safe and stable economic and political environment for investment. For example, the Department of Homeland Security's Customs and Border Protection agency should expand its security focus in Africa, with bilateral, regional and industry promotion of trade security programs, including the Secure Freight Initiative (SFI), the Container Security Initiative (CSI) and the Customs-Trade Partnership Against Terrorism program (C-TPAT).

    - Recognition of African nations' exclusive economic zone resources, such as fisheries and oil/gas development, as critically important components of national infrastructure that require development plans for safety and security, with a special view to avoiding the depletion of renewable resources.

    - Elevation of Trade Capacity Building Assistance (TCB), which includes promoting economic growth through trade and enables partner nations to negotiate and implement market-opening and reform-oriented trade agreements. A new Africa policy should encourage increases in maritime transportation competition and capacity spurred by an increase in the TCB budget commitment to a $3 billion - $4 billion level. EXIM export financing services for U.S. firms should be expanded to develop the maritime sector in Africa as fundamental to TCB assistance.

- Leverage African resources to create and invest in domestic capital markets related to infrastructure.

- Encourage the international donor community, especially the World Bank and the African Development Bank, to prioritize infrastructure financing.

- Expand support for technical exchanges between U.S. institutions, businesses, and professional associations and African infrastructure organizations.

- Coordinate infrastructure development in Africa both bilaterally and with RECs (ECOWAS, COMESA, SADC, etc.).

- Encourage innovative solutions through the State Department's Global Partnership Program as well as USAID's GDA that bring together funds from various private sources, including sovereign funds.

- Consider using the U.S. Tax Code to provide tax incentives for U.S. companies that undertake community stability programs in Africa

Hard-side

Transportation and other infrastructure constraints are major impediments to trade and investment in Africa. Transport costs to and from Africa are 2.5 times higher than to any other continent, and within Africa are as much as ten times higher. After decades of under-investment, major infrastructure improvements are essential and provide enormous commercial opportunities, yet U.S. firms have been slow to respond because Africa is unknown territory and has a reputation for crime and corruption. In the current global economic environment, there is a strong argument that American business, with Administration support, should mount a much more aggressive push into the "Frontier Economies" of Africa.

- **Maritime**

  African economies increasingly depend on maritime transport and require more efficient maritime transport and ports. An essential pillar of international maritime trade competitiveness is maritime security. The International Maritime Organization has mandatory standards for ship and port facility security in the International Ship and Port Facility Security Code (ISPS) of the Safety of Life at Sea Treaty (SOLAS). The U.S. Department of Homeland Security has a number of international security initiatives that can pre-position African ports for growth through meeting international maritime/port security standards.

- Realign U.S. Africa policy and strategy policy tools to support maritime infrastructure development.

- Support new USTDA maritime infrastructure activities in key ports such as those in Nigeria, Tanzania and Angola.

- Expand African Global Competitiveness Initiative (AGCI) maritime infrastructure development. Strengthen the existing AGCI strategy to promote economic growth, create jobs, and raise living standards in Africa. Currently, AGCI has four regional Global Competitiveness Centers or Trade Hubs in Ghana and Senegal (for West Africa), Botswana (for Southern Africa), and Kenya (for East and Central Africa). The AGCI hubs should be expanded to include Nigeria, Angola and Tanzania to better align with Africa's NEPAD Spatial Development plans.

- Assist African governments, the AU and the International Maritime Organization to ensure compliance with ISPS as a means of positioning port infrastructure and maritime safety and security standards compliance as a new partnership priority. Nations failing to meet these standards will encounter trade limitations and will lose competitive edge to nations with appropriate security for their ships and ports.

- Initiate the Safe-Sea-Ports for Africa (SSPA) Program, a companion to the Safe Skies for Africa Program that brings in African ports and infrastructure development into the transportation strategy. The goal of SSPA technical assistance would be to improve the maritime safety, security, marine navigation, and port efficiency of maritime ports in sub-Saharan.

- **Air Transportation**

The nations of sub-Saharan Africa are heavily dependent on their aviation industries to move people and products. Most airlines in sub-Saharan Africa fail to provide the needed lift to support international, national or regional requirements. Consequently many African countries suffer high passenger fares and cargo charges. This in turn leads to diminished competitiveness, both for the air services industry and for the economies as a whole.

Among the air transport sector weaknesses that can be corrected are: (1) a lack of capital and mismanagement; (2) insufficient air transport infrastructure such as airports, maintenance, repair and operations facilities; (3) lack of trained personnel; and (4) inadequate governmental oversight of aviation safety and security, including air traffic control *(see Chapter 9, Tourism).*

Liberalization of African aviation markets is the goal of the Yamoussoukro Declaration, which should be more broadly ratified and implemented. The Department of Transportation's technical assistance and training programs under the Safe Skies for Africa (SSFA) Program, funded by the Department of State, strengthen safety, security, and navigation for air services. Aviation security and related counter-terrorism activities help to fight terrorism, narcotics trafficking, and smuggling. In countries that ratify and implement the Cape Town Convention and Aircraft Protocol, EXIM offers financing that has saved approximately $40 million in costs for seven client airlines in seven African countries. There are no fewer than nine additional African countries that could benefit immediately from ratification *(see Chapter 9, Tourism)*.

- Assist African countries to ratify and implement the Cape Town Convention and Aircraft Protocol.
- Urge African governments to implement the Yamoussoukro Declaration.
- Support and expand the SSFA program.
- Encourage the African Union and the regional economic communities to partner with the private sector to develop national and regional and continental Air Traffic Control and Air Traffic Management Centers under the Safe Skies for Africa Program. Regional organizations under the auspices of the African Union could be provided satellite navigation equipment as has been done for the United States (WAAS), Japan (MSAS), and soon over India (GAGAN). Development and use of Passive Coherent Location (PCL) sensing technologies could be leveraged.

- **Ground Transportation and Warehousing**

High transport costs and limited availability of ground facilities render intra-African commerce infeasible except over short distances. Even if road, rail, warehousing, and port infrastructure are available, they may be seriously dilapidated or traffic may be impeded by crime, corruption, and rent-seeking by local officials or entrenched interests.

- Support more concessional U.S. financing for purchase of transportation equipment by smaller African firms with American partners, investors, or mentors.
- Support higher priority and more innovative design for infrastructure projects, including on a regional basis, by IFIs.
- Encourage U.S. business to take more advantage of African opportunities, by use of trade missions, public information programs, business seminars, etc.
- Give higher priority to participation by African/ American-owned enterprises in providing transportation/logistics services for U.S.-funded NGO programs.

- **Railroads**

Railroads provide a stimulus for economic development and Africa lags behind in rail infrastructure. The movement of goods and people by rail is more cost effective and more energy efficient than by road. Urban rail mass transit systems reduce pollution and traffic congestion.

- Assist in collaboration with partner nation governments and other donors to improve African rail networks through public-private partnerships.

- Encourage the multi-lateral donors to make rail transport funding and construction a priority for investment.

- **Information and Communications Technology (ICT)**

  Fiber optic backbone and broadband connectivity ICT infrastructure are critical tools for the integration of African economies into regional and global markets. International companies seeking to invest are looking for the availability of modern telecommunication infrastructure. Broadband connectivity or high capacity backbone networks are the foundation for developing a vibrant and cost effective ICT infrastructure *(see also Chapter 9, Tourism).*

- Encourage the entry of alternative infrastructure providers. Leverage existing infrastructure projects, such as railway systems, oil pipelines, electricity transmission networks and road systems, to develop fiber optic backbone operations. This will provide cost effective investments and foster competition. It could be either a condition of USG aid to fund these projects or to provide special incentives for the U.S and African private sectors to partner with these service providers.

- Encourage regional approaches to creating an enabling regulatory environment. The coordination and the development of regulations on a regional basis will remove some of the obstacles that constrain competition, such as the limits on the number of network licenses granted. Regional coordination will also improve the quality of regulation, contract enforcements and service level agreements.

- Emphasize investments in long term infrastructure such as fiber optic networks through OPIC and MCC.

- **Logistics**

  The Obama administration's Africa policy should encourage increases in transportation competition and capacity. The administration should encourage OPIC and other agencies to make available low interest rate loans to African SMEs involved in transportation and logistics, with a preference for those companies that have American partners, investors and/or mentors. These loans should focus on equipment (trucks, rail wagons, aircraft, trailers, material handling equipment) and facilities (offices, warehouses, silos).

- Require that all transportation conducted within Africa that is paid for directly or indirectly by the USG is performed by African- and/ or American-owned companies in partnership with African companies.

- Require that PVOs and NGOs doing humanitarian work in Africa funded by the USG utilize African- and/ or American-owned enterprises to perform transportation and logistics services.

- **Safe Water and Sanitation**

  With the increasing urbanization of Africa, water delivery capabilities are overextended and overburdened. The consequent shortage of water and of adequate water quality standards requires significant attention from regional and national authorities. Uganda, Senegal and several other countries have implemented water management policies that successfully address quality, delivery and sustainability, which can serve as models for other jurisdictions.

- Strengthen and expand the existing USAID programs that focus on water regulations, water policy reforms, and technical assistance to implement these reforms.

- Provide technical assistance for water management at the regional, national and local levels, and house a technical water resource management capability at the AU.

- **Infrastructure in African Post-Conflict Countries**

  A large portion of U.S. assistance is for post-conflict recovery. Infrastructure should be a significant component of this policy, as it provides the essential framework for stabilization.

- Incorporate all aspects of infrastructure rehabilitation and construction as part of post-conflict assistance to reduce conflicts, create jobs and provide essential services. •

Chapter 9: Tourism

Context

Travel and tourism comprise one of the largest industries in the world (2008 global economic activity forecasted at 9.9 percent of total GDP) and provides a unique basis for development. In 2007 the tourism sector in sub-Saharan Africa generated close to $90 billion in economic activity and is expected to exceed $185 billion in the next seven years. Tourists bring money into local economies and have a profoundly valuable multiplying effect by creating jobs in the hospitality and airline industries, as well as in restaurants, shops and a range of upstream suppliers. Tourism is a path to the diversified development of national economies and a successful anti-poverty strategy for remote areas in less-developed nations.

Africa possesses a staggering wealth of unique tourism opportunities, including the increasingly popular areas of nature-based, cultural and heritage tourism, as well as the 2010 World Cup. According to the World Travel and Tourism Council, the travel and tourism economy in 2007 accounted for more than eight percent of Africa's total GDP and generated more than 10 million jobs on the continent. Though tourism is generally viewed as the exclusive domain of the private sector, it is directly affected by government policies and will flourish in Africa only where there is strong senior-level leadership and a commitment to partnership between the public and private sectors, both in the United States and in Africa.

If the African continent is to continue to grow its tourism sector, it must address a number of challenges. Africa continues to lag severely behind all other regions of the world in the number of tourists it receives annually. For several reasons, visitors from the United States make up a very small percentage of Africa's tourists. However, clear evidence shows that nearly half of all Americans have a desire to travel to Africa to learn more about the continent.

Recommendations

The primary challenges faced by the tourism sector in Africa as it seeks to attract more American tourists include **insufficient infrastructure, image/perception problems among potential**

American visitors, and relatively few direct air routes between Africa and the United States. These challenges are addressed in five distinct sections below. Inherent in these challenges, of course, are opportunities for the Obama administration and for the American private sector to contribute to the development of Africa's tourism sector in a manner that benefits both the United States and the nations of Africa.

Policy Recommendations

Developing Africa's Tourism Infrastructure

"Hard" infrastructure, such as reliable road and railroad networks and airport facilities, are critical components to the tourism sector because they deliver tourists and, in the case of roads and railroads, provide essential goods to support the travel and tourism industry. Hard infrastructure issues are addressed elsewhere in this report. Two of the most important components in the development of tourism are communications and the availability of trained professional staff that provide high standards of customer service. These two components of tourism infrastructure are emphasized here. *(see Chapter 8, Infrastructure)*

Communications Technology

Failure to employ modern information technology severely impedes—if not eliminates outright—a country's ability to develop its tourism industry. No longer is it sufficient to post telephone numbers and mailing addresses on rudimentary websites. Event calendars, press releases, proposed itineraries and online reservations capabilities are necessary standard features for any tourism-focused web presence. American travel retailers, wholesalers, suppliers and tourists demand instant responses to maintain interest in tourism products and, therefore, consider functioning email addresses (listed on websites) to be their essential contact points.

- The Obama administration should provide financial incentives to U.S. companies and expertise to support country and regional efforts to upgrade the web-based promotion of African tourism opportunities.

Training for Careers in Tourism

The tourism sector depends heavily on its labor force and its success frequently rides on a visitor's customer service experiences. In some high destination countries, laudable efforts are already underway to provide university-level courses in tourism. With funding from USAID, American universities, including the University of Florida, have entered into partnerships with African universities to develop curriculum and train African faculty and future African managers in the tourism sector. Universities also are well equipped to provide accessible and affordable vocational training for others planning careers in the hospitality industry.

However, many sector experts continue to report shortfalls in both numbers and quality of trained staff. Ensuring high levels of service can best be achieved when private sector companies partner with governments and academic institutions, both in the United States and in Africa, to invest in appropriate training for local people, beginning at the secondary school level and continuing through universities.

- The Obama administration should support the expansion of tourism-focused curriculum at universities in African tourist destinations, as well as the expansion of vocational training programs, to encourage students to enter the travel/tourism service industry and to train a future generation of tourism service providers and managers.

Expanding Air Service from the United States to Africa

Although airlines will usually only open or expand routes as a function of profit potential, there are a number of emerging markets in Africa that have either already reached, or are just about to reach a point of economic justification. However, they do not have adequate air service because of: a) substantial deficiencies in aviation infrastructure, and b) the inability of any airline companies to privately fund the necessary infrastructural requirements.

Many African nations have civil aviation authorities that are small, under-financed, inadequately trained, and inadequately staffed to effectively oversee the activities of their own flag carriers. This lack of manpower and training is acute and has dire consequences. Africa as a region has the world's highest rate of aircraft accidents per number of miles flown.

In existence since 1998, the "Safe Skies for Africa" program, funded by the Departments of State and Transportation, has received only modest funding. *(see also Chapter 8, Infrastructure)*

- The Obama administration should increase the U.S. government's participation in the "Safe Skies for Africa" program. The administration should consider amending the "Safe Skies for Africa" program to broaden potential areas of assistance (initially identify and concentrate on top six markets with greatest potential for economic growth) and then provide additional support (funding, skills, oversight and training) for the programs. Focus should be to:

  - Create incentives for African governments to invest in modernized air traffic control equipment, and provide relevant training and technical support.

  - Promote programs that facilitate the sale and operation of U.S.-manufactured safety equipment, and provide relevant training.

  - Promote programs that facilitate the sale, operation and maintenance of American manufactured security equipment, and provide relevant training.

  - Maintain and expand programs through which U.S. companies and government agencies provide technical assistance to African civil aviation authorities. Such assistance can be given in the form of direct grants for training, manpower assistance, and to organizations that supply manpower and/or technical assistance.

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Improving Africa's Image in the United States

American mass media too often defines Africa with the vocabulary of despair: poverty, conflict, disease, corruption and natural disaster. This conclusion negatively impacts tourism and business decisions. In 2005, Media Tenor, a German-based consulting firm, evaluated news coverage of Africa throughout the world. The firm categorized the Africa news stories of that year as positive, neutral or negative. In the United States, more than 62 percent of the news on Africa was negative, 11 percent positive, and 27 percent neutral. Conversely, South Africa's news coverage of the entire continent was dramatically different: almost 80 percent of the stories were neutral.

- The Obama Administration should take an active role in helping to improve Africa's image among Americans.

- President Obama, First Lady Michelle Obama and cabinet members should travel to Africa. In conjunction with such visits, the U.S. State Department, through America's embassies, should coordinate closely with host-government ministries of information and tourism to provide the press with opportunities to capture a variety of images and chronicle a multitude of activities and events occurring in the country.

- The Obama Administration should invite African Heads of State to meet with President Obama and key cabinet members to address issues ranging from the economy to the environment. Before these meetings, the Obama administration should provide the White House Press Corps with detailed information about the country to encourage broader and deeper reporting and understanding.

- The Obama administration should proactively disseminate to the U.S. media images from the White House and other federal agencies that accurately portray the depth and breadth of America's engagement with Africa's nations and its peoples, from mere recipients of philanthropy that help combat Africa's problems, to partners in promoting Africa's progress across multiple sectors.

- The Obama administration is encouraged to bolster existing initiatives administrated through the Department of Education that enhance classroom curriculums that promote a greater understanding of other cultures and encourage proficiency in a foreign language by students before they exit secondary school.

- The Obama administration should expand support for the State Department's Bureau of Educational and Cultural Affairs, working in concert with efforts administered through Sister Cities International, Africare, the Africa-America Institute and the Peace Corps. These initiatives should be expanded to bring in the expertise and experiences of other American organizations, including churches and other community groups, that have built significant people-to-people relationships with Africans.

- The Obama administration should allocate resources for the creation of a central inter-governmental agency database to gather reliable statistics on American travel to the continent. Statistics help drive the tourism industry and inform the private sector about investment opportunities. Research for the database could be undertaken in partnership with university-level tourism research centers and in collaboration with other private sector concerns engaged with Africa. Such an effort should be designed to increase the accuracy of statistics provided by the Department o f Commerce's Office of Travel and Tourism Industries.

Modernizing Travel Advisory Procedures

The U.S. Department of State's travel advisories and warnings are intended to make sound recommendations and provide concise travel advice to Americans about specific destinations around the world. Once issued, a travel warning holds for six months and is then either reissued with new or unchanged verbiage, is revoked or is reissued as a travel advisory.

If the travel warning is reissued with new or unchanged verbiage, an email alert is sent out to all Americans currently registered with the Department of State. The email does not always state that the warning is a continuance of a previous travel warning. This email is sent out regardless of a change in verbiage and does not clarify for the reader any distinction(s) between the changes from the previous warning and the reissued one.

- Review of the manner in which Department of State travel advisories are issued, including the regularity with which updates on specific locations are issued.

- Review procedures for drafting travel warnings to ensure that such warnings' verbiage is concise and specifies regions or areas within a country where travelers should avoid and/or exercise caution, so that an entire country is not needlessly characterized as being unsafe.

- Direct the State Department to provide up-to-date and specific information on the on-ground situation on a timelier basis, versus a blanket six-month warning to steer away from a destination.

Addressing Crime and Security Issues in Africa

Crime, regardless of its location, negatively impacts tourism. South Africa and Kenya, two of the continent's top destinations, are prime examples of this fact. The U.S. Federal Bureau of Investigation (FBI) has assisted in training South African police to address terrorism financing and money laundering ahead of the 2010 FIFA World Cup. According to reports, African National Congress President Jacob Zuma met with the FBI during his recent visit to Washington to discuss what assistance the FBI can provide to support South Africa's crime fighting efforts *(see Chapter 1, Security).*

- Provide support for the training of crime-fighting agencies at all levels of crime, including street and violent crime, in key tourist destinations, including those in South Africa and Kenya. •

Annex 1:

Background on Voluntary Principles on Security and Human Rights (VPSHR) and Extractive Industries Transparency Initiative (EITI)

A. Voluntary Principles on Security and Human Rights (VPSHR)

The Voluntary Principles on Security and Human Rights (VPSHR) is a set of non-binding principles developed in 2000 to address the issue of balancing safety needs while respecting human rights and fundamental freedoms. VPSHR fills a critical void for companies seeking guidance about managing potential exposure to risks related to their security and human rights practices, especially in countries that are often associated with conflict or alleged abuses. VPSHR also provides guidance for companies on identifying human rights and security risk, as well as engaging and collaborating with state and private security forces. VPSHR was developed through multi-stakeholder participation from governments, extractive industries and non-government organizations (NGOs).

VPSHR has been successful in creating a platform for addressing complex human rights issues through collaboration between government, business and civil society organizations. Going forward, a strengthened governance framework will support and encourage participation of new host and home governments, companies and NGOs and facilitate dialogues on issues related to VPSHR in host countries.

B. Extractive Industries Transparency Initiative (EITI)

Since 2002 a number of countries, led by Britain and Norway, have promoted the Extractive Industries Transparency Initiative (EITI), a voluntary program that aims to "strengthen governance by improving transparency and accountability in the extractive sector." Currently there are thirty nine major oil, gas and mining companies, as well as several civil society groups, in support of the EITI, which sets a "global standard for companies to publish what they pay and for governments to disclose what they receive." The initiative is aimed at providing a mechanism to break the so-called "resource curse" where a generation of wealth in resource rich but poor and undeveloped countries has led to fraud, corruption, wasteful spending, and regional instability.

To date, the Extractive Industries Transparency Initiative has the support of twenty four "candidate countries," seventeen of which are in Africa. Once a country has obtained the Candidate status, it has two years to be validated as a "Compliant" country. While no country has yet received a compliant validation several are working towards that goal.

A major hurdle towards validation has been the lack of capacity and technical expertise of candidate nations, framed by weak institutions and fledgling governments. In addition; there has been inadequate assistance from international donors, including the United States. Critics of the EITI process have also cited a "lack of political will" as a problem with implementation. •

Annex 2:

Improving U.S. and African Tax Regimes to Encourage Capital Flows to Africa

1. To encourage U.S. investors to invest in African countries, the incoming Obama Administration should promote an expanded network of Double Tax (DT) agreements with African countries. This would reduce the withholding tax rates suffered on flows to U.S. of dividends, interest and probably management fees. For example, the normal rate of withholding tax in Nigeria is 10%, but this is reduced to 7.5% for payments made to companies which are resident in DT agreement partner countries. The U.S. has the reputation of being a “difficult” country with which to negotiate DT agreements, as it insists on provisions that many African countries may not like. Given the benefits to the U.S. and to Africa, the Obama administration should be more flexible in its negotiations.

2. The Obama administration should consider adopting “tax sparing” clauses to avoid undermining tax incentives given by African governments to U.S. investors. If a U.S. investor builds a factory in, say, Uganda, and is exempted from Ugandan tax for, say, five years but during that time makes profits and declares dividends, then the U.S. tax on those dividends should give credit not only for withholding taxes actually suffered but also for the taxes not paid on account of the tax exemption given by Uganda to attract investment so as not to invalidate and render ineffective the Ugandan tax incentives with higher U.S. taxes.

   Some countries address this with "tax sparing" clauses in their DT agreements, however the U.S. seems to object to such clauses that give a U.S. tax credit for taxes that would have been paid by a U.S. tax payer in the African host country.

3. The Obama administration should encourage African countries to develop more business friendly and effective tax regimes. U.S. support for each country should be tied to making progress on this goal over a period of time. We can not expect a country like Sierra Leone, when emerging from civil war, to have a fully functioning tax or commercial law system; but a few years post-bellum, legal and tax systems should be expected to progress and should be encouraged and enabled.

   a. African countries should be encouraged to simplify tax regimes in the following ways: (1) codify all tax laws in tax statutes rather than having tax rules buried in other laws, (2) discourage lower levels of government (such as states, provinces, or even local governments) from imposing corporate taxes; (3) reduce effective aggregate corporate tax rates taking into account all levels of government.

      Even if the national corporate tax rate appears to be comparatively low, investors are sophisticated enough to discern the hidden added costs of multiple taxes at different levels of government, additional taxes on profits or sales, significant disallowances of business expenses, restrictions on the use of capital allowances and distortions in the VAT system -- all of which increase the effective tax rate.

   b. African countries should be encouraged to reduce inflation and adjust or eliminate capital gains taxes because they are complicated, often unfair and generally produce little revenue. Kenya suspended the tax some time ago and Nigeria exempts all share transactions from capital gains tax. Often the taxed capital gains are mostly nominal resulting from high inflation or exchange rate depreciation rather than from a "real" return on investment.

   c. African countries should be encouraged to revamp their VAT systems (and other taxes) to encourage exports of goods and services, and to avoid disadvantaging domestic industry. For example, the VAT system in Nigeria is unfair, particularly to the service sector. While the rate is reasonably low currently at five percent, there are proposals to triple it. Relief from input taxes (i.e., VAT suffered on purchases of material, services or capital equipment) is only allowed as a credit for manufacturers (who can only use it on the VAT on raw materials used in manufacturing) and for retailers (who can only use it on the VAT on goods acquired for re-sale). Purchasers of services do not have a deduction for input taxes, as the effective rate cascades up where one service company uses another service company as an input.

d. African countries should be encouraged to ensure that tax laws are transparent, tax incentives or exemptions are granted with proper costing to assure that benefits and costs are quantified in advance, and their actual impacts are monitored to achieve the desired effects.

4. The Obama administration should provide and/or facilitate technical assistance to African countries to design and implement sound tax policies and improve their tax administration. Revenue authorities need staff training in technical issues: 1) auditing and investigations, 2) methods to monitor staff efficiency (the time and effort as well as yield from investigations, the yield from queries addressed to taxpayers), and 3) efforts to ensure tax payer compliance; and 4) monitoring the honesty and freedom from corruption of their staff. •

Annex 3:

Total U.S. Imports from Sub-Saharan Africa by Major Commodity Sectors (in million $)

	Total Imports 2001	Total Imports 2007	Total Imports 2008 2001-2008	% Change Total Imports 2007-2008	% Change Total Imports
Energy-related products	$14,271	$54,238	$71,727	402.61%	32.24%
Minerals and metals	$3,082	$7,391	$7,274	136.02%	-1.58%
Textiles and apparel	$998	$1,334	$1,184	18.64%	-11.24%
Chemicals and related products	$660	$992	$1,415	114.39%	42.64%
Agricultural products	$836	$1,157	$1,375	64.47%	18.84%
Transportation equipment	$400	$669	$2,052	413.00%	206.73%
Machinery	$263	$423	$359	36.50%	-15.13%
Miscellaneous manufactures	$109	$183	$140	28.44%	-23.50%
Forest products	$119	$183	$169	42.02%	-7.65%
Electronic products	$53	$94	$95	79.25%	1.06%
Footwear	$1	$5	$2	100.00%	-60.00%
Subtotal non-energy	**$6521**	**$12,431**	**$14,065**	**115.69%**	**13.14%**
Total	**$20,792**	**$66,889**	**$85,792**	**312.62%**	**28.26%**

Source: Annual AGOA Trade Data 2008, International Trade Commission.

Annex 4:

CCA Members (as of January 15, 2009) and Other Contributors to the Report

Abbott
Abt Associates Inc.
Academy for Educational Development
Accrow
ACDI/VOCA
AECOM
Africa Atlantic
Africa Transportation & Logistics
African Medical & Research Foundation
Africare
Agility
AllAfrica Global Media
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American International Group (AIG)
Anadarko
Anceco Corp.
ARD, a Tetratech Company
Arlington Associates
Axis
Baker & Hostetler
Banro Corporation
Black & Veatch
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Broadreach Healthcare
Buchanan Renewables
Cameron
Cargill
Caterpillar
Chemonics
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CHF International
Chrysler
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IPOA
JHPIEGO
John Deere
Johnson & Johnson
JR Boulle
Kellogg Brown and Root
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KHAFRA
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Samuels International Associates Inc.
Schaffer Global Group

Schneidman & Associates International
Seacor Holdings Inc.
Shell
SOC
South African Airways
Standard Bank
Starbucks
Structured Credit International Corp.
Sunoco
Swift Global Logistics
The Africa Channel
The Boeing Company
The Jane Goodall Institute
The U.S. Soybean Export Council
The Whitaker Group
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