



January 2015

AFRICAN GROWTH AND OPPORTUNITY ACT

USAID Could Enhance Utilization by Working with More Countries to Develop Export Strategies

GAO Highlights

Highlights of [GAO-15-218](#), a report to congressional requesters

Why GAO Did This Study

Signed in 2000, AGOA directs the President to provide TCB assistance to sub-Saharan African governments and firms to promote exports and develop infrastructure, among other things. AGOA provides duty-free access on qualifying U.S. imports from eligible sub-Saharan African countries, a total of 41 countries as of December 1, 2014. From 2001 through 2013, U.S. agencies funded about \$5 billion in TCB assistance to AGOA countries. GAO was asked to review various issues related to the ability of AGOA countries to utilize AGOA prior to its expiration on September 30, 2015.

In this report, GAO examines (1) U.S. government TCB assistance in support of AGOA, and (2) the extent to which USAID has made efforts to develop strategic approaches to AGOA utilization. GAO focused on MCC and USAID because these two agencies accounted for nearly 90 percent of funding for TCB activities in AGOA countries from 2001 through 2013. GAO analyzed data on U.S. TCB assistance to AGOA countries in this period, reviewed agencies' funding and program documents, conducted interviews with officials who implement U.S. TCB assistance, and met with U.S. and foreign government officials and private sector representatives in Ethiopia and Ghana.

What GAO Recommends

GAO recommends that the Administrator of USAID work with more host governments to develop strategic approaches to promoting exports under AGOA. USAID agreed with the recommendation.

View [GAO-15-218](#). For more information, contact Kimberly Gianopoulos at (202) 512-8612 or GianopoulosK@gao.gov.

January 2015

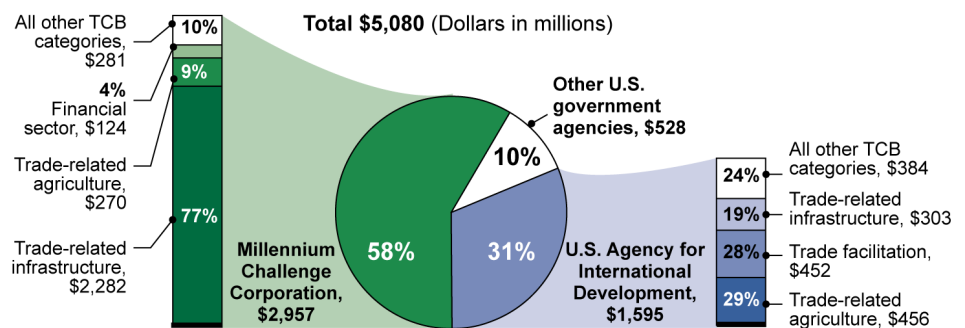
AFRICAN GROWTH AND OPPORTUNITY ACT

USAID Could Enhance Utilization by Working with More Countries to Develop Export Strategies

What GAO Found

Among U.S. agencies, the Millennium Challenge Corporation (MCC) and the U.S. Agency for International Development (USAID) have funded the majority of trade capacity building (TCB) assistance in support of the African Growth and Opportunity Act (AGOA) (see figure). MCC obligated nearly \$3 billion in funding for TCB activities in 15 of the 41 countries eligible for AGOA (AGO countries), with the majority of funds provided for trade-related infrastructure projects. For example, MCC obligated \$176 million for a roads project in Mozambique that aimed to improve the transportation network, including access to markets and reduction of transport costs. USAID obligated approximately \$1.6 billion in funding for TCB activities in 39 of the 41 AGOA countries, with the majority of funds provided for trade-related agriculture and infrastructure, and trade facilitation. For example, USAID funded activities to help exporters in East Africa build business linkages with U.S. markets through trade shows.

U.S. Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act Countries by Category, 2001-2013



Source: GAO analysis of USAID data. | GAO-15-218

Note: Funding amounts or percentages may not sum to totals because of rounding.

USAID has worked with some host governments to develop strategic approaches to AGOA utilization; however, most host governments have not established such approaches. USAID-funded regional trade hubs in sub-Saharan Africa have supported AGOA utilization by, among other things, collaborating with some host governments to develop AGOA-specific or broader national export strategies. Trade hub evaluations and statements from host government officials show that identifying strategic needs and priorities through strategic approaches can bolster AGOA utilization and help assess challenges to expanding exports. In strategy documents, host governments may identify high-priority trade and investment sectors, constraints related to AGOA utilization, and specific steps to increase exports under AGOA. Lack of a strategic approach has been identified as a significant reason for gaps in AGOA utilization. As of December 2014, 14 of the 41 AGOA countries had strategies reflecting AGOA priorities. According to USAID officials, host governments must initiate the process of developing a strategy, and a lack of political will may pose challenges to such efforts.

Contents

Letter		1
	Background	4
	MCC's and USAID's TCB Assistance in Support of AGOA Has Primarily Focused on Barriers to Trade-Related Infrastructure and Agriculture, and Trade Facilitation	12
	USAID Has Worked with Some Host Governments on Strategic Approaches to AGOA Utilization, but Most Host Governments Have Not Established Such Approaches	21
	Conclusions	26
	Recommendation for Executive Action	27
	Agency Comments and Our Evaluation	27

Appendix I	Objectives, Scope, and Methodology	30
------------	------------------------------------	----

Appendix II	U.S. Government Trade Capacity Building (TCB) Database Definitional Categories and Examples of Activities in African Growth and Opportunity Act (AGOA) Countries	32
-------------	--	----

Appendix III	Comments from the U.S. Agency for International Development	36
--------------	---	----

Appendix IV	GAO Contact and Staff Acknowledgments	38
-------------	---------------------------------------	----

Related GAO Products		39
----------------------	--	----

Tables		
	Table 1: U.S. Government Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Country, 2001-2013	10
	Table 2: Millennium Challenge Corporation (MCC) Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Country, 2001-2013	13

Table 3: USAID Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Country, 2001-2013	16
Table 4: Examples of U.S. Trade Capacity Building (TCB) Assistance Activities in African Growth and Opportunity Act (AGOA) Countries, by TCB Assistance Category	35

Figures

Figure 1: U.S. Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Category, 2001-2013	8
Figure 2: U.S. Government Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Year, 2001-2013	9
Figure 3: U.S. Government Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Funding Agency, 2001-2013	11
Figure 4: Millennium Challenge Corporation (MCC) Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act Countries by Category, 2001-2013	14
Figure 5: USAID Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Category, 2001-2013	17
Figure 6: Sub-Saharan African Countries Supported by USAID-Funded Regional Trade Hubs, as of December 2014	19
Figure 7: African Growth and Opportunity Act (AGOA) Countries That Have AGOA-Specific or National Export Strategies, as of December 2014	25

Abbreviations

AGOA	African Growth and Opportunity Act
FTA	free trade agreement
GSP	Generalized System of Preferences
IPR	intellectual property rights
MCC	Millennium Challenge Corporation
RTA	regional trade agreement
SPS	sanitary and phyto-sanitary
TBT	technical barriers to trade
TCB	trade capacity building
USAID	U.S. Agency for International Development
USITC	U.S. International Trade Commission
USTDA	U.S. Trade and Development Agency
USTR	Office of the U.S. Trade Representative
WTO	World Trade Organization

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



January 22, 2015

Congressional Requesters

The African Growth and Opportunity Act (AGOA), signed into law in 2000,¹ is a U.S. trade preference program that allows eligible sub-Saharan African countries to export qualifying goods to the United States without import duties.² AGOA is intended to promote free markets, stimulate economic development in sub-Saharan Africa through export-led growth, and facilitate sub-Saharan Africa's integration into the global economy. U.S. imports from countries eligible for AGOA, which we generally refer to as AGOA countries, have increased since 2001, although these countries' share of overall U.S. imports have remained small and experienced declines in recent years. In 2013, 2 percent of overall U.S. imports came from AGOA countries.³ To help countries take full advantage of increased trading opportunities under AGOA, U.S. agencies have provided various forms of technical assistance commonly

¹AGOA was originally enacted as Pub. L. No. 106-200, May 18, 2000. Since its enactment, AGOA has been amended three times, by Pub. L. No. 107-210, August 6, 2002; Pub. L. No. 108-274, July 12, 2004; and Pub. L. No. 109-432, December 20, 2006.

²Trade preference programs offer unilateral tariff reductions to eligible developing countries for the import of specified products into the United States. AGOA authorizes the President to designate countries as eligible to receive AGOA program benefits if they are determined to have met certain criteria, including having established, or made continual progress toward establishing, market-based economies; the rule of law and political pluralism; elimination of barriers to U.S. trade and investment; protection of intellectual property; systems to combat corruption; policies to reduce poverty and increase availability of health care and educational opportunities; and protection of human rights and worker rights, including elimination of certain child labor practices. In addition, the President must determine that countries have not engaged in activities that undermine U.S. national security or foreign policy interests, and do not engage in gross violations of human rights or provide support for acts of terrorism.

³We previously reported that from 2001 to 2008, total U.S. imports from these countries, including imports under AGOA, grew from \$20 billion to \$82 billion, an increase of 300 percent. However, since 2008, total imports have decreased by 53 percent. Since 2008, U.S. imports under AGOA have declined from \$56 billion to \$25 billion, a decrease of 56 percent. See GAO, *African Growth and Opportunity Act: Observations on Competitiveness and Diversification of U.S. Imports from Beneficiary Countries*, [GAO-14-722R](#) (Washington, D.C.: July 21, 2014).

referred to as trade capacity building (TCB) support.⁴ This assistance may include support for addressing the regulatory environment for business, trade, and investment; improving customs procedures; and developing infrastructure, such as ports and roads. U.S. and African officials have recognized the need for continued trade capacity building to help sub-Saharan African countries make better use of AGOA. Most recently, in conjunction with the U.S.-Africa Leaders Summit, held in Washington, D.C., in August 2014, President Obama stated that in order for countries to be able to utilize AGOA to its fullest, AGOA must be linked to a comprehensive, coordinated trade and investment capacity-building approach.⁵ The President also called for a comprehensive U.S. approach to expanding sub-Saharan Africa's capacity for trade and investment.

As Congress deliberates reauthorization of AGOA, which is set to expire on September 30, 2015, policymakers have expressed interest in countries' ability to utilize AGOA and U.S. TCB assistance in support of AGOA. In this report, we focus on the Millennium Challenge Corporation (MCC) and the U.S. Agency for International Development (USAID), the U.S. agencies providing the most funding for TCB activities in AGOA countries. MCC reports that it conducts TCB-related activities in AGOA countries that support its agency goals but does not have a specific TCB mission. In addition to providing funding for TCB assistance to AGOA countries, USAID includes assistance for increasing exports through TCB among its development objectives, and also has a worldwide strategy focused entirely on TCB. In this strategy, USAID notes that its TCB projects, among other things, will help developing countries take

⁴TCB broadly describes assistance that positively affects a country's ability to secure benefits from international trade. See GAO, *Foreign Assistance: USAID Should Update Its Trade Capacity Building Strategy*, [GAO-14-602](#) (Washington, D.C.: Sept. 10, 2014); *Foreign Assistance: The United States Provides Wide-ranging Trade Capacity Building Assistance, but Better Reporting and Evaluation Are Needed*, [GAO-11-727](#) (Washington, D.C.: July 29, 2011); and *Foreign Assistance: U.S. Trade Capacity Building Extensive, but Its Effectiveness Has Yet to Be Evaluated*, [GAO-05-150](#) (Washington, D.C.: Feb. 11, 2005).

⁵White House, "Presidential Memorandum—Establishing a Comprehensive Approach to Expanding Sub-Saharan Africa's Capacity for Trade and Investment" (August 2014), accessed August 5, 2014, <http://www.whitehouse.gov/the-press-office/2014/08/04/presidential-memorandum-establishing-comprehensive-approach-expanding-su>.

advantage of the opportunities created by trade and trade preference programs such as AGOA.⁶

Congressional requesters asked us to examine a number of issues relating to AGOA countries' trade expansion and economic development, and factors affecting their trade with the United States and other countries.⁷ In this report, the second in a series responding to the request, we examine (1) U.S. government TCB assistance in support of AGOA, and (2) the extent to which USAID has made efforts to develop strategic approaches to AGOA utilization.⁸

To address both objectives, we interviewed officials from the Departments of Commerce, State, and the Treasury; MCC; and USAID; but focused on MCC and USAID for the purposes of this report. We also interviewed officials from the Office of the U.S. Trade Representative (USTR) and the U.S. International Trade Commission (USITC), agencies that do not provide funding for U.S. TCB assistance but provided additional contextual information on AGOA and TCB. We reviewed documents related to the three USAID-funded trade hubs and other U.S. TCB assistance, and examples of AGOA-specific and national export strategies. We also conducted fieldwork in Ethiopia and Ghana, where we interviewed U.S. agency and host government officials, representatives from the private sector, and U.S.-funded contractors implementing TCB activities. We selected these two countries because they represented a cross section of U.S. TCB assistance and are in different regions within sub-Saharan Africa, but our findings from these countries are not generalizable to the universe of all U.S. TCB activities in AGOA countries. To examine U.S. government TCB assistance in support of AGOA, we

⁶In [GAO-14-602](#), we recommended that the Administrator of USAID update USAID's 2003 TCB strategy to reflect the current TCB operating environment.

⁷In December 2013 during the 113th Congress, various committees and subcommittees asked us to review a number of issues as AGOA comes up for renewal in 2015. These committees and subcommittees included the Chairmen and Ranking Members of the Senate Finance Committee; the Senate Foreign Relations Committee; the Senate Finance Subcommittee on International Trade, Customs, and Global Competitiveness; the Senate Foreign Relations Subcommittee on African Affairs; the House Foreign Affairs Committee; the House Ways and Means Committee; the House Foreign Affairs Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations; and the House Ways and Means Subcommittee on Trade.

⁸[GAO-14-722R](#).

reviewed documents from relevant U.S. agencies, including program descriptions and evaluations, and analyzed data USAID provided on U.S. TCB obligations for all AGOA countries from fiscal years 2001 through 2013. In assessing the data, we interviewed key USAID officials and the contractor responsible for administering the database, reviewed supporting documentation, and determined that the data were sufficiently reliable for our purposes. To examine the extent to which USAID has made efforts to develop strategic approaches to AGOA utilization, we reviewed documents from relevant U.S. agencies, including program descriptions and evaluations, and information on AGOA-specific and national export strategies from U.S. agencies and host governments.⁹ Appendix I provides a detailed discussion of our objectives, scope, and methodology.

We conducted this performance audit from March 2014 to January 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

⁹According to USITC, one way to define AGOA utilization is U.S. imports under AGOA from an AGOA country as a share of total U.S. imports from that country. See J. Bonarriva and J. Guth, *AGOA: Trade and Investment Performance Overview*, United States International Trade Commission Publication Number: 4461 (United States International Trade Commission, Washington, DC: April 2014).

African Growth and Opportunity Act

AGOA is a trade preference program that provides eligible sub-Saharan African countries duty-free access to U.S. markets for more than 6,000 dutiable items in the U.S. import tariff schedules.¹⁰ AGOA also includes goals related to U.S. government technical assistance in sub-Saharan Africa. Countries must meet certain eligibility criteria to take advantage of AGOA preferences,¹¹ and the program had 41 such eligible countries as of December 1, 2014.¹²

AGOA legislation directs the President to target technical assistance to serve specific TCB-related goals that promote economic reform and development, and to develop and implement certain policies aimed at encouraging investment in sub-Saharan Africa.¹³ With regard to technical

¹⁰The United States has offered tariff reductions for goods from most sub-Saharan African countries under the Generalized System of Preferences (GSP). The Africa Investment Incentive Act of 2006, Pub. L. No. 109-432, div. D, Title VI, expanded the list of products that eligible sub-Saharan African countries may export to the United States duty-free under GSP, which covers approximately 4,600 items. GSP and AGOA eligibility criteria overlap, and countries must be GSP eligible to take advantage of trade benefits under AGOA. Though legal authorization of the GSP program expired on July 31, 2013, GSP-eligible imports from AGOA countries will continue to be eligible for duty-free entry, pursuant to the provisions of the statute governing the AGOA program.

¹¹AGOA contains a list of countries that are potentially eligible for AGOA benefits and authorizes the President to designate countries as eligible to receive such benefits if the President determines that they have met, or are making continual progress toward meeting, a set base of requirements, such as the rule of law and political pluralism and protection of human rights and workers rights.

¹²For the purposes of this report, we defined AGOA countries as the group of 41 countries that were eligible for AGOA benefits as of December 1, 2014. The 41 AGOA countries included in this report are Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Chad, Comoros, Republic of Congo, Côte d'Ivoire, Djibouti, Ethiopia, Gabon, the Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda, and Zambia. As of December 1, 2014, The eight countries in sub-Saharan Africa that are not currently eligible for AGOA benefits are Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Eritrea, Guinea-Bissau, Somalia, Sudan, and Zimbabwe were not eligible for AGOA benefits. See figure 6 for a map of sub-Saharan Africa that indicates AGOA countries for the purposes of this report. On December 23, 2014, Guinea-Bissau was designated eligible for AGOA benefits. Effective January 1, 2015, the Gambia, South Sudan, and Swaziland were no longer designated eligible for AGOA benefits.

¹³AGOA legislation also directs the President to develop and implement policies to encourage investment in eligible sub-Saharan African countries with a particular focus on infrastructure, information and communication technology, and agriculture processing and capacity enhancement.

assistance, AGOA directs the President to focus such assistance on the following goals:

1. Develop relationships between U.S. and sub-Saharan African firms through business associations and networks.
2. Provide assistance to the governments of sub-Saharan African countries aimed at
 - liberalizing trade and promoting exports,
 - bringing legal regimes into compliance with the standards of the World Trade Organization,
 - making financial and fiscal reforms, and
 - promoting greater agribusiness linkages.
3. Address critical agriculture policy issues such as market liberalization, agriculture export development, and agribusiness investment in processing and transporting agriculture commodities.
4. Increase the number of reverse trade missions to growth-oriented countries in sub-Saharan Africa.¹⁴
5. Increase trade in services.¹⁵
6. Encourage greater sub-Saharan African participation in future negotiations in the World Trade Organization (WTO) on services and making further commitments to encourage the removal of tariff and nontariff barriers.

Trade-Related Challenges in Sub-Saharan Africa

According to research literature, AGOA countries face various challenges that affect opportunities to facilitate trade. For example, firms in AGOA countries may lack the marketing expertise, market information, and business contacts to effectively export to the U.S. market. Literature also notes challenges sub-Saharan African countries face in certain

¹⁴According to the U.S. Trade and Development Agency (USTDA), reverse trade missions bring foreign buyers to the United States in order to observe the design, manufacture, demonstration and operation of U.S. products and services that can help them achieve their development goals.

¹⁵Trade in services refers to the buying and selling of intangible products and activities; examples of trade-in-services sectors include tourism, financial services, and telecommunications. See GAO, *Sub-Saharan Africa: Trends in U.S. and Chinese Economic Engagement*, [GAO-13-199](#) (Washington, D.C.: Feb. 7, 2013).

manufacturing sectors, including problems with cost and quality of inputs, access to finance, trade logistics such as the high cost of transporting goods, and inadequate workforce skills. The International Finance Corporation, a member of the World Bank Group, has reported that less than a quarter of adults in sub-Saharan Africa have access to formal financial services, and lack of access to finance is a constraint to economic growth overall, and the growth of small and medium-sized enterprises in the region.¹⁶ Another study found that AGOA apparel production is concentrated in low-skill tasks with little knowledge transfer to local workers, and that the global competitiveness of AGOA exporters still depends on the preferences they receive under AGOA.¹⁷ Many AGOA countries lack the capacity to produce and export goods in the necessary quantity and at the quality U.S. markets require. This same challenge may also affect potential investors' decisions about engaging in Africa.

Literature on AGOA and TCB has also shown that poor infrastructure conditions in sub-Saharan Africa remain a key challenge that undermines export competitiveness. In 2014, USITC reported that weak transportation infrastructure, including poor rural roads, inefficient port facilities, and burdensome customs procedures are among the impediments to export growth and competitiveness for sub-Saharan Africa.¹⁸ The report noted that a number of factors directly affect the cost and timeliness of delivery of goods to the U.S. market, including distance to market, perishability of products, freight rates, and reliability of trade linkages.

Trade Capacity Building Assistance

Since at least 2001, the United States has provided TCB assistance to developing countries to help them participate in and benefit from global trade. U.S. agencies generally define TCB broadly to include all types of development assistance that enhance a country's ability to secure benefits from international trade. Among other things, such assistance can address (1) the regulatory environment for business, trade, and

¹⁶International Finance Corporation, *Access to Finance: Sub-Saharan Africa* (Johannesburg, South Africa: World Bank Group, 2013).

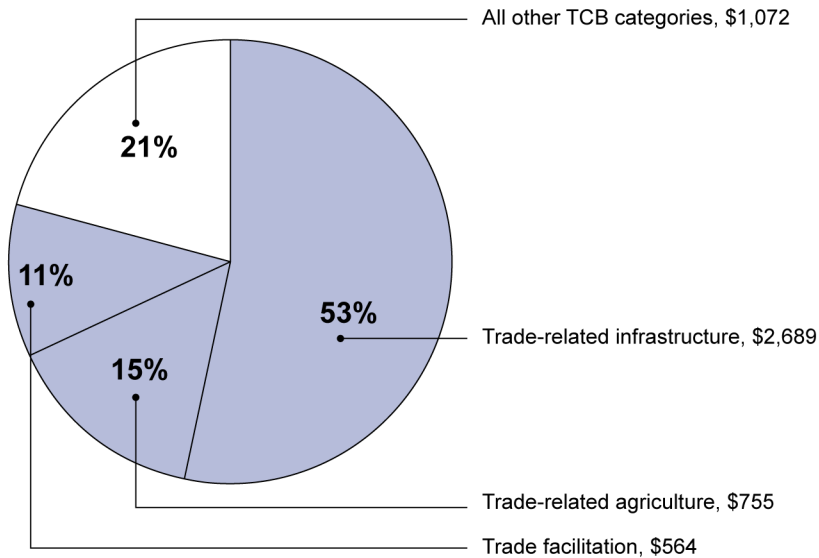
¹⁷Congressional Research Service, *African Growth and Opportunity Act (AGOA): Background and Reauthorization* (Washington, D.C.: July 24, 2014).

¹⁸Bonarriva and Guth, *AGOA: Trade and Investment Performance Overview* (United States International Trade Commission Publication Number: 4461).

investment; (2) constraints such as low capacity for production and entrepreneurship; and (3) inadequate physical infrastructure, such as poor transport and storage facilities. USAID collects data to identify and quantify the U.S. government's TCB activities in developing countries through an annual survey of U.S. agencies and maintains the survey results in the U.S. government's publicly available online TCB database.¹⁹ This database of TCB funding defines 14 categories of TCB assistance provided by the U.S. government (see app. II for a detailed list of TCB category definitions and examples of related activities). The majority of U.S. TCB funding for AGOA countries from 2001 through 2013 was provided for three categories of activities: trade-related infrastructure, trade-related agriculture, and trade facilitation (see fig. 1).

Figure 1: U.S. Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Category, 2001-2013

Total \$5,080 (Dollars in millions)



Source: GAO analysis of USAID data. | GAO-15-218

Note: This figure includes U.S. government TCB funding provided for individual AGOA countries as well as funding that U.S. agencies account for under four regional groupings: sub-Saharan Africa, East and Central Africa, Western Africa, and Southern Africa.

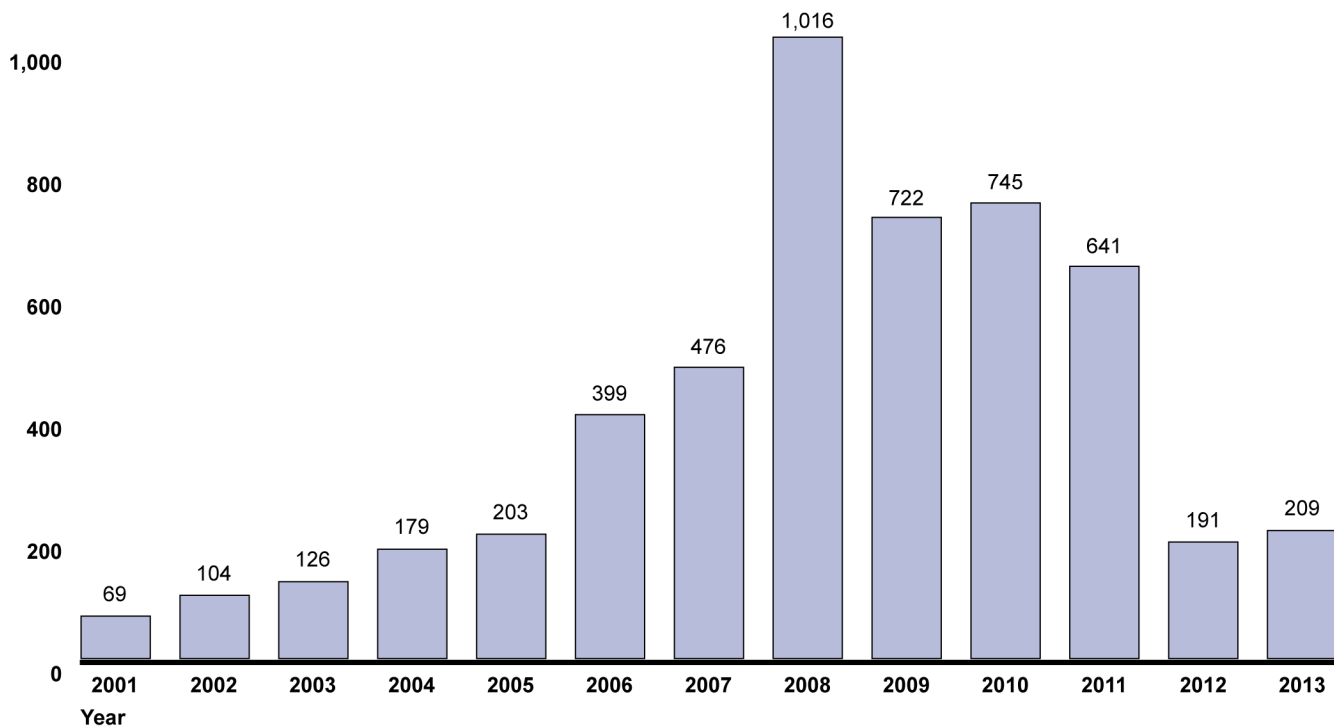
¹⁹ [GAO-14-602](#).

Funding by Key U.S. Agencies for TCB Assistance for AGOA Countries

Total U.S. government funding for TCB assistance for AGOA countries from 2001 to 2013 was approximately \$5 billion. In that time period, U.S. government TCB assistance for AGOA countries peaked in 2008 and declined sharply in 2012 (see fig. 2).

Figure 2: U.S. Government Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Year, 2001-2013

Funding obligated (Dollars in millions)
\$1,200



Source: GAO analysis of USAID data. | GAO-15-218

Notes: This figure includes U.S. government TCB funding provided for individual AGOA countries as well as funding that U.S. agencies account for under four regional groupings: sub-Saharan Africa, East and Central Africa, Western Africa, and Southern Africa.

Funding in any given year may appear distorted because the Millennium Challenge Corporation (MCC) obligates its funding in the year in which its compacts enter into force. As a result, MCC funding is concentrated in certain years in the figure above, even though the distribution of funds occurred over several years.

MCC was created in 2004 and signed the first compact agreements in 2005.

The U.S. government provided funding for TCB assistance from 2001 through 2013 for all 41 AGOA countries. Sixty-eight percent of all U.S. government TCB funding obligated for AGOA countries from 2001 through 2013 was for 10 of these countries (see table 1).

Table 1: U.S. Government Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Country, 2001-2013

Dollars in millions

AGOA country	Total TCB funding	Percentage of total
Tanzania	676	13
Senegal	517	10
Burkina Faso	408	8
Malawi	403	8
Ghana	373	7
Mozambique	292	6
Ethiopia	212	4
Benin	192	4
South Sudan	189	4
Mali	189	4
All other AGOA countries ^a	1,629	32
Total	5,080	100

Source: GAO analysis of USAID data. | GAO-15-218

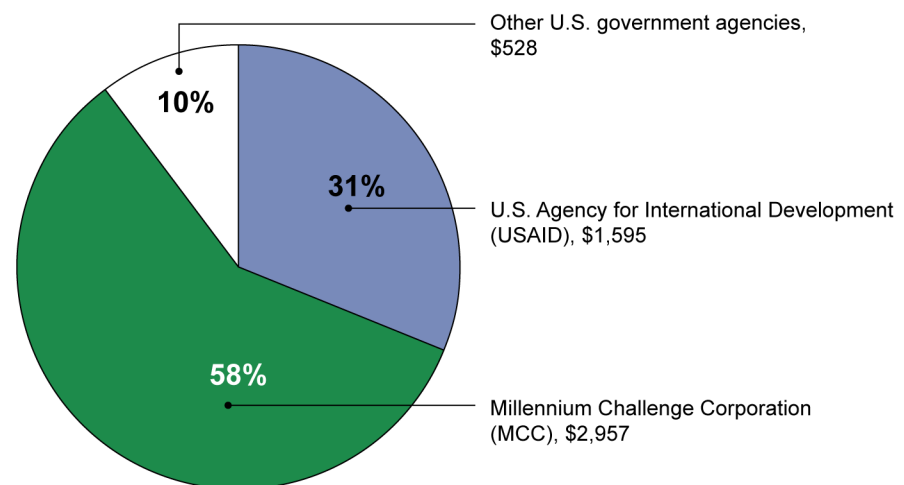
^aThis table includes U.S. government TCB funding provided for individual AGOA countries as well as funding that U.S. agencies account for under four regional groupings: sub-Saharan Africa, East and Central Africa, Western Africa, and Southern Africa.

Although the President affirmed the U.S. government's commitment to providing TCB assistance for AGOA countries in August 2014, no single agency is responsible. According to our analysis of the U.S. government's TCB database, MCC and USAID are the agencies that reported providing the most funding for AGOA countries, and accounted for 90 percent of all TCB assistance to these countries from 2001 through 2013 (see fig. 3). While USAID funds activities that have clear and direct links to TCB, MCC funds activities that may be more indirectly related to international trade. MCC conducts TCB-related activities that support its broader strategic

and agency goals.²⁰ In contrast, one of USAID's core development objectives is to promote sustainable, broad-based economic growth by helping developing countries increase their exports through trade capacity building. USAID aims to achieve its TCB goal by supporting participation in trade negotiations, implementation of trade agreements, and economic responsiveness to trade opportunities. USAID also collects data to identify and quantify the U.S. government's TCB activities through an annual survey of U.S. agencies and maintains the survey results in the U.S. government's publicly available online TCB database.²¹

Figure 3: U.S. Government Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Funding Agency, 2001-2013

Total \$5,080 (Dollars in millions)



Source: GAO analysis of USAID data. | GAO-15-218

Notes: Funding amounts or percentages may not sum to totals because of rounding.

²⁰In January 2004, Congress established MCC to administer the Millennium Challenge Account for foreign assistance. MCC's mission is to reduce poverty by supporting sustainable, transformative economic growth in partnership with developing countries that create and maintain sound policy environments. MCC signs compacts obligating funds for such projects with countries it selects as eligible for this assistance, according to criteria outlined in MCC's authorizing legislation.

²¹[GAO-14-602](#).

This figure includes U.S. government TCB funding provided for individual AGOA countries as well as funding that U.S. agencies account for under four regional groupings: sub-Saharan Africa, East and Central Africa, Western Africa, and Southern Africa.

MCC was created in 2004 and signed the first compact agreements in 2005.

MCC's and USAID's TCB Assistance in Support of AGOA Has Primarily Focused on Barriers to Trade-Related Infrastructure and Agriculture, and Trade Facilitation

MCC Has Taken Steps to Support AGOA through TCB Assistance That Is Generally Focused on Trade-Related Infrastructure Needs, but Broader Infrastructure Challenges Remain

MCC's TCB-related activities in sub-Saharan Africa are supportive of AGOA. MCC identifies a relationship between AGOA and the agency's role in improving economic growth, including through its trade-related infrastructure activities in selected sub-Saharan African countries. According to agency officials, MCC's focus on economic growth and encouraging private sector investment is in line with the goals of AGOA. Furthermore, agency officials said that MCC infrastructure-related investments have included a number of projects that support global trade in sub-Saharan Africa. From 2005 through 2013, MCC funded TCB activities in 15 of the 41 AGOA countries (see table 2).

Table 2: Millennium Challenge Corporation (MCC) Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Country, 2001-2013

Dollars in millions

AGOA country	Total TCB funding	Percentage of total
Tanzania	579	20
Senegal	494	17
Burkina Faso	396	13
Malawi	351	12
Ghana	240	8
Mozambique	222	8
Benin	189	6
Mali	136	5
Cape Verde	105	4
Lesotho	100	3
Namibia	81	3
Madagascar	52	2
Zambia	6	<1
Liberia	4	<1
São Tomé and Príncipe	4	<1
Total	2,957	100

Source: GAO analysis of USAID data. | GAO-15-218

Notes: Funding amounts or percentages may not sum to totals because of rounding.

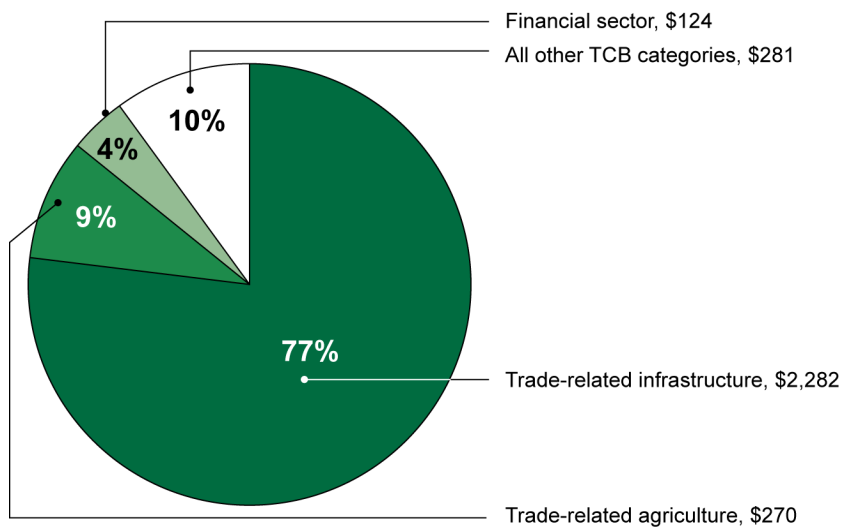
MCC was created in 2004 and signed the first compact agreements in 2005.

MCC's TCB funding for AGOA countries has supported a range of TCB activities, largely focused on trade-related infrastructure. MCC's TCB assistance in AGOA countries has covered 10 of the 14 TCB categories, with the majority of funding, over 75 percent, concentrated on trade-related infrastructure (see fig. 4).²²

²²MCC's TCB assistance in AGOA countries has covered the following 10 TCB categories: competition policy, business environment, and governance; environmental standards and trade; financial sector; intellectual property rights; trade facilitation; trade-related agriculture; trade-related infrastructure; trade-related services; WTO accession and compliance; and other TCB. MCC did not provide assistance in the following 4 TCB categories: sanitary and phyto-sanitary measures, technical barriers to trade, trade-related labor, and trade-related procurement.

Figure 4: Millennium Challenge Corporation (MCC) Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act Countries by Category, 2001-2013

Total \$2,957 (Dollars in millions)



Source: GAO analysis of USAID data. | GAO-15-218

Note: MCC was created in 2004 and signed the first compact agreements in 2005.

MCC's trade-related infrastructure projects in AGOA countries cover a range of activities including building roads, improving ports, and expanding access to electricity. For example, MCC compacts in Mozambique and Malawi include large infrastructure components, as described below:

- Mozambique.** MCC signed a compact with Mozambique in 2007 for about \$506.9 million, of which about \$222 million was obligated for TCB-related activities, mostly concentrated on trade-related infrastructure. This compact included \$176 million in trade-related infrastructure assistance for a roads project rehabilitating 491 kilometers of key segments of the country's transportation network. The project aimed to improve access to markets, resources, and services; reduce transport costs for the private sector; and expand connectivity across the region.
- Malawi.** MCC signed a compact with Malawi in 2011 for \$350.7 million, and data show that the entire amount was obligated for trade-related infrastructure activities. Specifically, the compact is a single-

sector power revitalization project that aims to increase the capacity and stability of the national electricity grid and bolster the efficiency and sustainability of hydropower generation.

Officials we spoke to in Ghana and Ethiopia, the two AGOA countries where we conducted fieldwork, highlighted a range of ongoing infrastructure improvements and challenges. Business representatives in Ghana, where MCC funded \$240 million in TCB-related assistance, noted that U.S. TCB activities had helped to reduce problems with land transportation. In Ethiopia, a representative from local business noted that infrastructure challenges had been diminished through improvements in transportation, which had reduced costs for importing and exporting goods. Officials and local business representatives in both Ethiopia and Ghana also cited a range of ongoing infrastructure challenges that acted as an impediment to conducting business. For example, in Ethiopia, officials cited infrastructure issues, among others, as an impediment to conducting business in the country, and representatives of local businesses noted that further investment was needed in services such as power, roads, and telecommunications. In addition, officials in Ghana stated that port congestion caused delays, and the manufacturing sector was diminished partly because of a lack of access to reliable power.²³

To further address infrastructure-related challenges in Africa, the U.S. government introduced two new initiatives in 2013 that will complement AGOA. Power Africa is designed to double the number of people with access to power in sub-Saharan Africa with an initial 5-year commitment through 2018.²⁴ According to USTR, the initiatives of Power Africa are vital complements to AGOA. Power Africa is supported by 12 U.S. government agencies and coordinated by USAID.²⁵ Trade Africa is a partnership between the United States and sub-Saharan African

²³In August 2014, MCC signed a second compact with Ghana for about \$498 million to create a financially viable power sector to address the needs of households and businesses.

²⁴A partnership among the U.S. government, African governments, the private sector, and others, Power Africa aims to expand access to electricity to households and businesses and increase Africa's global competitiveness.

²⁵The 12 government agencies supporting Power Africa are the Departments of Agriculture, Commerce, Energy, State, and the Treasury; the Export-Import Bank; MCC; the Overseas Private Investment Corporation; U.S. African Development Foundation; USAID; U.S. Army Corps of Engineers; and USTDA.

governments to increase internal and regional trade within Africa, and expand trade and economic ties among Africa, the United States, and other global markets.²⁶

USAID Has Made Efforts to Support AGOA by Funding Trade-Related Agriculture and Trade Facilitation Activities, but Challenges Remain in Facilitating Exports under AGOA

USAID’s TCB funding has supported a range of TCB activities for AGOA countries, with trade-related agriculture and trade facilitation being the two largest categories. USAID has funded TCB assistance activities in 39 of 41 AGOA countries; see table 3 for AGOA countries with the highest USAID TCB funding.²⁷

Table 3: USAID Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Country, 2001-2013		
Dollars in millions		
AGOA country	Total TCB funding	Percentage of total
South Sudan	189	12
Ethiopia	184	12
Ghana	86	5
Uganda	74	5
Mozambique	59	4
Rwanda	54	3
Tanzania	53	3
Mali	49	3
Liberia	45	3
Nigeria	44	3
All other AGOA countries ^a	757	47
Total	1,595	100

Source: GAO analysis of USAID data. | GAO-15-218

Notes: Funding amounts or percentages may not sum to totals because of rounding.

^aThis table includes USAID TCB funding provided for individual AGOA countries as well as funding that USAID accounts for under four regional groupings: sub-Saharan Africa, East and Central Africa, Western Africa, and Southern Africa. According to USAID, funding for regional trade hubs is obligated

²⁶Trade Africa includes efforts to form public-private partnerships to stimulate greater trade in goods under AGOA that incorporate the promotion of investment in trade-related infrastructure, among many other efforts.

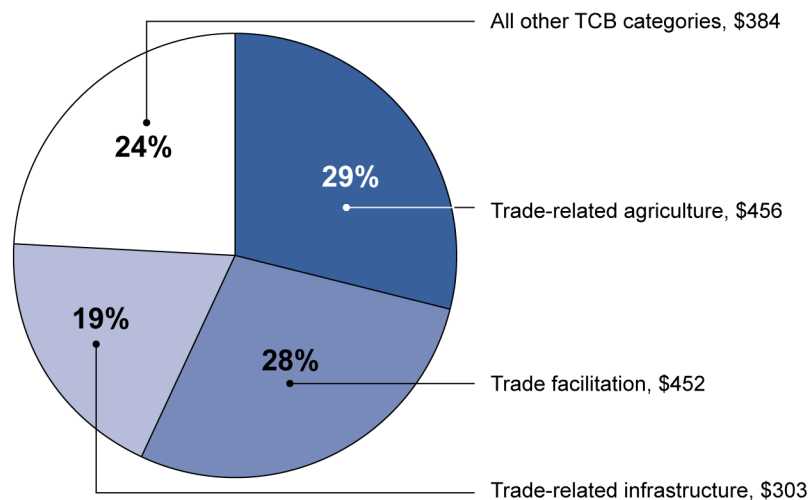
²⁷In addition to providing funding for 39 individual countries, USAID also provided funding for sub-Saharan Africa under regional groupings, such as East and Central Africa, Western Africa, and Southern Africa.

to East and Central Africa, Western Africa, and Southern Africa. Sub-Saharan Africa includes TCB assistance that benefits multiple countries across different regions.

USAID's TCB assistance activities in AGOA countries covers all 14 TCB categories, with the majority of funding, over 75 percent, concentrated on trade-related agriculture, trade facilitation, and trade-related infrastructure (see fig. 5).

Figure 5: USAID Trade Capacity Building (TCB) Funding Obligated for African Growth and Opportunity Act (AGOA) Countries by Category, 2001-2013

Total \$1,595 (Dollars in millions)



Source: GAO analysis of USAID data. | GAO-15-218

Note: This figure includes USAID TCB funding provided for individual AGOA countries as well as funding that USAID accounts for under four regional groupings: sub-Saharan Africa, East and Central Africa, Western Africa, and Southern Africa. According to USAID, funding for regional trade hubs is obligated to East and Central Africa, Western Africa, and Southern Africa. Sub-Saharan Africa includes TCB assistance that benefits multiple countries across different regions.

From 2002 to 2004, USAID established three regional trade hubs in sub-Saharan Africa that serve as primary implementers of U.S. TCB assistance for sub-Saharan African countries (see fig. 6).²⁸ These USAID-funded trade hubs are staffed with regional advisers who provide a range

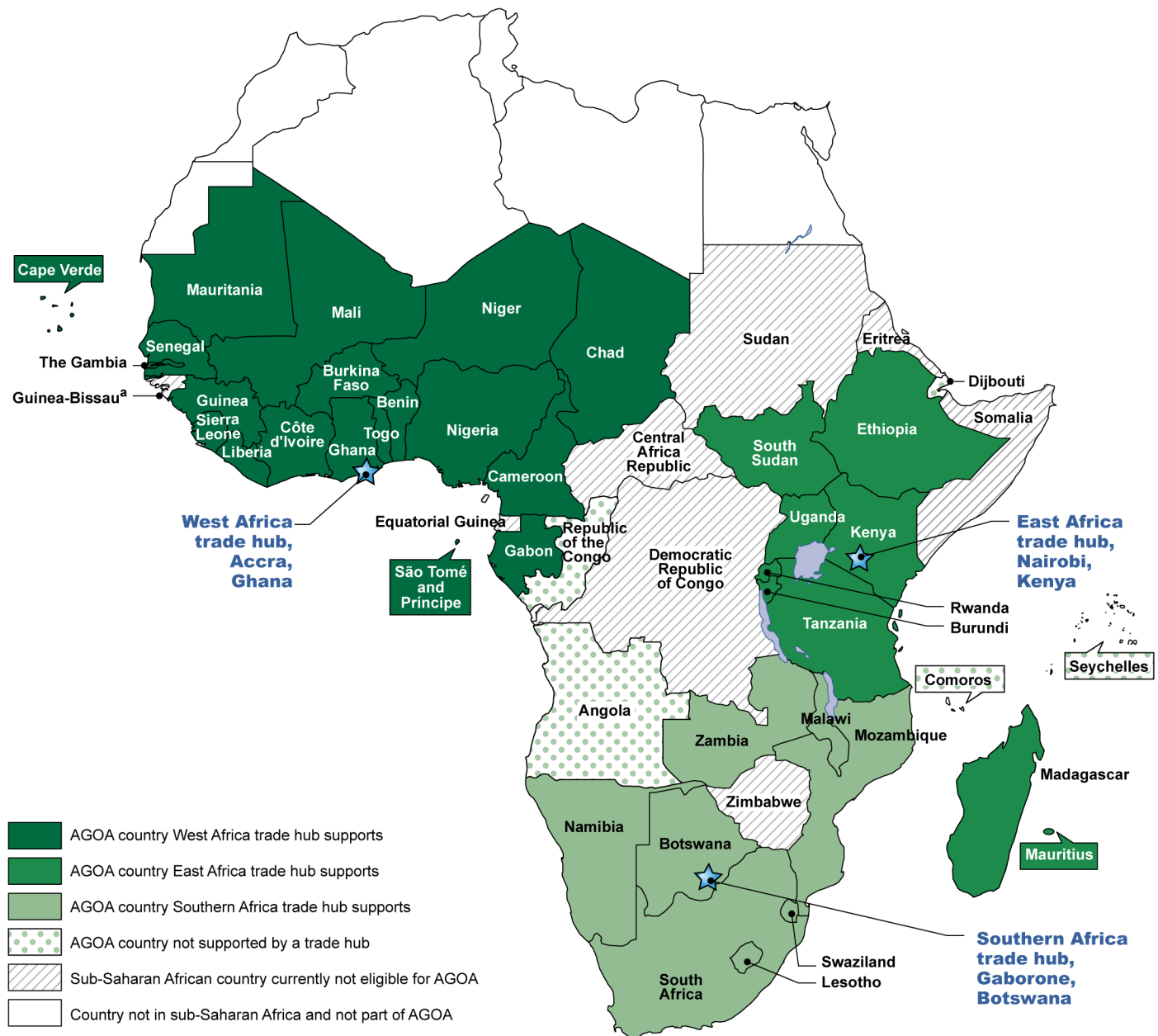
²⁸Although they are AGOA-eligible countries, Angola, Comoros, Republic of Congo, Djibouti, and Seychelles are not covered by any of the trade hubs.

of services to U.S. agencies, African governments, and the private sector, noted as follows:

- *East Africa trade hub*, established in Nairobi, Kenya, in 2002. This hub aims to increase food security and economic growth in the following 9 East or Central African countries: Burundi, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, South Sudan, Tanzania, and Uganda.
- *West Africa trade hub*, established in Accra, Ghana, in 2003. This hub focuses on addressing critical issues that hamper export competitiveness such as high transport and telecommunications costs, limited access to finance, and inconsistent implementation of regional trade policies in 20 West African countries: Benin, Burkina Faso, Cameroon, Cape Verde, Chad, Côte d'Ivoire, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau,²⁹ Liberia, Mali, Mauritania, Niger, Nigeria, São Tomé and Príncipe, Senegal, Sierra Leone, and Togo.
- *Southern Africa trade hub*, established in Gaborone, Botswana, in 2004. This hub's primary goals are to increase international competitiveness, as well as intraregional trade and food security, by promoting greater competitiveness in agriculture value chains, increasing investment and export opportunities in the textile and apparel sector, and supporting a better business-enabling environment in 8 Southern African countries: Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, and Zambia.

²⁹ Although it was not eligible for AGOA as of December 1, 2014, according to data from USAID, Guinea-Bissau was supported by the West Africa trade hub. On December 23, 2014, Guinea-Bissau was designated eligible for AGOA benefits.

Figure 6: Sub-Saharan African Countries Supported by USAID-Funded Regional Trade Hubs, as of December 2014



Source: GAO analysis of USAID data, and Map Resources (map). | GAO-15-218

^aAlthough it was not eligible for the African Growth and Opportunity Act (AGOA) as of December 1, 2014, according to data from USAID, Guinea-Bissau was supported by the West Africa trade hub. On December 23, 2014, Guinea-Bissau was designated eligible for AGOA benefits.

Along with implementing activities to support U.S. initiatives in areas such as food security, USAID-funded trade hubs seek to support trade facilitation, market linkages, and information awareness about AGOA to AGOA-exporting firms and countries. For example, from 2007 through 2012, USAID provided funding for activities implemented through the West Africa trade hub to address economy-wide constraints such as the transport and trade barriers affecting the region's ports, corridors, and borders. The trade hub established an advocacy campaign to address such trade barriers and help decrease the costs associated with trading. The trade hub also worked with governments in the region to establish border information centers that help stakeholders coordinate, and provide information and assistance to traders at borders to ease transport bottlenecks. The trade hub in East Africa has helped subsidize the cost to exporters of attending trade shows to gain exposure to U.S. markets in sectors including leather goods and apparel, and has facilitated U.S. buyers going to sub-Saharan Africa. Among its trade-related agriculture activities, the Southern Africa trade hub has provided training to medium- and large-scale commodity buyers and storage operators trading in maize and soybeans to help reduce postharvest loss and improve procurement practices.

Officials we spoke to in Ethiopia and Ghana cited some improvement in areas where USAID has provided TCB assistance while highlighting other ongoing challenges related to facilitating exports under AGOA. Although the West Africa trade hub began efforts in 2009 to help facilitate financial services for local companies, local business representatives from the cashew and shea industries in Ghana said lack of access to finance and the business community's lack of awareness on how to use AGOA remain challenges to utilizing AGOA. A representative of the horticulture industry in Ethiopia cited inefficient customs processes and lack of access to finance in the country as challenges to more fully utilizing AGOA. He also said that while certain logistical challenges had been addressed in terms of direct airline routes to the United States, increasing awareness of the Ethiopian flower industry would help improve access to the U.S. market. The owner of a textile goods company who had exported products under AGOA said he was unable to obtain certain inputs for his products in Ethiopia, a fact that affected decisions on what to produce. Furthermore, he said local businesses were rudimentary when AGOA was signed, and are only now building export capacity and an understanding of the U.S. market. A business representative from the apparel industry said that logistics remain a challenge to exports because of high transportation costs that may discourage potential buyers. He noted the high cost of moving shipments from Ethiopia to the port in

Djibouti, and also that lengthy transport schedules create longer lead times to fill orders. Like other members of the private sector we spoke to, he said that local companies have limited access to capital, and that obtaining financing requires a number of bureaucratic steps.

USAID Has Worked with Some Host Governments on Strategic Approaches to AGOA Utilization, but Most Host Governments Have Not Established Such Approaches

USAID Has Worked with Some Host Governments to Develop Strategic Approaches to AGOA Utilization

USAID works with some host governments to develop strategic approaches to increasing AGOA utilization.³⁰ As previously noted, one of USAID's core development objectives is to promote sustainable, broad-based economic growth by helping developing countries increase their exports through trade capacity building. AGOA legislation also directs the President, in part, to target assistance to sub-Saharan African governments. USAID has identified trade hubs as primary implementers of TCB assistance to African governments and organizations, among others. USAID, partly through the trade hubs, has supported AGOA utilization by collaborating with African governments to develop AGOA-specific or national export strategies. In the strategy documents, host governments may identify high-priority trade and investment sectors, constraints related to AGOA utilization, and specific steps to increase exports under AGOA. For example, the East Africa trade hub participated in a 2013 workshop with officials from the Mauritian government, and

³⁰According to USITC, in 2013, AGOA utilization was 65 percent for trade in all products and across all countries. When crude petroleum imports are excluded from the calculation, the overall utilization rate falls to 31 percent. J. Bonarriva and J. Guth, *AGOA: Trade and Investment Performance Overview*.

helped the host government develop and publish its AGOA-specific national strategy, which aims to support the ability of Mauritian firms to sell to the U.S. market and leverage opportunities that AGOA provides. Data from USAID also indicate that trade hubs provided input toward strategies that the Gambia and Senegal have developed.

We previously identified the importance of strategic planning efforts in results-oriented management.³¹ Specifically, we found that such strategic planning efforts are the starting point and foundation for defining what the organization seeks to accomplish, and in identifying the strategies it will use to achieve desired results. Furthermore, developing a strategic plan can help clarify organizational priorities and unify staff in the pursuit of shared goals. If done well, strategic planning fosters informed communication between the organization and its stakeholders. In the case of AGOA utilization, this may include collaboration between U.S. and host governments, and the private sector.

Literature and trade hub reports have noted the potentially positive effects such strategies can have on countries' utilization of AGOA. USAID, through its trade hubs, has stated that identifying strategic needs and priorities through national strategies can bolster AGOA utilization. For example, in a 2013 report prepared for USAID, the West Africa trade hub noted the importance of a strategy as part of leveraging trade preferences, and the role that USAID and other U.S. agencies can play in encouraging strategy development.³² The report identified several countries, including Burkina Faso and Sierra Leone, that have implemented strategies as tools to better utilize AGOA. Similarly, the East Africa trade hub reported that national strategies reflect host governments' strategic needs in approaching the U.S. market and outline ways governments can utilize AGOA. According to contractors who implement activities at one of the trade hubs, export strategies allow governments to target specific sectors and work with the private sector toward a unified approach.

³¹GAO, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review*, [GAO/GGD-10.1.16](#) (Washington, D.C.: May 1997).

³²CARANA Corporation, *West Africa Trade Hub Final Report*, a report prepared at the request of USAID, August 2013.

African leaders have also articulated the importance of strategic approaches to enhancing AGOA utilization. At the 2011 AGOA Forum held in Zambia, an African trade minister underscored the importance of clear AGOA national strategies because they help ensure that countries assess export promotion challenges in a coordinated manner, and U.S. agency officials said that African leaders had committed to developing more AGOA-related strategies at the August 2014 Africa Leaders Summit. Furthermore, in a January 2014 testimony to USITC, a senior African official said AGOA countries have recognized the need to address various supply-side constraints that have hindered AGOA utilization, including poor infrastructure, by developing a coordinated, strategic response at the national level.³³ This official also noted that this strategic exercise would enable AGOA countries to identify supply-side constraints and potential responses, and may ultimately enable the U.S. government to better support African countries. For example, the Ethiopian government has drafted a national strategy that identifies high-priority industries that align with AGOA trade preferences. While this document is still in draft form, the Ethiopian trade ministry notes that its AGOA national strategy is an important part of the country's overall growth plan, given that AGOA is a useful market opportunity to achieve Ethiopia's larger economic growth objectives. According to officials, the government also plans to establish an AGOA center to oversee implementation of the strategy.

Most Host Governments Have Not Established a Strategic Approach to AGOA Utilization

Though USAID has made efforts to work with host governments on developing strategic approaches to AGOA utilization, 14 out of the 41 current AGOA countries have such strategies in place, according to data from USAID (see fig. 7).³⁴ According to a white paper from the United Nations Economic Commission for Africa and the African Union, the lack of a strategic approach on AGOA is a significant reason for gaps in

³³This testimony was provided at a public hearing held in conjunction with USITC's AGOA reports. U.S. International Trade Commission, *AGOA: Trade and Investment Performance Overview*; AGOA: *Economic Effects of Providing Duty-Free Treatment for Imports*; U.S. AGOA Rules of Origin: *Possible Changes to Promote Regional Integration and Increase Exports to the United States Performance Overview*; EU—South Africa FTA: *Impact on U.S. Exports to South Africa* (Investigation Numbers 332-542, 332-544, 332-545, and 332-546) (Heritage Reporting Corporation, Washington, D.C.: Jan. 14, 2014).

³⁴According to data from USAID, the 14 countries that had an AGOA-specific or national export strategy as of December 2014 were Botswana, Burkina Faso, Burundi, the Gambia, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Senegal, Sierra Leone, South Africa, and Uganda.

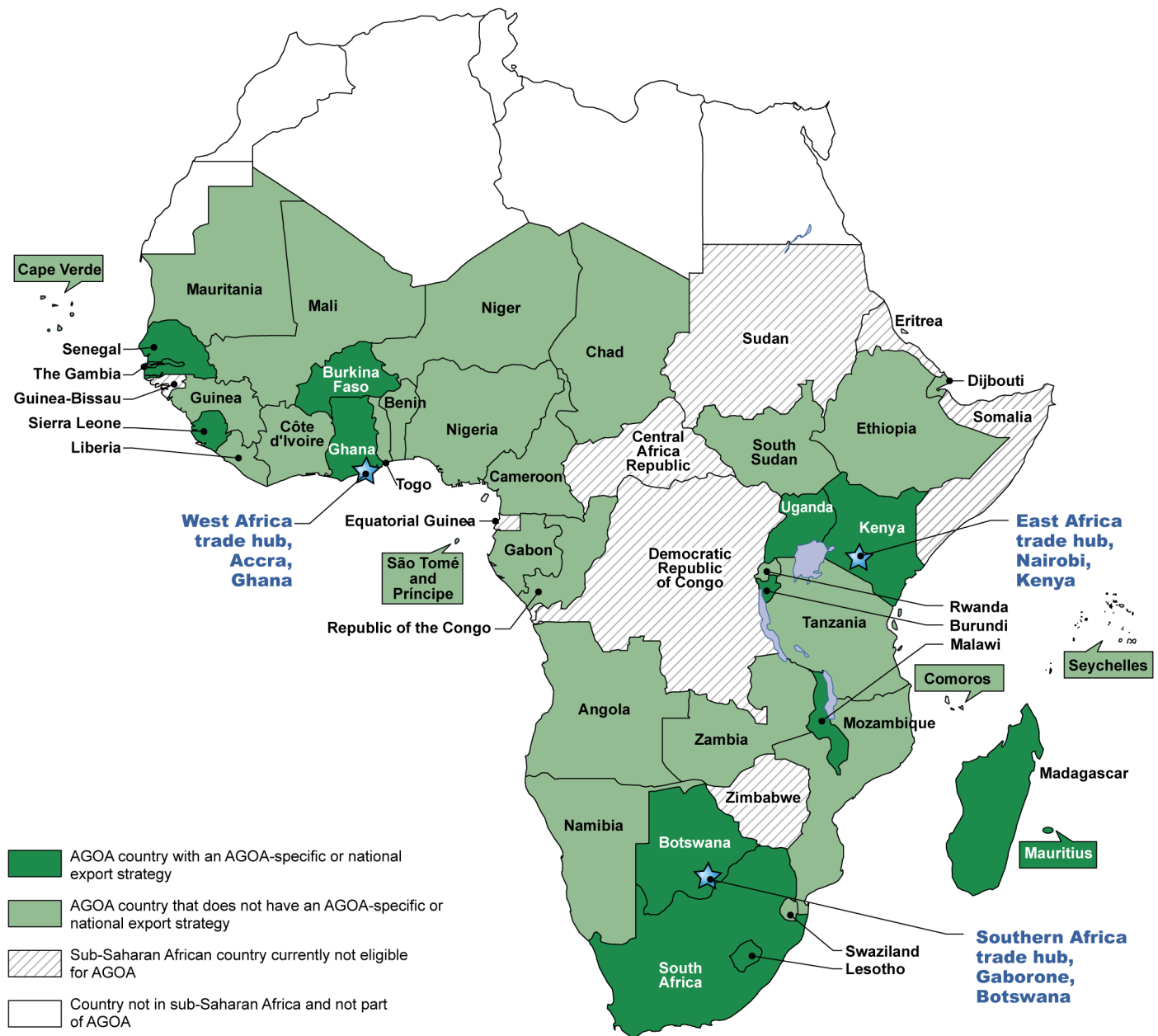
AGOA utilization.³⁵ A 2011 Brookings Institution report³⁶ identified the lack of an AGOA national strategy as one factor inhibiting Ghana from fully benefitting from AGOA.³⁷

³⁵United Nations Economic Commission for Africa and the African Union, *How 'AGOA 2.0.' Could Be Different: Outlining Africa's Position on the AGOA Review Process* (Addis Ababa, Ethiopia: April 2014).

³⁶Elizabeth A. Asante, Simon Bawakyillenuo, and Clement Ahiadeke. Brookings Institution, *Improving AGOA: Toward a New Framework for U.S.-Africa Commercial Engagement* (Washington, D.C.: May 2011).

³⁷Ghana issued national export strategies in 2013, and Ghanaian government officials said they were taking steps to develop an implementation plan for those strategies.

Figure 7: African Growth and Opportunity Act (AGOA) Countries That Have AGOA-Specific or National Export Strategies, as of December 2014



Source: GAO analysis of data provided by USAID and host governments, and Map Resources (map). | GAO-15-218

Note: This figure includes finalized or completed strategies.

According to officials and information from trade hubs, AGOA countries may lack these strategies because such efforts have not been prioritized in work plans, and because of an absence of political will among host governments. Specifically, in its work plans for all three trade hub contracts, USAID has noted the importance of coordinating with bilateral USAID missions, regional entities in sub-Saharan Africa, and host governments, among others. However, USAID only included the development of national strategies as a high-priority task for the East Africa trade hub, and not for the West and Southern Africa trade hubs. Furthermore, a lack of host government interest could influence the effectiveness of such efforts. A West Africa trade hub report noted that political will is needed to sustain strategy development efforts in those AGOA countries that lack such strategies. USAID officials also said that host governments must request and initiate the process of developing these strategies, and the lack of political will to motivate these efforts may be one reason some AGOA countries do not have such a strategic approach. For example, according to literature, some USAID TCB assistance programs in sub-Saharan Africa have faced challenges in gaining buy-in from regional participating governments and in ensuring agreement on the direction and pace of adoption of relevant processes and procedures. USAID officials acknowledged they could do more to work with host governments on strategy development to enhance AGOA utilization, and officials said they are starting to work with regional entities to develop strategic approaches to export promotion.

Conclusions

The U.S. government has acknowledged the importance of providing TCB assistance in support of AGOA, and U.S. agencies have obligated approximately \$5 billion in TCB assistance for AGOA countries over a 13-year period. As Congress deliberates reauthorization of the AGOA program, policymakers have expressed interest in enhancing eligible countries' ability to utilize the program and ensuring that TCB assistance is aligned with the program's objectives. A strategic approach to AGOA utilization can help eligible countries leverage U.S. TCB efforts and trade preferences under AGOA, while a lack of a strategic approach to AGOA can result in gaps in program utilization. Although USAID has worked with some host governments from AGOA countries to develop strategic approaches to program utilization, about a third of the 41 AGOA countries currently have strategies that reflect AGOA priorities. USAID has not prioritized the development of these strategies for all three of its regional trade hubs, which play a significant role in implementing TCB in AGOA countries and working with host governments. A lack of political will among host governments may also pose challenges to developing and sustaining strategic approaches related to AGOA. In developing these

approaches, eligible countries can identify trade barriers that inhibit AGOA utilization and articulate a commitment to addressing these barriers. Such strategies could also assist U.S. agencies in ensuring that TCB assistance is aligned with host government priorities and is addressing gaps in AGOA utilization.

Recommendation for Executive Action

To enhance eligible countries' ability to utilize the AGOA program and ensure that TCB assistance is aligned with program objectives, we recommend that the Administrator of USAID work with more host governments to develop strategic approaches to promoting exports under AGOA.

Agency Comments and Our Evaluation

We received written comments on a draft of this report from USAID, which are reprinted in appendix III. USAID stated that it agreed with the report's overall findings, conclusions, and recommendations. USAID also made a number of observations and comments related to the findings and recommendation in the report.

USAID commented that our report does not provide sufficient data to demonstrate the linkage between host government strategic approaches and AGOA utilization. However, as we point out in our report, such strategies can have potentially positive effects on countries' utilization of AGOA. We cite prior GAO work that notes the importance of strategic planning efforts in results-oriented management; and literature, trade hub reports, and statements from African leaders that also emphasize the importance of strategic approaches to enhancing AGOA utilization.

USAID stated that our report does not include the point that the productivity of African businesses is negatively impacted by a lack of access to reliable electricity. However, our report does in fact note observations from our field work in Ghana and Ethiopia regarding challenges resulting from lack of access to power.

Finally, USAID explained that its trade hubs are designed as regional programs and therefore often prioritize regional efforts over bilateral strategy development. In our report we acknowledge the regional focus of USAID-funded trade hubs and also note that USAID is starting to work with regional entities to develop strategic approaches to export promotion.

Commerce, State, the Treasury, MCC, USITC, and USTR also received a draft copy of the report but did not provide formal comments. USAID,

USITC, and USTR provided technical comments, which we have incorporated in the report, as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretaries of Commerce, State, and the Treasury; the Chief Executive Officer of MCC; the Administrator of USAID; the Chairman of USITC; the U.S. Trade Representative; and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8612 or GianopoulosK@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.



Kimberly Gianopoulos
Director, International Affairs and Trade

List of Requesters

The Honorable Chris Coons
United States Senate

The Honorable Bob Corker
United States Senate

The Honorable Jeff Flake
United States Senate

The Honorable Orrin G. Hatch
United States Senate

The Honorable Johnny Isakson
United States Senate

The Honorable Robert Menendez
United States Senate

The Honorable Ron Wyden
United States Senate

The Honorable Karen Bass
House of Representatives

The Honorable Eliot L. Engel
House of Representatives

The Honorable Sander M. Levin
House of Representatives

The Honorable Devin Nunes
House of Representatives

The Honorable Charles B. Rangel
House of Representatives

The Honorable Edward R. Royce
House of Representatives

The Honorable Christopher H. Smith
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine (1) U.S. government trade capacity building (TCB) assistance in support of the African Growth and Opportunity Act (AGOA), and (2) the extent to which the U.S. Agency for International Development (USAID) has made efforts to develop strategic approaches to AGOA utilization.

To address both objectives, we interviewed officials from the Departments of Commerce, State, and the Treasury; the Millennium Challenge Corporation (MCC); and USAID, but focused on MCC and USAID for the purposes of this report because these agencies obligated the highest amounts of TCB funding from fiscal years 2001 through 2013. We also interviewed officials from the Office of the U.S. Trade Representative and the U.S. International Trade Commission (USITC), agencies that do not provide funding for U.S. TCB assistance but provided additional contextual information on AGOA and TCB. We reviewed documents including literature on AGOA and TCB; statements of work, evaluations, and annual reports for the three USAID-funded trade hubs; program documents for MCC activities in sub-Saharan Africa; and examples of AGOA-specific and national export strategies. We also conducted fieldwork in Ethiopia and Ghana, countries we selected because they represented a cross section of U.S. TCB assistance and are in different regions within sub-Saharan Africa, thereby also providing insight on two out of the three trade hubs. In each country, we interviewed U.S. agency officials, host government officials, representatives from the private sector who had insights on U.S. TCB assistance, and contractors implementing TCB activities. Our findings from these countries are not generalizable to the universe of all U.S. TCB activities.

To examine U.S. government TCB assistance in support of AGOA, we reviewed documents from relevant U.S. agencies, including program descriptions and evaluations, and analyzed data on U.S. TCB funding to AGOA countries. We focused our analysis on the U.S. agencies that provided the highest amounts of TCB funding for AGOA countries from fiscal years 2001 through 2013. We analyzed data USAID provided on annual U.S. TCB obligations for activities in all AGOA countries from fiscal years 2001 through 2013 by year, agency, country, and TCB category. These data are reported in the U.S. government TCB database, but we requested data directly from USAID to facilitate our analysis of the data for the purposes of this report. We also relied on the data and information from the TCB database, such as TCB activity descriptions. In

our analysis of TCB funding data, we built upon information collected for prior GAO reports on TCB that used data from the TCB database.¹ Data from the TCB database were deemed reliable for our prior reports on TCB.² For this report, we determined that the data were sufficiently reliable to identify TCB funding by agency, country, category, and year. Furthermore, in assessing the data, we interviewed key USAID officials responsible for administering the database and reviewed supporting documentation.

To examine the extent to which USAID has made efforts to develop strategic approaches to AGOA utilization, we reviewed documents from relevant U.S. agencies, including program descriptions and evaluations, and information on AGOA-specific and national export strategies from U.S. agencies and host governments. In addition, we discussed the development of these strategic approaches with U.S. and foreign government officials.

We conducted this performance audit from March 2014 to January 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹GAO, *Foreign Assistance: USAID Should Update Its Trade Capacity Building Strategy*, [GAO-14-602](#) (Washington, D.C.: Sept. 10, 2014); *Foreign Assistance: The United States Provides Wide-ranging Trade Capacity Building Assistance, but Better Reporting and Evaluation Are Needed*, [GAO-11-727](#) (Washington, D.C.: July 29, 2011); and *Foreign Assistance: U.S. Trade Capacity Building Extensive, but Its Effectiveness Has Yet to Be Evaluated*, [GAO-05-150](#) (Washington, D.C.: Feb. 11, 2005).

²We identified limitations to the TCB database in our 2011 report on TCB, including that the database did not adequately explain significant factors driving changes in the composition of TCB funding over time.

Appendix II: U.S. Government Trade Capacity Building (TCB) Database

Definitional Categories and Examples of Activities in African Growth and Opportunity Act (AGOA) Countries

As we noted in 2011, the U.S. Agency for International Development (USAID) collects data to identify and quantify the U.S. government's trade capacity building (TCB) activities in developing countries through an annual survey of U.S. agencies.¹

TCB Category Definitions

The U.S. government TCB database defines the categories as follows:

- World Trade Organization (WTO) Accession and Compliance: support for countries to benefit from membership in the WTO, or to understand fully the benefits of membership. Also assistance to help countries in the WTO accession process meet the requirements of accession. This category includes assistance to meet the obligations of the specific WTO agreements, except for Agreements on Sanitary and Phyto-Sanitary Measures (SPS), Technical Barriers to Trade (TBT), Intellectual Property Rights (IPR), and Trade-related Procurement. Those four agreements benefit from TCB in their own categories.
- Sanitary and Phyto-Sanitary Measures: support for countries to meet SPS standards for trade and to comply with the WTO Agreement on SPS.
- Technical Barriers to Trade: support for countries to reduce technical barriers to trade and to comply with the WTO Agreement on TBT.
- Intellectual Property Rights: support for countries to observe international standards on intellectual property rights protection and to comply with the WTO Agreement on IPR.
- Trade-Related Procurement: support for increased trade related to government procurement and to comply with the WTO Agreement on Government Procurement.
- Trade Facilitation: generally defined as assistance in lowering the costs of engaging in, or eliminating obstacles to, international trade

¹[GAO-11-727](#), 4-5.

flows. Trade facilitation (for 2011) is a sum of the following four subcategories:

- Customs Operations: includes assistance to help countries modernize and improve their customs offices.
- Trade Promotion: includes assistance to increase market opportunities for developing country and transition economy producers.
- Enterprise Development: includes support to improve the associations and networks in the business sector, as well as to enhance the skills of business people engaged in trade. Also includes assistance to help countries acquire and use information technology to promote trade by creating business networks and disseminating market information.
- Free Trade Agreements (FTA) and Trade Integration: includes assistance to an FTA, a regional trade agreement (RTA), or an individual country that increases the ability of the RTA to facilitate trade. It can also include assistance to a potential member of an RTA that improves the analytical capacity of the country's government with respect to RTA issues.²
- Trade-Related Labor: assistance to support the enforcement of labor standards and worker rights, development of trade unions and dispute resolution mechanisms, strategies for workforce development and worker training, and the elimination of child labor.
- Financial Sector: support for financial sector work, monetary and fiscal policy, exchange rates, commodity markets, and capital markets.
- Trade-Related Infrastructure: assistance to establish trade-related telecoms, transport, ports, airports, power, water, and industrial zones.

²This category does not include TCB assistance in a specific area that is being provided to countries through an RTA. For example, technical assistance to help RTA member countries comply with SPS standards was reported as Trade-Related Agricultural Development or the WTO Agreement on SPS Measures.

- Environmental Sector Trade and Standards: assistance to establish environmental standards or to promote environmental technology.
- Competition Policy, Business Environment, and Governance: support for the design and implementation of antitrust laws, as well as of laws and regulations related to investment and investor protections. Includes support for legal and institutional reform to improve governance and make policies more transparent, and assistance to help the different agencies of a host country government function more effectively in the trade policy arena.
- Trade-Related Agriculture: support for trade-related aspects of the agriculture and agribusiness sectors.³
- Trade-Related Services: includes support to help developing countries and transition economies increase their flows of trade in services. Services Trade Development is a sum of two subcategories:
 - Trade-Related Services (excluding tourism): assistance to help countries develop trade in services in all sectors other than tourism, including financial services, energy, transportation, and education.
 - Trade-Related Tourism: assistance to help countries expand their international tourism sectors, including eco-tourism.
- Other Trade Capacity Building: A small number of TCB activities did not fit in any of the above categories, including some activities of a crosscutting nature. These were categorized as “Other Trade Capacity Building.”

³Support that is specifically intended to help countries participate in the WTO Agreements on Agriculture or SPS Measures is not included in this category.

Appendix II: U.S. Government Trade Capacity Building (TCB) Database Definitional Categories and Examples of Activities in African Growth and Opportunity Act (AGOA) Countries

Table 4: Examples of U.S. Trade Capacity Building (TCB) Assistance Activities in African Growth and Opportunity Act (AGOA) Countries, by TCB Assistance Category

TCB category	U.S. TCB assistance activities in AGOA countries
World Trade Organization (WTO) accession and compliance	In Ethiopia, the U.S. government supported a WTO accession project that aimed to promote policy and legal reform to help bring the country's trade regime into line with WTO rules; build political, public, and private sector support for accession; and develop institutional capacity within the government to analyze trade policy measures.
Sanitary and phyto-sanitary measures	In Burkina Faso, the U.S. government provided technical assistance to the Ministry of Commerce that aimed to improve the country's sanitary and phyto-sanitary inspection and compliance regime.
Technical barriers to trade	In Zambia, the U.S. government supported a project that aimed to reduce barriers to trade and investment through assistance for a small-claims court system. This project aimed to assist in the speedy resolution of internal trade disputes and increase capacity for external trade.
Intellectual property rights	In Liberia, the U.S. government supported the development and implementation of an intellectual property policy framework, strengthening of enforcement, and provision of training to educate relevant stakeholders.
Trade-related procurement	In South Sudan, the U.S. government provided assistance to the Ministry of Petroleum to increase petroleum exports and nonpetroleum exports, and helped ensure that the country's fiscal policies provided business-friendly tax structures.
Trade facilitation	In Burundi, U.S. government assistance aimed to diversify rural economic opportunities and strengthen trade capacity through technical and trade promotional assistance to producers and small- and medium-sized enterprises in the coffee, horticulture, and dairy sectors.
Trade-related labor	In Lesotho, the U.S. government supported improvements in enterprises' adherence to international core labor standards and national labor law, enabling these enterprises to compete in global markets.
Financial sector	In Ghana, the U.S. government provided assistance to the Ministry of Finance to establish a debt management unit, ensuring domestic debt sustainability and coordination between the ministry and the Bank of Ghana.
Trade-related infrastructure	In Benin, the U.S. government supported assistance to improve port performance and security, expand capacity, and reduce costs. Assistance also focused on reducing delays at the port and increasing the volume of imports and exports.
Environmental sector trade and standards	In Malawi, the U.S. government provided assistance to community-based natural resource management initiatives that generate income and provide incentives for sustainable resource use and biodiversity conservation.
Competition policy, business environment, and governance	In Tanzania, the U.S. government provided assistance to technical services that aimed to improve the country's economic performance. Areas covered include agribusiness diagnostics, private sector health diagnostics, and women-focused research and reforms.
Trade-related agriculture	In Kenya, the U.S. government provided assistance to a horticulture development program that aimed to increase smallholder farmers' incomes through market growth, enhancements of U.S.-Kenya trade, and support for tree crops.
Trade-related services	In Madagascar, U.S. government assistance for a forest ecosystems conservation program promoted natural products such as medicinal plants and spices, and ecotourism development through training tour operators.
Other trade capacity building	In Nigeria, the U.S. government provided support for customs reform and modernization, transport corridor improvements, and trade capacity building.

Source: GAO analysis of data from the U.S. government TCB database. | GAO-15-218

Appendix III: Comments from the U.S. Agency for International Development



DEC 19 2014

Kimberly Gianopoulos
Director, International Affairs and Trade
U.S. Government Accountability Office
Washington, DC 20548

Dear Ms. Gianopoulos:

I am pleased to provide USAID's formal response to the Government Accountability Office (GAO) draft report entitled, "AFRICAN GROWTH AND OPPORTUNITY ACT: USAID Could Enhance Utilization by Working with More Countries to Develop Export Strategies" (GAO 15-218).

This letter, together with the enclosed USAID comments, is provided for incorporation as an appendix to the final report.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Angelique M. Crumbly".

Angelique M. Crumbly
Assistant Administrator
Bureau for Management
U.S. Agency for International Development

Enclosure: a/s

- 2 -

USAID COMMENTS ON GAO DRAFT REPORT
No. GAO-15-218

Recommendation: To enhance eligible countries' ability to utilize the AGOA program and ensure that TCB assistance is aligned with program objectives, we recommended that the Administrator of USAID work with more host governments to develop strategic approaches to promoting exports under AGOA.

USAID Response: USAID agrees with the report's overall findings, conclusions, and recommendation with the following observations and comments.

As noted in the report, USAID's capacity to work with host governments relies heavily on the desire and capacity of the host government to promote exports under AGOA. A lack of host government interest significantly influences the effectiveness of such efforts and the recommendation should reflect that constraint. Additionally, while the governments are important in this process, other entities, such as Chambers of Commerce, may serve as alternative partners in the promotion of AGOA exports.

The report makes an implicit assumption that countries with AGOA strategies use AGOA program export promotions at higher rates than those countries without AGOA strategies. Unfortunately, we do not believe that this linkage has been clearly made. There is no data in the report that shows whether countries with USAID-supported AGOA strategies in place (14 out of 41) performed better in terms of AGOA utilization. This approach also does not acknowledge that the success of strategy implementation truly sits with host country governments and each country's public and private sectors.

Another challenge which was not included in the report is the lack of access most African businesses have to reliable electricity. The International Energy Agency (an international organization of which the U.S. is a member) notes in its 2014 Africa Energy Outlook that "Businesses in sub-Saharan Africa most frequently cite inadequate electricity supply as a major constraint on their effective operation. It is a widespread problem that affects both countries with large domestic energy resources and those that are resource poor. Insufficient and inferior power supply has a large impact on the productivity of African businesses."

Finally, please note that the USAID Trade Hubs, designed as regional programs, have prioritized support for implementation of regional economic community priorities based on regional protocols, which are, to a more or less extent, strategies for trade policy reform to increase intra-regional and export trade. Thus these regional priorities have often been prioritized by USAID above bilateral AGOA strategy development.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Kimberly Gianopoulos, (202) 512-8612 or GianopoulosK@gao.gov

Staff Acknowledgments

In addition to the contact listed above, Juan Gobel (Assistant Director), Diana Blumenfeld, Farhanaz Kermalli, Farahnaaz Khakoo-Mausel, and Ben Sclafani made key contributions to this report. Godwin Agbara, Debbie Chung, Qahira El'Amin, Etana Finkler, Ernie Jackson, and Jill Lacey provided additional assistance.

Related GAO Products

Foreign Assistance: USAID Should Update Its Trade Capacity Building Strategy. [GAO-14-602](#). Washington, D.C.: Sept. 10, 2014.

African Growth and Opportunity Act: Observations on Competitiveness and Diversification of U.S. Imports from Beneficiary Countries. [GAO-14-722R](#). Washington, D.C.: July 21, 2014.

Sub-Saharan Africa: Trends in U.S. and Chinese Economic Engagement. [GAO-13-199](#). Washington, D.C.: Feb. 7, 2013.

Foreign Assistance: The United States Provides Wide-ranging Trade Capacity Building Assistance, but Better Reporting and Evaluation Are Needed. [GAO-11-727](#). Washington, D.C.: July 29, 2011.

U.S.-Africa Trade: Options for Congressional Consideration to Improve Textile and Apparel Sector Competitiveness under the African Growth and Opportunity Act. [GAO-09-916](#). Washington, D.C.: Aug. 12, 2009.

International Trade: U.S. Trade Preference Programs: An Overview of Use by Beneficiaries and U.S. Administrative Reviews. [GAO-07-1209](#). Washington, D.C.: Sept. 27, 2007.

Foreign Assistance: U.S. Trade Capacity Building Extensive, but Its Effectiveness Has Yet to Be Evaluated. [GAO-05-150](#). Washington, D.C.: Feb. 11, 2005.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#). Subscribe to our [RSS Feeds](#) or [E-mail Updates](#). Listen to our [Podcasts](#). Visit GAO on the web at www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800 U.S. Government Accountability Office, 441 G Street NW, Room 7149 Washington, DC 20548

