United States Government Accountability Office

Report to Congressional Requesters

February 2015

AFRICAN GROWTH AND OPPORTUNITY ACT

Eligibility Process and Economic Development in Sub-Saharan Africa

GAO-15-300

GAO Highlights

Highlights of GAO-15-300, a report to congressional requesters

February 2015

AFRICAN GROWTH AND OPPORTUNITY ACT

Eligibility Process and Economic Development in Sub-Saharan Africa

Why GAO Did This Study

Enacted in 2000 and set to expire in September 2015, AGOA is a trade preference program that seeks to promote economic development in 49 sub-Saharan African countries by allowing eligible countries to export qualifying goods to the United States without import duties. The act requires the U.S. government to conduct an annual eligibility review to assess each country's progress on economic, political, and development reform objectives in order to be eligible for AGOA benefits. AGOA also requires an annual forum to foster closer economic ties between the United States and sub-Saharan African countries.

GAO was asked to review various issues related to AGOA's economic development benefits. In this report, GAO examines (1) how the AGOA eligibility review process has considered economic, political, and development reform objectives described in the act and (2) how sub-Saharan African countries have fared in certain economic development outcomes since the enactment of AGOA.

GAO reviewed documents and interviewed officials from U.S. agencies to examine the relationship between the U.S. government's review process and AGOA reform criteria. GAO analyzed trends in economic development indicators for AGOA eligible and ineligible countries from 2001 to 2012, the latest year for which data were available for most countries.

What GAO Recommends

GAO is not making any recommendations.

View GAO-15-300. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov.

What GAO Found

The U.S. government uses the annual eligibility review process required by the African Growth and Opportunity Act (AGOA) to engage with sub-Saharan African countries on their progress toward economic, political, and development reform objectives reflected in AGOA's eligibility criteria. Managed by the Office of the United States Trade Representative, the review process brings together officials from U.S. agencies each year to discuss the progress each country is making with regard to AGOA's eligibility criteria and to reach consensus as to which countries should be deemed eligible to receive AGOA benefits. Over the lifetime of AGOA, 13 countries have lost AGOA eligibility, although 7 eventually had it restored (see figure). To encourage reforms, the U.S. government will engage with countries experiencing difficulty meeting eligibility criteria and may specify measures a country can take. For example, U.S. officials met with Swaziland officials over several years to discuss steps to improve labor rights. However, Swaziland did not make the necessary reforms and lost eligibility effective in January 2015.

Thirteen Sub-Saharan African Countries That Lost Eligibility for Benefits under the African Growth and Opportunity Act and Their Current Eligibility Status

Eligibility lost and not regained	Reason for losing eligibility	Eligibility lost and regained	Reason for losing eligibility
• Central African Republic	• Coup	• Côte d'Ivoire	• Political unrest and armed conflict
• Democratic Republic of Congo	• Human rights abuses	• Guinea	• Coup
• Eritrea	• Human rights abuses	• Guinea-Bissau	• Coup
• The Gambia	• Human rights abuses	• Madagascar	• Coup
• South Sudan	• Political violence and armed conflict	• Mali	• Coup
		• Mauritania	• Coup
• Swaziland	• Labor rights	• Niger	• Rule of law

Source: GAO analysis of information from the Office of the U.S. Trade Representative. | GAO-15-300

GAO analyzed data on economic development indicators for sub-Saharan African countries that were eligible and ineligible for AGOA in 2012; the results showed that eligible countries fared better than ineligible countries on some economic measures since the enactment of AGOA. The extent to which this outcome is attributable to AGOA, however, is difficult to isolate after additional factors are taken into consideration. Other factors, such as the small share of AGOA exports in the overall exports of many AGOA-eligible countries, the role of petroleum exports in recent income growth, the quality of government institutions, and differences in levels of foreign aid and investment, make it difficult to isolate AGOA's contribution to overall economic development. For example, AGOA exports are a small share of overall exports for the majority of AGOA-eligible countries. GAO found evidence that increasing energy prices may also have contributed to income growth within AGOA-eligible petroleum-exporting countries. GAO also found that AGOA-eligible countries on average had higher governance scores and received more foreign aid and investment compared with ineligible countries. These differences may have contributed to economic development in AGOA-eligible countries, but they may also have been facilitated by AGOA, a possibility that makes it difficult to isolate AGOA's impact on economic development.

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Abbreviations

AGOA	African Growth and Opportunity Act
CPA	country programmable aid
FDI	foreign direct investment
GDP	gross domestic product
GSP	Generalized System of Preferences
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
SSA	sub-Saharan Africa
TPSC	Trade Policy Staff Committee
USAID	U.S. Agency for International Development
USTR	Office of the U.S. Trade Representative

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
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Washington, DC 20548

February 12, 2015

Congressional Requesters

Enacted in 2000, the African Growth and Opportunity Act (AGOA) seeks to promote economic development in 49 sub-Saharan African (SSA) countries by offering eligible countries enhanced trade preferences and encouraging the elimination of trade barriers in those countries.[1] AGOA is a U.S. trade preference program that allows eligible SSA countries to export qualifying goods to the United States without import duties. 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. The act requires the U.S. government to conduct an annual eligibility review to determine whether a country is making progress on economic, political, and development reform objectives described in the act in order to be eligible for AGOA benefits. AGOA also requires an annual forum that brings together representatives of the United States and SSA countries to foster closer economic ties.

With AGOA set to expire after September 30, 2015, we were asked to examine a number of issues relating to AGOA countries' trade expansion, economic development, and factors affecting their trade with the United States and other countries. In this report, the third in a series responding to your request, we examine (1) how the AGOA eligibility review process has considered and the AGOA Forums have supported economic, political, and development reform objectives described in the act and (2) how sub-Saharan African countries have fared in certain economic development outcomes since the enactment of AGOA.[2]

[1]AGOA 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.

[2]We have previously issued the following related reports: 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), and *African Growth and Opportunity Act: USAID Could Enhance Utilization by Working with More Countries to Develop Export Strategies,* GAO-15-218 (Washington, D.C.: Jan. 22, 2015).

To examine how the U.S. government's process for determining AGOA eligibility and the AGOA Forums have supported reform objectives established in sections 104 and 105 of the act, we reviewed AGOA legislation and documents from the U.S. agencies that were relevant to the AGOA eligibility criteria and the AGOA Forums. We also analyzed the AGOA eligibility status for SSA countries since AGOA's original enactment to identify changes in eligibility from 2000 through January 2015. We also attended and observed 2014 AGOA Forum events. For both objectives, we interviewed officials from the Departments of Agriculture, Commerce, Labor, State, and the Treasury; the U.S. Agency for International Development (USAID); and the Office of the U.S. Trade Representative (USTR). These seven U.S. agencies are members of the AGOA Implementation Subcommittee of the Trade Policy Staff Committee (TPSC), and they provide reports on the sub-Saharan African countries for consideration during the annual eligibility review.[3]

To examine the relationship between AGOA eligibility and economic development in sub-Saharan Africa, we analyzed data on economic measures and indicators related to economic development, primarily consisting of the World Bank World Development Indicators, World Bank Worldwide Governance indicators, U.S. Census trade data, International Monetary Fund trade data, and Organisation for Economic Co-operation, and Development (OECD) data on foreign assistance. To assess the reliability of these data, we reviewed publicly available documents on these databases and conducted electronic testing for missing values and outliers. We determined that these data were sufficiently reliable for our purposes. We analyzed trends in selected economic development indicators for SSA countries since AGOA was first implemented and compared these trends across different groups of countries based on AGOA eligibility status. For most of this analysis, we used the AGOA eligibility status of SSA countries at the end of 2012 because that is the most recent year for which data are available in the April 2014 edition of the World Development Indicators to examine changes in economic development across SSA countries. We refer to the 40 SSA countries that were eligible for AGOA benefits at the end of 2012 as AGOA-eligible countries and the 9 countries that were not deemed eligible that year as

[3]The AGOA Implementation Subcommittee of the TPSC consists of nine agencies, seven of which have generally provided country reports for the annual eligibility review meeting. The Council of Economic Advisers and the National Security Council, which also serve on the subcommittee, generally have not provided country reports.

AGOA-ineligible countries.[4] However, in our analysis of the AGOA share of overall exports, we use year 2013 export data and the list of AGOA-eligible countries in 2013. Appendix I provides a detailed discussion of our objectives, scope, and methodology.

We conducted this performance audit from April 2014 to February 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

AGOA Benefits, Reform Objectives, and Eligibility Requirements

AGOA provides eligible SSA countries duty-free access to U.S. markets for more than 6,000 dutiable items in the U.S. import tariff schedules. SSA countries are defined in Section 107 of AGOA as the 49 sub-Saharan African countries potentially eligible for AGOA benefits listed in that provision. As a trade preference program, AGOA supports economic development in sub-Saharan Africa through trade and investment and encourages increased trade and investment between the United States and SSA countries as well as intra-SSA trade. In addition, AGOA benefits may lead to improved access to U.S. credit and technical assistance, according to the Department of Commerce's website and officials from the Departments of Commerce and Labor. AGOA authorizes the President each year to designate an SSA country as eligible for AGOA trade preferences if the President determines that the country has met or is making continual progress toward meeting AGOA's eligibility criteria, among other requirements.[5] For the purposes of this report, we

[4]The 40 AGOA-eligible countries as of the end of 2012 were 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, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Principe, Senegal, Seychelles, Sierra Leone, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda, and Zambia. The 9 AGOA-ineligible countries in 2012 were Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Eritrea, Guinea-Bissau, Madagascar, Somalia, Sudan, and Zimbabwe.

[5]Pub. L. No. 106-200, May 18, 2000, section 104(a)(1).

have organized the act's eligibility criteria into three broad reform objectives: economic, political, and development (see table 1).

Table 1: Reform Objectives Related to Eligibility Criteria in the African Growth and Opportunity Act (AGOA)

Reform objective	AGOA eligibility criteria	
	Each country under review must show that it has established or is making continual progress toward establishing each of the following conditions:	Each country under review must also:

Economic	• A market-based economy that protects private property rights, incorporates an open rules-based trading system, and minimizes government interference in the economy through measures such as price controls, subsidies, and government ownership of economic assets.
	• The elimination of barriers to U.S. trade and investment, including by
	  • the provision of national treatment and measures to create an environment conducive to domestic and foreign investment,
	  • the protection of intellectual property, and
	  • the resolution of bilateral trade and investment disputes.	

Political	• The rule of law; political pluralism; and the right to due process, a fair trial, and equal protection under the law. • A system to combat corruption and bribery, such as signing and implementing the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. • Protection of internationally recognized labor rights, including the right of association; the right to organize and bargain collectively; a prohibition on the use of any form of forced or compulsory labor; a minimum age for the employment of children; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.	• Not engage in activities that undermine U.S. national security or foreign policy interests. • Not engage in gross violations of internationally recognized human rights. • Not provide support for acts of international terrorism. • Cooperate in international efforts to eliminate human rights violations and terrorist activities. • Have implemented its commitments to eliminate the worst forms of child labor.
Development	• Economic policies to reduce poverty, increase the availability of health care and educational opportunities, expand physical infrastructure, promote the development of private enterprise, and encourage the formation of capital markets through micro-credit or other programs.	

Source: GAO analysis of AGOA legislation. | GAO-15-300

Note: For the purposes of this report, we have organized the act's eligibility criteria into three broad reform objectives: economic, political, and development.

In addition, the act requires that an SSA country be eligible for the Generalized System of Preferences (GSP) in order to be considered for AGOA benefits.[6] The U.S. government's *African Growth and Opportunity Act Implementation Guide* states that an SSA country must also officially request to be considered for AGOA benefits.[7] Over the lifetime of AGOA, 47 of the 49 SSA countries listed in the act have requested consideration for AGOA eligibility, according to USTR officials.[8] Figure 1 shows a map of Africa that identifies the 39 SSA countries that were eligible for AGOA benefits and the 10 SSA countries that were ineligible for AGOA benefits as of January 1, 2015.

[6]The United States offered tariff reductions for goods from most sub-Saharan African countries under the Generalized System of Preferences, a preferential tariff system for designated beneficiary developing countries. 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. Although legal authorization of the GSP program expired on July 31, 2013, imports of 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.

[7]Office of the U.S. Trade Representative and the U.S. Agency for International Development, *African Growth and Opportunity Act Implementation Guide* (Washington, D.C.: October 2000).

[8]The two SSA countries that have never requested AGOA benefits are Somalia and Sudan, according to USTR officials.

Figure 1: Map of Sub-Saharan African Countries Eligible for African Growth and Opportunity Act (AGOA) Benefits, January 2015

Source: GAO analysis of Department of State and USAID data (data); Map Resources (map). | GAO-15-300

The U.S. Government Uses the Eligibility Review Process and the AGOA Forum to Engage with SSA Countries and Encourage Reforms

The U.S. government uses the annual eligibility review process and forum mandated by AGOA to engage with sub-Saharan African countries on their progress toward economic, political, and development reform objectives reflected in AGOA's eligibility criteria. USTR manages the annual consensus-based review process, which begins by collecting information from the public and other agencies of the AGOA Implementation Subcommittee. For SSA countries experiencing difficulty meeting one or more eligibility criteria, the U.S. government may decide on specific engagement actions to encourage reforms in specific areas. Over the lifetime of AGOA, 13 countries have lost their AGOA eligibility, although 7 countries eventually had their eligibility restored. The U.S. government uses the annual AGOA Forum to further engage with representatives from sub-Saharan Africa on challenges and encourage progress on AGOA's economic, political, and development reform objectives.

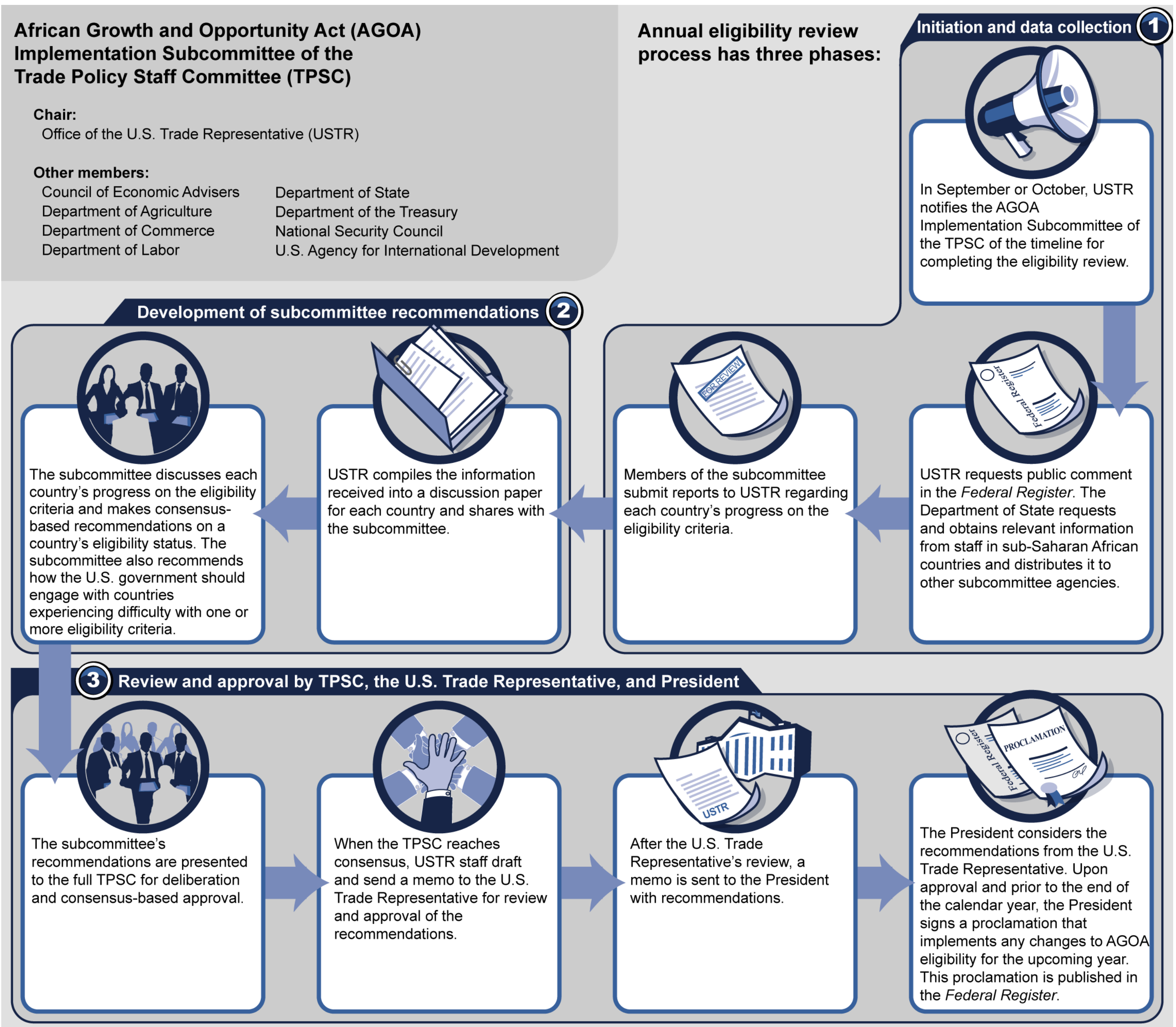
The AGOA Eligibility Review Is an Interagency Process Based on Consensus

The AGOA Implementation Subcommittee of the TPSC conducts the AGOA eligibility review annually to discuss whether a country has established or is making continual progress toward AGOA's reform objectives and makes consensus-based recommendations on each country's eligibility.[9] USTR's Office of African Affairs oversees the implementation of AGOA and chairs the AGOA Implementation Subcommittee. The full TPSC must review and approve the subcommittee's recommendations. The recommendations are then forwarded to the U.S. Trade Representative for review and approval. Once the recommendations are approved, the U.S. Trade Representative sends the recommendations to the President. The President makes the final decision on AGOA eligibility. The flow diagram in figure 2 provides an overview of the AGOA eligibility review process, organized into three phases: (1) initiation and data collection, (2) development of

[9] The TPSC is a U.S. interagency mechanism for trade policy coordination. USTR chairs the TPSC, which consists of USTR and 20 other U.S. government entities. TPSC members include the Office of the U.S. Trade Representative (chair), Council of Economic Advisers, Council of Environmental Quality, Department of Agriculture, Department of Commerce, Department of Defense, Department of Energy, Department of Health and Human Services, Department of Homeland Security, Department of the Interior, Department of Justice, Department of Labor, Department of State, Department of Transportation, Department of the Treasury, Environmental Protection Agency, U.S. Agency for International Development, National Economic Council, National Security Council, Office of Management and Budget, and the United States International Trade Commission (nonvoting member).

subcommittee recommendations, and (3) review and approval by the TPSC, USTR, and the President.

Figure 2: Overview of the African Growth and Opportunity Act (AGOA) Eligibility Review Process



Source: GAO analysis of Office of the United States Trade Representative information. | GAO-15-300

Phase 1: initiation and data collection. Generally, USTR begins the annual eligibility review process in September or October by requesting that the agencies that form the AGOA Implementation Subcommittee—the Departments of Agriculture, Commerce, Labor, State, and the Treasury; USAID; Council of Economic Advisers; and National Security Council—provide information about each country's progress on reform objectives related to the eligibility criteria. USTR also requests public comments at this time. These agencies generally prepare and submit their reports to USTR by mid-October. State also distributes information collected by overseas staff on progress made by SSA countries on AGOA's reform objectives to the other members of the subcommittee to help inform the development of their reports. Subcommittee agencies frequently provide in-depth information related to the AGOA eligibility criteria that are most pertinent to their specific mission but may also provide input related to other eligibility criteria. For example, while the Department of Labor's reports primarily focus on labor issues, its reports on each country may also include information related to other eligibility criteria, such as human rights and the rule of law. (Table 2 identifies the primary focus of each subcommittee agency and the related AGOA reform objectives and corresponding eligibility criteria.)

Table 2: African Growth and Opportunity Act (AGOA) Implementation Subcommittee: Agencies, Primary Focus, and Related AGOA Reform Objectives and Corresponding Eligibility Criteria

Agency[a]	Primary focus[b]	Related AGOA reform objectives and corresponding eligibility criteria
Department of Agriculture	Food and agriculture and U.S. market access	**Economic** Market-based economy, elimination of barriers to U.S. trade and investment
Department of Commerce	Economic growth and development and trade promotion	**Economic** Market-based economy, elimination of barriers to U.S. trade and investment
Department of Labor	Labor issues	**Political** Protection of internationally recognized labor rights
Department of State	Economic growth and development, human rights, labor issues, corruption, foreign policy, and national security	**Economic and political** Rule of law, political pluralism, human rights, labor rights, and combating corruption
Department of the Treasury	Economic growth and development and global financial system	**Economic, political, and development** Market-based economy, rule of law, combating corruption, and poverty reduction
U.S. Agency for International Development	Broad-based economic growth and development through trade capacity building	**Development** Poverty reduction
Office of the U.S. Trade Representative (USTR)	Trade and development, intellectual property, labor issues, and agriculture	**Economic, political, and development** Market-based economy, elimination of barriers to U.S. trade and investment, labor rights, and poverty reduction

Source: GAO analysis of Departments of Agriculture, Commerce, Labor, State, and the Treasury; U.S. Agency for International Development; and the Office of the U.S. Trade Representative information. | GAO-15-300

[a]Traditionally, the Council of Economic Advisers and National Security Council have not provided reports to USTR on sub-Saharan African countries for the annual eligibility review. The Council on Economic Advisers covers issues related to international economic policy, and the National Security Council covers issues related to foreign policy and national security during the Implementation Subcommittee's discussion of each country's progress on the eligibility criteria.

[b]Subcommittee agencies frequently provide in-depth information related to the AGOA eligibility criteria that are most pertinent to their specific mission but may also provide input related to other eligibility criteria.

In phase 1 of the eligibility review process, USTR also publishes a notice in the *Federal Register* requesting public comment on SSA countries eligible to receive AGOA benefits. In 2013, USTR received 11 comments from a range of sources, including SSA governments, SSA private companies, a U.S. industry organization, a private U.S. citizen, a federation of U.S. unions, and a coalition of trade associations. The *Federal Register* notice and a presidential proclamation that finalizes eligibility decisions are the only components of the eligibility review process that are public.[10]

Phase 2: development of subcommittee recommendations. USTR compiles the information provided by each subcommittee agency in phase 1 into a paper on each country. These papers also include broad-ranging information that USTR staff provide and any public comments that USTR receives in response to its notice in the *Federal Register*. USTR distributes the country papers to members of the AGOA Implementation Subcommittee for review and discussion at the subcommittee meeting.

Typically, the AGOA Implementation Subcommittee convenes in November to review each country's progress in establishing or making continual progress toward AGOA's reform objectives. Usually, over a period that may range from a few days to a few weeks, the subcommittee works through each agency's priorities and viewpoints on each country's progress on the eligibility criteria, according to agency officials. The duration of this phase varies depending on how quickly the agencies can reach consensus. Any differences in perspective regarding countries' progress are discussed and consensus-based recommendations are reached.[11] For example, the U.S. Department of Agriculture has regularly raised concerns about progress on economic reform objectives in certain SSA countries, such as import bans and procedures to control pests and diseases in agricultural products. Countries have received démarches or letters for such issues; however, the subcommittee has not recommended that a SSA country lose its AGOA eligibility because of market access issues, according to USTR officials.[12]

[10]From 2001 through 2008, AGOA required USTR to report on the implementation of AGOA. The reports included a summary of the outcomes of the annual eligibility review and an evaluation of each country's strengths and weaknesses in relation to each of the eligibility criteria. Congress did not renew the reporting requirement after its sunset date.

[11]Occasionally, when the subcommittee is unable to reach consensus, the TPSC may have to deliberate and reach consensus on particular countries' eligibility in phase 3, according to agency officials

[12]A démarche is a formal diplomatic representation of one government's official position, views, or wishes on a given subject to an appropriate official in another government or international organization. Démarches generally seek to persuade, inform, or gather information from a foreign government.

Phase 3: review and approval by the TPSC, the U.S. Trade Representative, and the President. The subcommittee's recommendations are presented to the full TPSC for review and approval. After the TPSC reaches consensus, USTR staff prepare a decision memorandum for the U.S. Trade Representative's approval. The TPSC, the U.S. Trade Representative, and the President have the authority to modify the subcommittee's recommendations, according to agency officials. The U.S. Trade Representative prepares a decision memo with recommendations to the President for approval. Then, generally in December, the President issues a proclamation that implements any changes to SSA countries' AGOA eligibility status. The proclamation is published in the Federal Register.

Annual AGOA Eligibility Review Encourages U.S. Government Engagement with SSA Countries on Reforms

Regardless of a country's eligibility status, the U.S. government uses the eligibility review as one of many tools to initiate conversations with SSA countries about economic, political, and development reforms, according to agency officials. The subcommittee reviews each country individually, considering each country's particular situation, to determine how best to encourage progress toward specific eligibility criteria. The TPSC reviews the subcommittee's recommendations and makes the ultimate decision on specific actions the U.S. government can take to encourage countries to address particular concerns related to the eligibility criteria. For example, the TPSC may determine that the relevant U.S. ambassador, or other U.S. government official, should meet with appropriate country representatives. Other possible actions include issuing démarches or letters that describe the eligibility criteria concerns and outline actions the country may take to address those concerns. In some cases, the TPSC may recommend specific steps a country should take to maintain or restore its AGOA eligibility. After the TPSC's concerns are communicated to the country, relevant U.S. government officials manage engagement with the country and report back to the subcommittee on the country's progress.

Although the eligibility review is annual, interim eligibility reviews may be held to gauge the progress countries are making on specific eligibility criteria. For example, in October 2011, an interim review reinstated AGOA eligibility for Côte d'Ivoire, Guinea, and Niger. All three countries had lost AGOA eligibility because of undemocratic changes in government and then regained eligibility following free and fair elections.

The following example illustrates how the U.S. government uses the eligibility review process to engage with SSA countries on issues related to specific reform objectives:

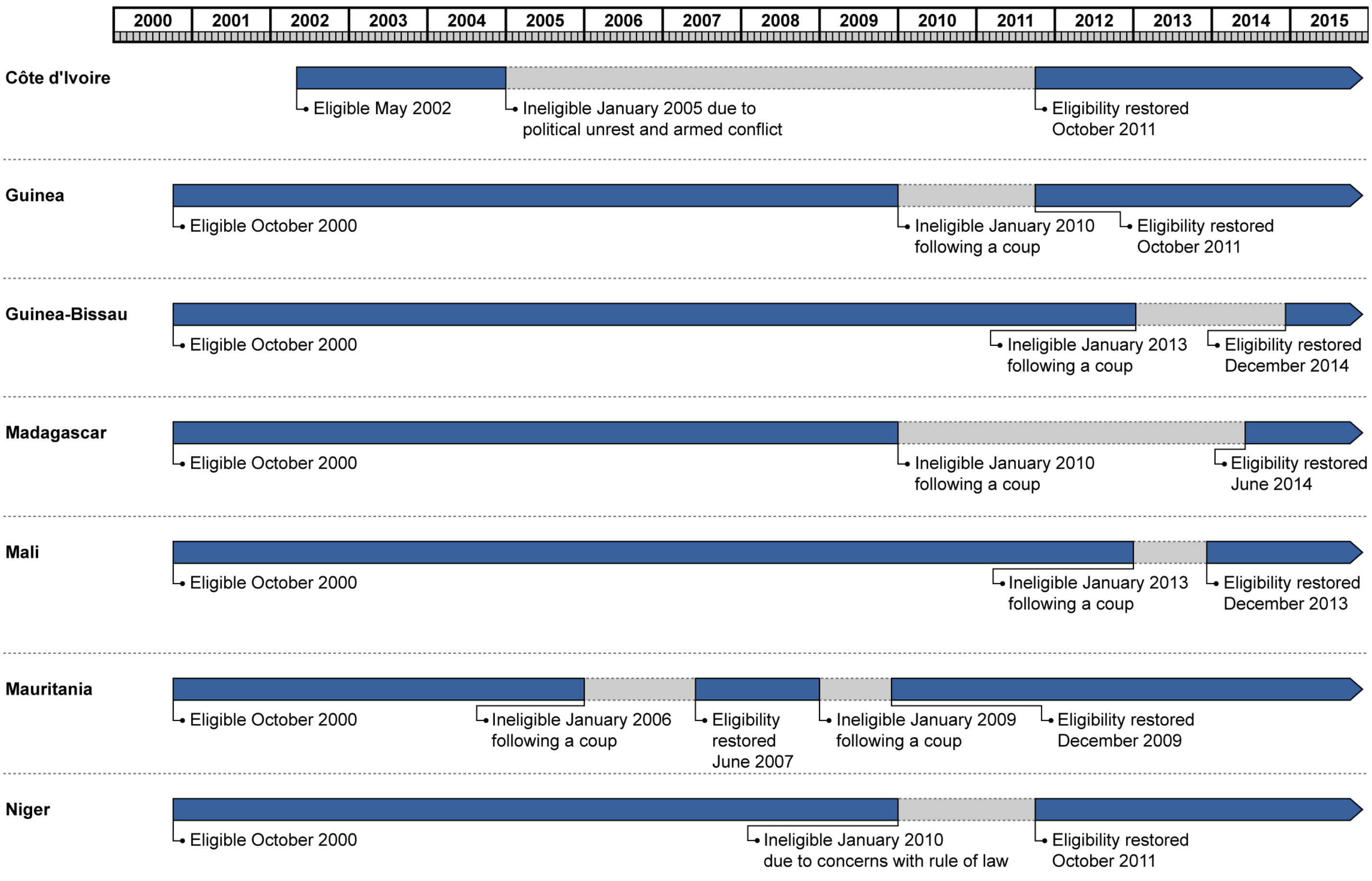
- **Swaziland** was deemed eligible for AGOA in January 2001. However, several years ago, the U.S. government began engaging with Swaziland on concerns related to internationally recognized labor rights through a series of letters and démarches issued by USTR and State. Over the course of several years, Swaziland made some progress on labor issues, but conditions related to labor rights later deteriorated. U.S. government officials met several times with Swaziland officials to discuss steps to improve labor rights, including a USTR-led interagency trip in April 2014. In particular, the officials were concerned that Swaziland had failed to make continual progress in protecting freedom of association and the right to organize. The U.S. officials were also concerned by Swaziland's use of security forces and arbitrary arrests to stifle peaceful demonstrations, and the lack of legal recognition for labor and employer federations. Despite U.S. efforts to engage with the country's government, Swaziland failed to make the necessary reforms. In June 2014, an interim review resulted in the President declaring Swaziland ineligible, effective as of January 1, 2015.

Since 2000, 13 Countries Have Lost Eligibility as a Result of Not Meeting Certain Eligibility Criteria; 7 Have Regained Eligibility

Over the lifetime of AGOA, 13 SSA countries have lost their AGOA eligibility for not meeting certain eligibility criteria, although 7 of these countries eventually had their AGOA eligibility restored. As of January 1, 2015, the 49 SSA countries fell into four categories based on their history of AGOA eligibility. (App. II provides a list of the SSA countries by eligibility status.)

- **Eligibility lost and regained.** Seven countries had lost AGOA eligibility at some time in the past but later regained it. Five of the countries experienced coups, one country lost eligibility after its President extended his term in violation of the country's constitution, and one country lost eligibility because of political unrest and armed conflict. All seven countries had their AGOA beneficiary status restored following a return to democratic rule. (Fig. 3 provides additional information regarding SSA countries that have lost and regained AGOA eligibility.)

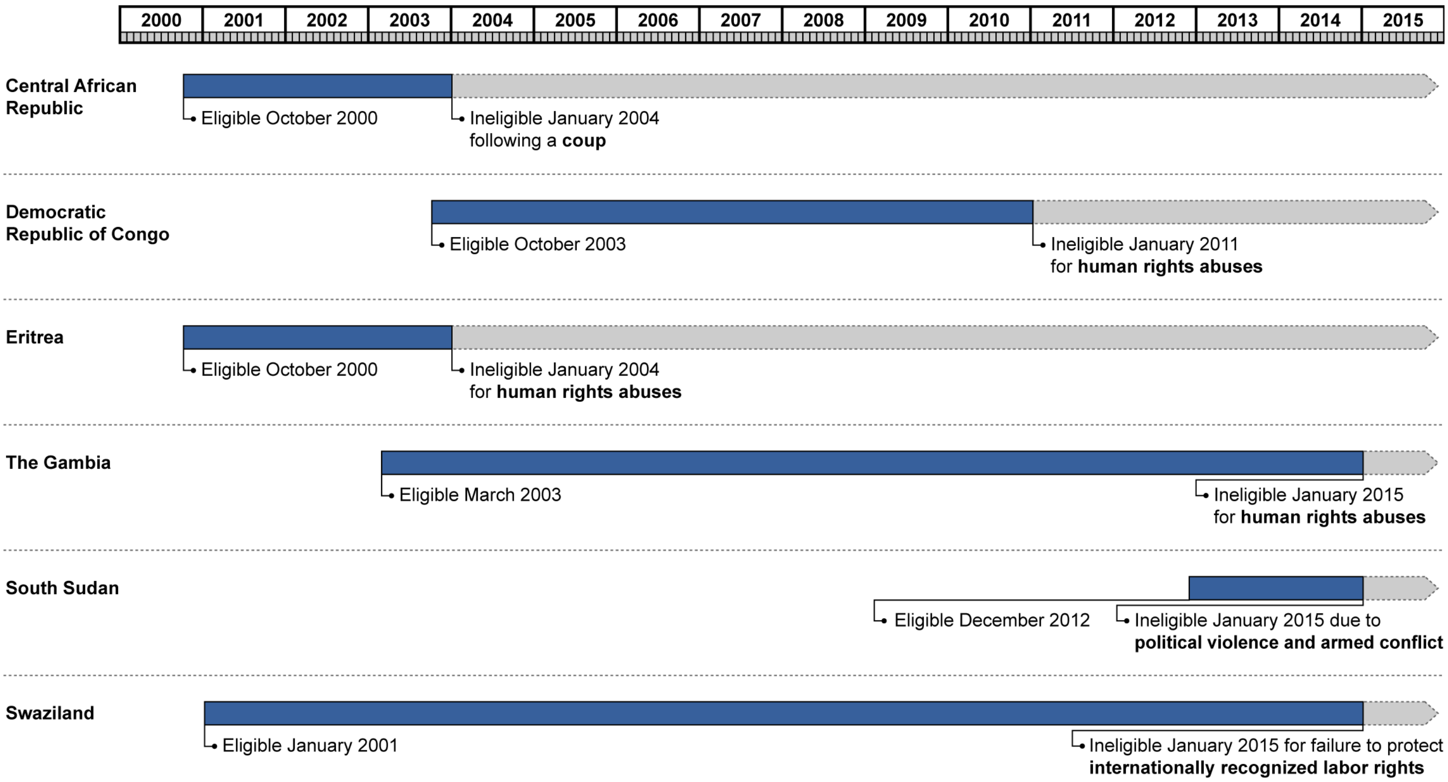
Figure 3: Timelines for Seven Sub-Saharan African Countries That Had Lost Eligibility for Benefits under the African Growth and Opportunity Act but Had Regained Eligibility before January 1, 2015



Source: GAO analysis of the Executive Office of the President, Department of State, the U.S. Agency for International Development, and the Office of the United States Trade Representative information. | GAO-15-300

- **Eligibility lost and not regained.** Six SSA countries have lost and not regained AGOA eligibility. One lost eligibility following a coup; three were deemed ineligible because of concerns about human rights abuses; one lost eligibility because of issues with labor rights; and one country lost eligibility following political violence and armed conflict. (Fig. 4 provides additional information regarding SSA countries that have lost and not regained AGOA eligibility.)

Figure 4: Timelines for Six Sub-Saharan African Countries That Lost Eligibility for Benefits under the African Growth and Opportunity Act and Had Not Regained Eligibility as of January 1, 2015



Source: GAO analysis of the Executive Office of the President, Department of State, the U.S. Agency for International Development, and the Office of the United States Trade Representative information. | GAO-15-300

- **Eligibility never lost.** About two-thirds of SSA countries, 32 of 49 countries have maintained their AGOA eligibility status since it was first granted. Six of 32 were not deemed eligible when AGOA was originally enacted in 2000. Although these countries had expressed interest in the AGOA trade preference program, they did not initially satisfy the eligibility criteria but later obtained eligibility for benefits under AGOA at different times.

- **Never eligible.** Four SSA countries have not been eligible for AGOA. Somalia and Sudan have not expressed official interest in the AGOA trade preference program, according to agency officials. Zimbabwe and Equatorial Guinea have not been deemed eligible because of concerns related to AGOA's eligibility criteria.[13]

The AGOA Forum Promotes Trade and Investment Relations between the United States and Sub-Saharan Africa; Some Forum Activities Also Support AGOA Reform Objectives

The AGOA Forum is required under AGOA. Its purpose is to foster close economic ties between the United States and SSA countries; however, the forum also supports AGOA reform objectives by holding sessions that specifically address AGOA eligibility criteria.[14] The AGOA Forum is generally held in alternate years in the United States and sub-Saharan Africa and supports AGOA's reform objectives by facilitating high-level dialogue between the U.S. and SSA governments. The forum also engages the business community and civil society organizations. Generally, the forum takes place over 2 to 3 days and includes three to eight plenary sessions and several breakout sessions as well as workshops. Speakers are typically high-level U.S. and SSA government officials; however, speakers also include officials representing organizations such as the African Union and the United Nations Economic Commission for Africa. A number of U.S. congressional delegations have also participated in the forum. Civil society and private sector groups such as the Economic Justice Network and the African Cotton and Textile Industries Federation also actively participate in the forums.

The theme of the AGOA Forum changes from year to year, but the discussions are centered on strengthening the economic connection between the United States and sub-Saharan Africa.[15] For example, the theme of the December 2003 forum, hosted by the United States was "Building Trade, Expanding Investment" and the theme of the August 2013 forum, hosted by the Ethiopian government, was "Sustainable Transformation through Trade and Technology." The 2014 AGOA Forum

[13]Effective in 2011 Equatorial Guinea was no longer considered for AGOA benefits because it was determined to be high-income and became ineligible for GSP. AGOA requires that SSA countries be eligible for GSP in order to be considered for AGOA.

[14]AGOA also requires the President to instruct the U.S. delegates to the forum to promote a review by the forum of the HIV/AIDS epidemic in each SSA country and the effect of the HIV/AIDS epidemic on each country's economic development.

[15]The costs of U.S.-hosted AGOA Forums are shared by U.S. agencies, according to U.S. State Department officials. When the forum is held in Africa, the host government bears the cost of hosting the event, including the cost of the venue, conference services, security, and transportation.

consisted of a 1-day ministerial meeting that took place during the first U.S.-Africa Leaders Summit in Washington, D.C. This summit included leaders from SSA countries and other parts of Africa. (Table 3 provides the location and theme of each AGOA Forum from 2001 through 2014.)

Table 3: Location, Date, and Theme of African Growth and Opportunity Act (AGOA) Forums, 2001 to 2014

United States location and date	Theme	Sub-Saharan Africa location and date	Theme
Washington, D.C. (October 2001)	Enhancing Democracy and Combating HIV/AIDS	**Port Luis, Mauritius (January 2003)**	Trade and Investment: Tool for Growth and Development
Washington, D.C. (December 2003)	Building Trade, Expanding Investment	**Dakar, Senegal (July 2005)**	Expanding and Diversifying Trade to Promote Growth and Competitiveness
Washington, D.C. (June 2006)	Private Sector and Trade: Powering Africa's Growth	**Accra, Ghana (July 2007)**	As Trade Grows, Africa Prospers: Optimizing the Benefits under AGOA
Washington, D.C. (July 2008)	Mobilizing Private Investment for Trade and Growth	**Nairobi, Kenya (August 2009)**	Realizing the Full Potential of AGOA Through Expansion of Trade and Investment
Washington, D.C. and Kansas City (August 2010)	AGOA at 10: New Strategies for a Changing World	**Lusaka, Zambia (June 2011)**	Enhanced Trade Through Increased Competitiveness, Value Addition, and Deeper Regional Integration
Washington, D.C. (June 2012)	Enhancing Africa's Infrastructure for Trade	**Addis Ababa, Ethiopia (August 2013)**	Sustainable Transformation through Trade and Technology
Washington, D.C. (August 2014)	Investing in the Next Generation		

Source: GAO analysis of information from the Department of State and the Office of the United States Trade Representative. | GAO-15-300

Although the annual AGOA Forums are trade-oriented, they also facilitate further engagement between the United States and SSA countries through dialogue about the reform objectives reflected in AGOA eligibility criteria. Throughout the years, AGOA Forum workshops have focused on a number of the eligibility criteria, including good governance, intellectual property rights, health care, and labor rights. For example, at the 2013 AGOA Forum in Addis Ababa, a session co-chaired by Liberian and U.S. senior government officials highlighted the importance of labor rights in achieving economic growth. As another example, breakout sessions at the 2009 and 2011 AGOA Forums focused on the relationship between good governance and the investment environment. During the forums, U.S. and SSA government officials also hold bilateral meetings to discuss specific issues related to AGOA's reform objectives and eligibility criteria, according to agency officials.

AGOA-Eligible Countries Have Fared Better than Ineligible Countries on Some Economic Development Indicators, but AGOA's Impact on Economic Development Is Difficult to Isolate

AGOA-eligible countries have fared better than ineligible countries on some economic development indicators since AGOA was enacted, according to our analysis of economic data for SSA countries that were eligible and ineligible for AGOA in 2012; however, AGOA's impact on economic development is difficult to isolate when additional factors are taken into consideration. Other factors—such as the small share of AGOA exports in the overall exports of many AGOA-eligible countries, the role of petroleum exports in recent income growth, the quality of government institutions, and different levels of foreign aid and investment—make it difficult to isolate how much economic development can be attributed to AGOA. For example, AGOA exports are a small share of overall exports for the majority of AGOA-eligible countries, a fact that could limit AGOA's impact on economic development in these countries. We found evidence that increasing energy prices may also have contributed to income growth within AGOA-eligible countries: from 2000 through 2012, the top three AGOA-eligible petroleum-exporting countries had a much higher growth rate for income per person than other AGOA-eligible countries. We also found that AGOA-eligible countries on average had higher governance scores and received more foreign aid and investment compared with ineligible countries. While these differences may have been facilitated by AGOA eligibility, they may also have contributed to economic development in AGOA-eligible countries, a possibility that makes it difficult to isolate AGOA's impact on economic development.

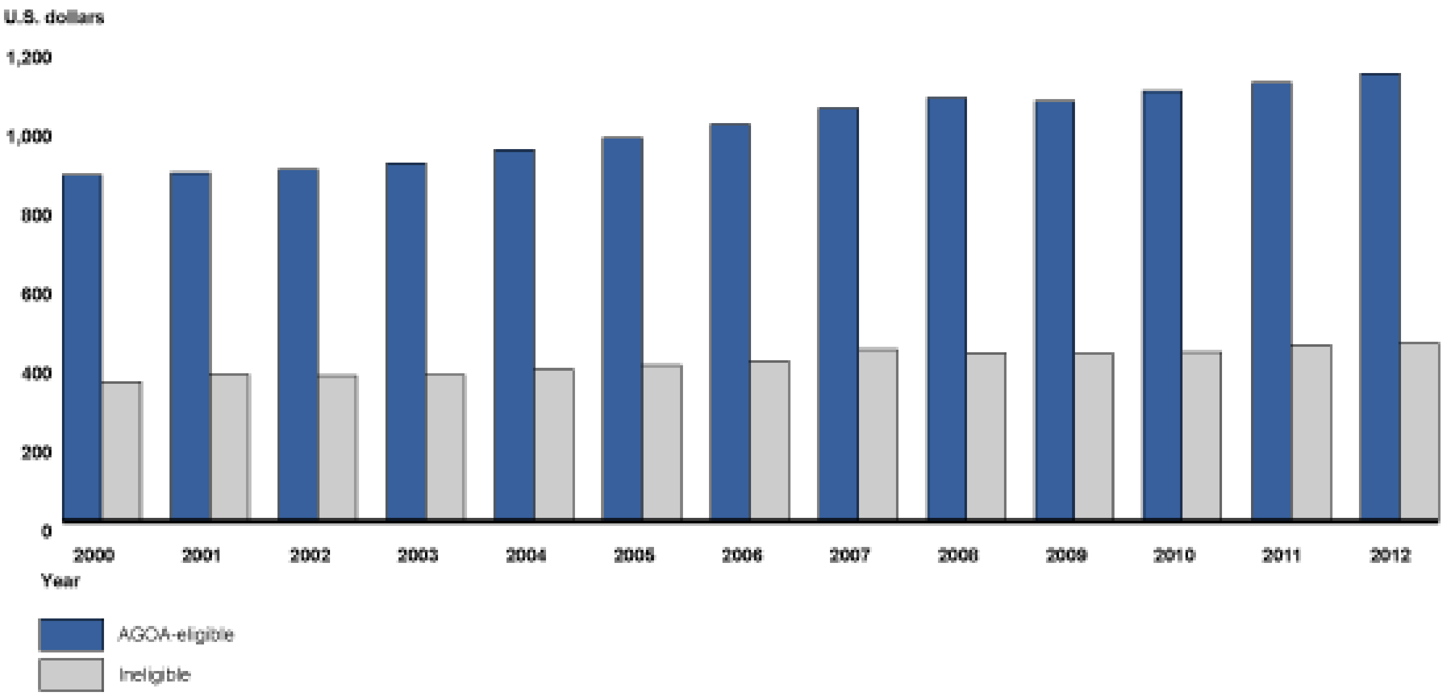
Since AGOA's Enactment, AGOA-Eligible Countries Have Had Higher Income per Person and Slightly Higher Growth Rates Compared with Ineligible Countries

Both before and since AGOA was enacted in 2000, income per person has been higher in AGOA-eligible countries, on average, compared with ineligible countries.[16] The average annual income per person for 37 AGOA-eligible countries was $876 in 2000, prior to AGOA's implementation, and $1,132 in 2012. The variation in income per person among the eligible countries was large; for example, in 2012, Seychelles had the highest income per person at $14,303 and Burundi had the lowest at $153. For 8 AGOA ineligible countries, average annual income per person was $353 in 2000 and $450 in 2012. Among the ineligible

[16]For this analysis, we used data on gross domestic product (GDP) per capita (measured in 2005 U.S. dollars) and total population from the World Bank World Development Indicators. Thirty-seven out of 40 countries eligible for AGOA benefits in 2012, and 8 out of 9 ineligible countries, reported complete GDP per capita data from 2000 through 2012. Djibouti, São Tomé and Principe, and South Sudan were excluded from the set of AGOA-eligible countries we analyzed because of missing data. Somalia was excluded from the set of ineligible countries we analyzed because of missing data.

countries, income per person also varied widely. In 2012, Equatorial Guinea had the highest income per person at $14,199, whereas the Democratic Republic of Congo had the lowest at $165. The average annual growth in income per person was slightly higher in AGOA-eligible countries: eligible countries' income per person on average grew 2.2 percent per year from 2000 to 2012, compared with 2.1 percent per year in ineligible countries. Figure 5 shows trends in annual income per person from the enactment of AGOA through 2012, for eligible and ineligible countries. (For additional details on each country's annual income per person before and after AGOA, see app. III.)

Figure 5: Annual Income per Person for African Growth and Opportunity Act (AGOA) Eligible Countries and Ineligible Countries, 2000-2012



Source: GAO analysis of World Bank data. | GAO-15-300

Note: We measured income per person using gross domestic product (GDP) per capita expressed in 2005 U.S. dollars. "AGOA-eligible countries" refers to sub-Saharan African countries that the U.S. government deemed eligible for AGOA benefits in 2012; "ineligible countries" refers to the other sub-Saharan African countries deemed ineligible for AGOA benefits in 2012. The graph depicts population-weighted country-group averages for annual income per person for 37 AGOA-eligible countries and 8 ineligible countries that reported complete GDP per capita data from 2000 through 2012. Djibouti, São Tomé and Principe, and South Sudan were excluded from the AGOA eligible group because of missing data. Somalia was excluded from the ineligible group because of missing data.

AGOA's Impact on Economic Development Is Difficult to Isolate after Additional Factors Are Considered

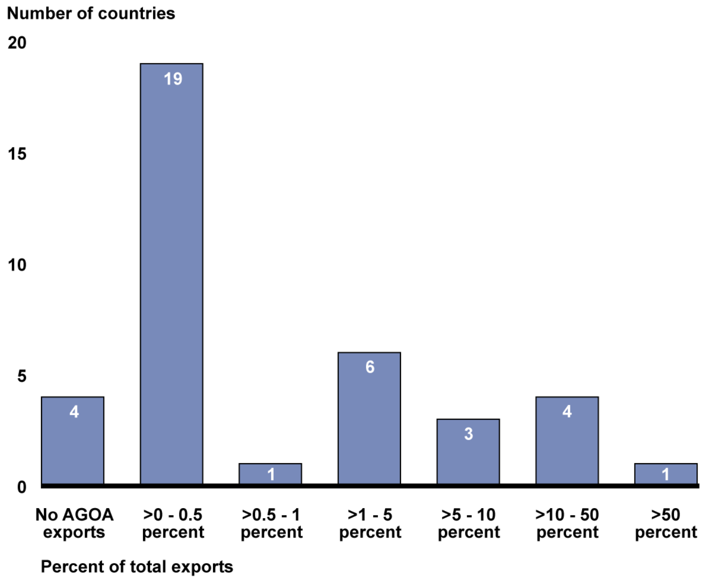
Exports under AGOA Accounted for a Small Proportion of Overall Exports for Most AGOA Countries

Exports under AGOA have accounted for a small proportion of exports for most AGOA-eligible countries. Our analysis shows that in 2013 AGOA exports accounted for less than 0.5 percent of overall exports for the majority of countries—for these countries, the small proportion of AGOA exports in their overall exports could limit AGOA's impact on economic development.[17] Figure 6 shows the number of AGOA-eligible countries in 2013 separated into categories based on the level of their exports under AGOA, as a share of their overall exports.[18]

[17]For this analysis of year 2013 export data, we refer to the set of "AGOA-eligible countries" as the 39 countries eligible for AGOA benefits in 2013. The only difference relative to the list of AGOA-eligible countries in 2012 is that Mali was removed from the list of AGOA-eligible countries in 2013.

[18]We report both AGOA and Generalized System of Preferences (GSP) exports in fig. 6 (and related text below on petroleum exports) because the AGOA program provides duty-free access to products in addition to those products covered under GSP. AGOA countries continue to have duty-free access to the commodities covered under the GSP, although that program expired in 2013. Including GSP exports in the figure gives a conservative—that is, a higher value—estimate of the level of a country's AGOA exports as a share of its overall exports.

Figure 6: Exports under the African Growth and Opportunity Act (AGOA) as a Share of Total Exports for AGOA-Eligible Countries, 2013



Source: GAO analysis of U.S. Census data. | GAO-15-300

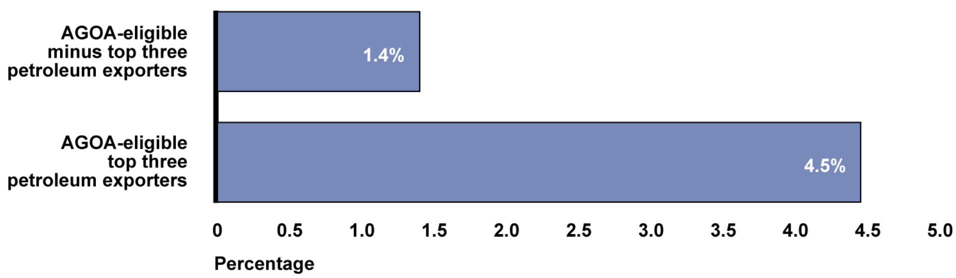
Note: We included exports claiming duty-free benefits under AGOA and the Generalized System of Preferences (GSP). The AGOA program provides duty-free access to products in addition to those products covered under GSP. AGOA countries continue to have duty-free access to the commodities covered under the GSP although that program expired in 2013. “AGOA-eligible countries” refers to sub-Saharan African countries eligible for AGOA benefits in 2013. Data were not available for South Sudan.

For example, 4 of the AGOA-eligible countries had no AGOA exports at all in 2013, and in the same year, AGOA accounted for less than 5 percent of overall exports for 26 other AGOA-eligible countries. In 2013, AGOA accounted for more than half of overall exports for only 1 country, Chad, a top petroleum exporter among AGOA-eligible countries.

Rising Energy Prices Affected Income Growth Rates of Top Petroleum Exporters among AGOA-Eligible Countries

While AGOA-eligible countries have had higher income per person than ineligible countries, the fastest growth in income per person has been concentrated in a few petroleum-exporting AGOA-eligible countries. From 2001 to 2013, petroleum products accounted for over 80 percent of U.S. imports under AGOA. Among AGOA-eligible countries, we identified Nigeria, Angola, and Chad as the top three petroleum exporting countries based on trade data in 2013. These countries collectively accounted for 90 percent of all petroleum exports to the United States under AGOA in 2013. When we separated out these countries in our analysis, we found that from 2001 through 2012 the top three AGOA-eligible petroleum exporting countries as a group had, on average, slightly lower levels of annual income per person compared with all other AGOA-eligible countries considered as a group: $960 versus $1,026. However, figure 7 shows that from 2000 through 2012, these top three petroleum exporters had a much higher average annual growth rate as measured in income per person compared with the other AGOA-eligible countries: 4.5 percent per year versus 1.4 percent per year. The difference in income-per-person growth between the top three petroleum exporters and the other AGOA-eligible countries can be explained partly by rising energy prices.[19] From 2000 through 2012, global prices for petroleum increased by 272 percent.

Figure 7: Annual Growth Rates in Income per Person, on Average, for African Growth and Opportunity Act (AGOA) Eligible Countries since AGOA's Implementation, Top Three Petroleum Exporters versus Other Eligible Countries, 2000-2012



Source: GAO analysis of World Bank data. | GAO-15-300

Notes: The chart shows average annual growth rate of population-weighted annual income per person from 2000 through 2012. "AGOA-eligible countries" refers to sub-Saharan African countries eligible for AGOA benefits in 2012. Averages were calculated for 37 AGOA-eligible countries that reported complete gross domestic product per capita data from 2000 through 2012: the top three petroleum exporting countries (Nigeria, Angola, and Chad), and 34 other AGOA-eligible countries. Djibouti, São Tomé and Principe, and South Sudan were excluded from the AGOA-eligible group because of missing data.

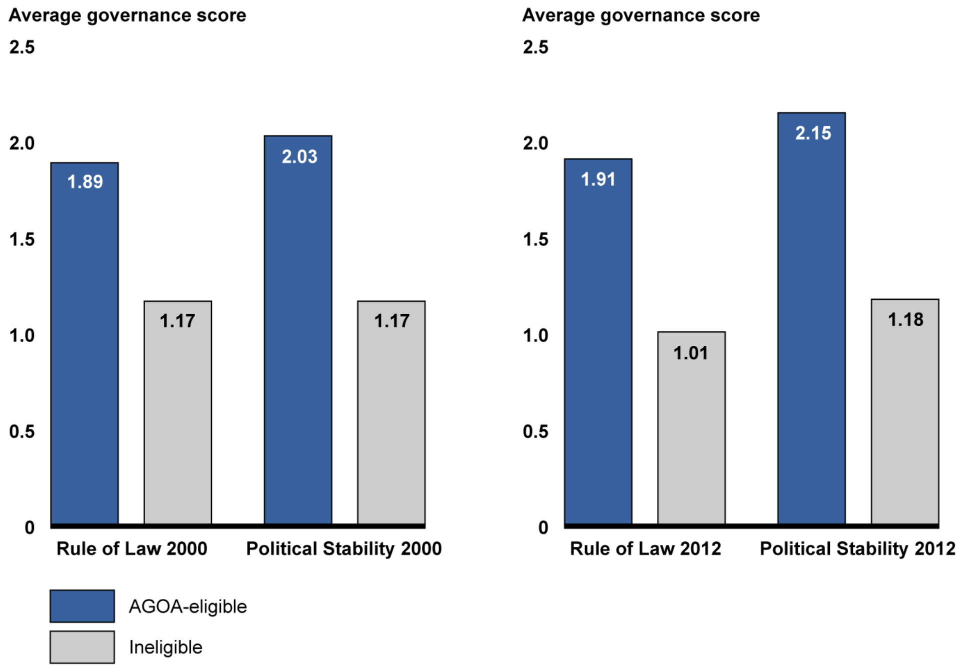
[19]AGOA trade preferences provide tariff benefits to petroleum exports from AGOA countries. However, the tariff margin is relatively small, ranging from 5 cents to 10 cents per barrel. Academic studies measuring the impact of AGOA have found that AGOA has had little to no direct impact on petroleum exports. See, for example, B. Seyoum, "Export Performance of Developing Countries under the African Growth and Opportunity Act," *Journal of Economic Studies*, vol. 34, no. 6 (2007); N. Condon and M. Stern, "The Effectiveness of African Growth and Opportunity Act in Increasing Trade from Least Developed Countries: A Systematic Review," EPPI-Centre, Social Science Research Unit, Institute of Education, University of London (2010); and G. Frazer and J. Van Biesebroeck, "Trade Growth under the African Growth and Opportunity Act," *Review of Economics and Statistics,* vol. 90, no. 1 (2010).

AGOA-Eligible Countries Had Higher Governance Scores than Ineligible Countries Prior to AGOA

Prior to AGOA's implementation in 2000, the group of SSA countries eligible for AGOA benefits in 2012 had higher governance scores than ineligible countries. Academic studies have found a positive relationship between the quality of governance institutions and economic growth. Therefore, gains in economic growth since 2000 among AGOA-eligible countries may have been driven to some degree by governance that was more conducive to economic development. We analyzed two measures of institutional quality from the Worldwide Governance Indicators that capture some aspects of the security of private property, namely scores for the rule of law and political stability.[20] We found that AGOA-eligible countries had substantially higher scores on both rule of law and political stability in 2000 than countries that were not eligible for AGOA (see fig. 8). Pre-existing differences in institutional quality scores could explain in part why AGOA-eligible countries on average had higher annual income per person and slightly higher growth in annual income per person after the implementation of AGOA.

[20]Worldwide Governance Indicator scores are composites of a large number of surveys of enterprises, citizens, and experts gathered from a number of survey institutes, think tanks, nongovernmental organizations, international organizations, and private sector firms. Rule of law is defined as perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Political stability is defined as perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism. See World Bank Worldwide Governance Indicators at http://info.worldbank.org/governance/wgi/index.aspx#home.

Figure 8: Governance Scores for African Growth and Opportunity Act (AGOA) Eligible and Ineligible Countries, on Average, in 2000 and 2012



Source: GAO analysis of World Bank data. | GAO-15-300

Notes: Governance scoring is on a scale of 0 to 5, with higher scores indicating better perceptions of governance. “AGOA-eligible countries” refers to sub-Saharan African countries that the U.S. government deemed eligible for AGOA benefits in 2012; “ineligible countries” refers to the other sub-Saharan African countries deemed ineligible for AGOA benefits in 2012.

According to our analysis of the AGOA eligibility review process, given that governance is considered in the annual AGOA eligibility review, AGOA-eligible countries may also have benefited from an ongoing incentive to sustain or improve the quality of their governance institutions. Figure 8 shows that the differences in governance scores between eligible and ineligible countries in 2012 were similar to those in 2000. These persistent differences in the quality of governance institutions could also have contributed to the differences in economic growth between AGOA-eligible countries and ineligible countries after the implementation of AGOA.

AGOA-Eligible Countries Have Received More Foreign Aid and Investment than Ineligible Countries

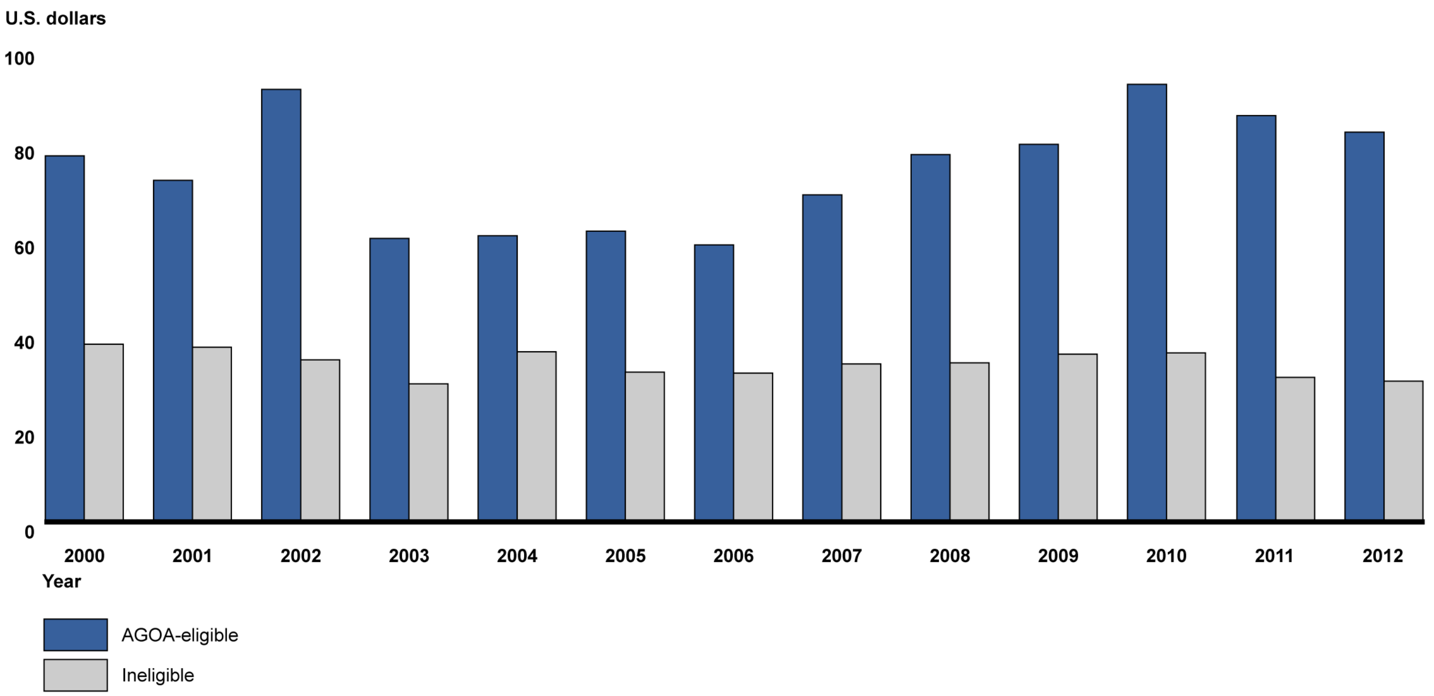
AGOA-eligible countries on average have received more foreign aid per person and higher foreign direct investment (FDI) than ineligible countries since the implementation of AGOA.[21] The different levels of foreign aid and FDI, which could play a role in economic development and poverty reduction, also may have contributed to the differences in income per person between AGOA-eligible countries and ineligible countries that we observed.[22] Moreover, according to our analysis of aid and investment flows to SSA countries (below), being eligible for AGOA may have improved the ability of countries to attract aid and investment.

Our analysis shows that on average AGOA-eligible countries received more foreign aid per person than ineligible countries. We analyzed data on country programmable aid (CPA) from the Organisation for Economic Co-operation and Development (OECD). According to the OECD, CPA captures the main cross-border aid flows to recipient countries and excludes some forms of official development assistance that are neither fully transparent to, nor manageable by, recipient countries, including humanitarian aid in response to crises and natural disasters, and debt relief provided by donor nations. The United States allocated an estimated $7.04 billion in U.S. bilateral aid to Africa in fiscal year 2014. The aid was intended to help SSA countries in areas including health; climate change; food security; and, more recently, power. From 2000 to 2012, AGOA-eligible countries received more than twice as much aid per person on average than ineligible countries (see fig. 9).

[21]According to the World Bank, foreign direct investment is investment in an enterprise that operates outside the investor's country, which establishes a lasting interest in or effective management control over an enterprise. Foreign direct investment can include buying shares of an enterprise in another country, reinvesting earnings of a foreign-owned enterprise in the country where it is located, and parent firms extending loans to their foreign affiliates.

[22]The economics literature has long recognized the benefits of FDI on economic development. See for example L. Alfaro, A. Chanda, S. Kalemli-Ozcan, and S. Sayek, "FDI and Economic Growth: The Role of Local Financial Markets," *Journal of International Economics*, vol. 64, no. 1 (2004); and U. Nair-Reichert and D. Weinhold, "Causality Tests for Cross-Country Panels: a New Look at FDI and Economic Growth in Developing Countries," *Oxford Bulletin of Economics and Statistics*, vol. 63, no. 2 (2001).

Figure 9: Country Programmable Aid Received per Person for African Growth and Opportunity Act (AGOA) Eligible and Ineligible Countries, on Average, 2000-2012



Source: GAO analysis of data from the Organisation for Economic Co-operation and Development and the World Bank. | GAO-15-300

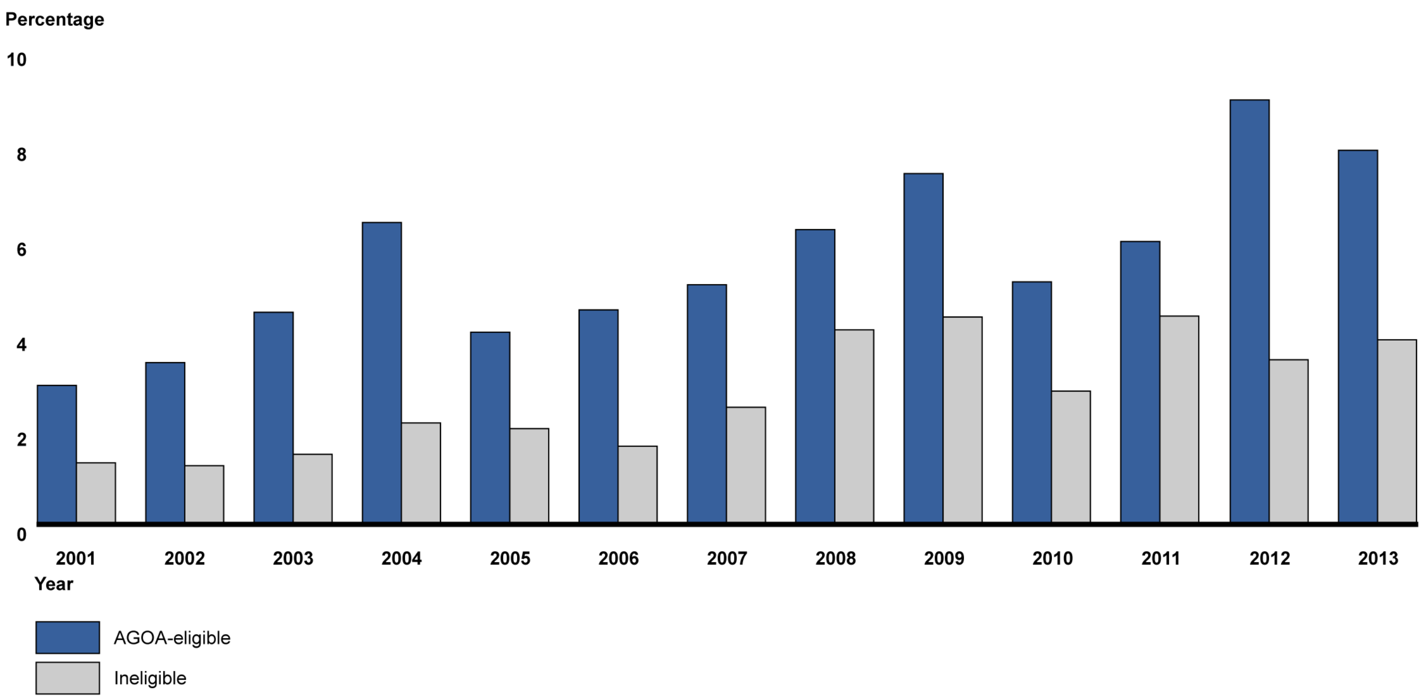
Notes: According to the Organisation for Economic Co-operation and Development, country programmable aid is the proportion of aid that is subjected to multiyear programming at the country level, and hence represents a subset of official development assistance flows. Amounts are in 2012 U.S. dollars. "AGOA-eligible countries" refers to sub-Saharan African countries that the U.S. government deemed eligible for AGOA benefits in 2012; ""ineligible countries" refers to the other sub-Saharan African countries deemed ineligible for AGOA benefits in 2012.

AGOA-eligible countries on average also received more FDI than ineligible countries. According to a 2014 U.S. International Trade Commission report, global inflows from FDI into SSA countries increased almost sixfold between 2000 and 2012.[23] We analyzed FDI as a share of a country's gross domestic product (GDP) to take into consideration the size of the country's economy. From 2001 to 2013, the amount of FDI each SSA country received relative to the size of its overall economy varied considerably. For example, among SSA countries that were net

[23]U.S. International Trade Commission, *AGOA: Trade and Investment Performance Overview*, Pub. No.: 4461 (Washington, D.C.: April 2014).

recipients of FDI in 2013, Burundi received FDI amounting to less than half a percent of its GDP (the lowest in sub-Saharan Africa), while Liberia received FDI amounting to about 57 percent of its GDP (the highest in sub-Saharan Africa). From 2001 through 2013, AGOA-eligible countries received FDI that on average amounted to about 5.6 percent of GDP, while ineligible countries averaged about 2.7 percent. (See fig. 10.)

Figure 10: Foreign Direct Investment as a Percentage of Gross Domestic Product, on Average, in African Growth and Opportunity Act (AGOA) Eligible and Ineligible Countries, 2001-2013



Source: GAO analysis of World Bank World Development Indicators data. | GAO-15-300

Note: We did not include Equatorial Guinea in the AGOA-ineligible group because the foreign direct investment data for 2002 were deemed unreliable. “AGOA-eligible countries” refers to sub-Saharan African countries that the U.S. government deemed eligible for AGOA benefits in 2012; “ineligible countries” refers to the other sub-Saharan African countries deemed ineligible for AGOA benefits in 2012.

Being eligible for AGOA may help a country attract aid and investment. For example, AGOA eligibility can be seen as a signal of a relatively stable political environment as well as advantages in tariff treatment for certain products. According to a recent report by the U.S. International

Trade Commission, AGOA has signaled improvements in the business and investment climate in SSA countries, and has contributed to increasing FDI flows to these countries.[24] Additionally, the International Monetary Fund reported in June 2014 that in Swaziland uncertain prospects for AGOA eligibility could affect investment and employment in the textile sector.[25] Similarly, Ethiopian government officials in the Ministry of Trade said that AGOA has helped to attract foreign direct investment to Ethiopia.

AGOA's Impact on Economic Development Is Difficult to Isolate

Our analysis of factors contributing to economic development in SSA countries and review of academic literature suggest that isolating AGOA's impact on overall economic development is difficult. We found that on average, AGOA-eligible countries have had higher annual income per person and slightly higher growth rates in annual income per person than ineligible countries; we also found evidence suggesting that AGOA eligibility might be associated with other factors that also can positively affect development. For example, our review of academic literature indicated that increased FDI could enhance countries' economic growth, and our analysis demonstrated that on average AGOA-eligible countries receive more FDI inflows relative to the size of their economies.

Agency Comments

We are not making any recommendations in this report. We provided a draft of this report for comment to the Departments of Agriculture, Commerce, Labor, State, and the Treasury; USAID; and the Office of the U.S. Trade Representative (USTR). The Departments of Labor, State, the Treasury, and USTR provided technical comments, which we have incorporated in the report, as appropriate.

We are sending copies of this report to appropriate congressional committees; the Secretaries of Agriculture, Commerce, Homeland Security, Labor, State, and the Treasury; the Administrator of USAID; and the U.S.

[24] U.S. International Trade Commission, *AGOA: Trade and Investment Performance Overview*, Pub. No.: 4461 (Washington, D.C: April 2014).

[25] International Monetary Fund, *Kingdom of Swaziland: 2014 Article IV Consultation—Staff Report; and Press Release*, IMF Country Report No. 14/223 (Washington, D.C: July 2014).

Trade Representative. 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) 512-9601 or melitot@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.

Thomas M

Thomas Melito
Director, International Affairs and Trade

List of Requesters

The Honorable Orrin G. Hatch
Chairman
The Honorable Ron Wyden
Ranking Member
Committee on Finance
United States Senate

The Honorable Bob Corker
Chairman
The Honorable Robert Menendez
Ranking Member
Committee on Foreign Relations
United States Senate

The Honorable Jeff Flake
Chairman
Subcommittee on Africa and Global Health Policy
Committee on Foreign Relations
United States Senate

The Honorable Edward R. Royce
Chairman
The Honorable Eliot L. Engel
Ranking Member
Committee on Foreign Affairs
House of Representatives

The Honorable Sander M. Levin
Ranking Member
Committee on Ways and Means
House of Representatives

The Honorable Christopher H. Smith
Chairman
The Honorable Karen Bass
Ranking Member
Subcommittee on Africa, Global Health, Global Human Rights, and International Organizations
Committee on Foreign Affairs
House of Representatives

The Honorable Charles B. Rangel
Ranking Member
Subcommittee on Trade
Committee on Ways and Means
House of Representatives

The Honorable Chris Coons
United States Senate

The Honorable Johnny Isakson
United States Senate

The Honorable Devin Nunes
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine (1) how the African Growth and Opportunity Act (AGOA) eligibility review process has considered and the AGOA Forums have supported economic, political, and development reform objectives described in the act and (2) how sub-Saharan African (SSA) countries have fared in certain economic development outcomes since the enactment of AGOA.

To examine how the U.S. government's process for determining AGOA eligibility and the AGOA Forums have supported reform objectives established in sections 104 and 105 of the act, we reviewed the AGOA legislation and documents from the seven U.S. agencies relevant to the AGOA eligibility criteria. We analyzed the AGOA eligibility status of SSA countries and the implementation of AGOA Forum activities since AGOA's original enactment to identify changes in eligibility from 2000 through January 2015. We also attended and observed 2014 AGOA Forum events.

To address both objectives, we interviewed officials from the Departments of Agriculture, Commerce, Labor, State, and the Treasury; the U.S. Agency for International Development; and the Office of the U.S. Trade Representative (USTR), all of which are the members of the Trade Policy Staff Committee's AGOA Implementation Subcommittee that generally prepare the sub-Saharan Africa country reports for the annual eligibility review.[1]

To examine the relationship between AGOA eligibility and economic development in sub-Saharan Africa, we analyzed data on gross domestic product (GDP) per capita and total population from the World Bank World Development Indicators. We used data from the April 2014 version of the World Development Indicators. We compared population-weighted average GDP per capita at the end of 2012 for AGOA-eligible countries versus ineligible countries, as well as for the top three AGOA-eligible petroleum exporting countries versus other AGOA-eligible countries. We also compared average annual growth rates in annual income per person

[1]The AGOA Implementation Subcommittee of the Trade Policy Staff Committee (TPSC) consists of 9 agencies, of which 7 have generally provided country reports for the annual eligibility review meeting. The Council of Economic Advisers and the National Security Council generally have not provided country reports to date. The TPSC is a U.S. interagency mechanism for trade policy coordination. USTR chairs the TPSC, which consists of USTR and 20 other U.S. government entities.

from 2000 to 2012 for AGOA-eligible versus ineligible countries, as well as for the top three AGOA-eligible petroleum exporting countries versus other AGOA-eligible countries. To study sub-Saharan African countries' exports under AGOA as a share of total exports as well as the value of petroleum exports to the United States under AGOA, we used U.S. Census trade data on imports by trading partners and imports by product from 2013. We used data on countries' total exports from the International Monetary Fund's Direction of Trade Statistics and International Financial Statistics databases. We calculated AGOA-eligible countries' shares of AGOA and Generalized System of Preference (GSP) exports in their overall exports to study how the value of exports under these trade preference systems compared with the value of overall exports for AGOA-eligible countries in 2013. To study differences in the quality of governance institutions between AGOA-eligible and ineligible countries, we analyzed data on governance from the World Bank Worldwide Governance Indicators, comparing average scores for Political Stability and Rule of Law in 2000 and 2012 between AGOA-eligible and ineligible countries. To describe the differences in the amount of foreign development assistance and foreign direct investment received by AGOA-eligible and ineligible countries, we used data on country programmable aid from the Organisation for Economic Co-operation and Development (OECD) and foreign direct investment (FDI) as a percentage of GDP from the World Development Indicators. We compared yearly averages of aid per capita (from 2000 to 2012) and net FDI inflows as a percentage of GDP (from 2001 to 2013) between AGOA-eligible and ineligible countries. To assess the reliability of these data, we reviewed publicly available documents on these databases and conducted electronic testing for missing values and outliers. We determined that the data were sufficiently reliable for our purposes. We also reviewed a judgmental sample of peer-reviewed academic literature related to economic development, foreign direct investment, foreign aid, and the impact of trade preference programs.

Country classifications. For most of the analysis, we defined AGOA-eligible countries as the 40 SSA countries that were deemed eligible for AGOA benefits as of the end of 2012. Nine SSA countries were ineligible for AGOA benefits as of the end of 2012. We chose 2012 as the base year for this classification because it was the latest year for which data on GDP per capita were available for the SSA countries in the April 2014 version of the World Bank World Development Indicators. The only exception is that for the analysis of the exports under AGOA as a share of total exports from AGOA-eligible countries, we defined AGOA-eligible countries as the 39 countries that were deemed eligible for AGOA benefits as of 2013 because we analyzed 2013 trade statistics.

GDP per capita. To study differences and depict trends in income per person between selected groupings of countries, we used the World Development Indicators annual GDP per capita series, expressed in year 2005 U.S. dollars. Thirty-seven out of 40 countries eligible for AGOA benefits in 2012, and 8 out of 9 ineligible countries, reported complete GDP per capita data from 2000 and through 2012. Djibouti, São Tomé and Principe, and South Sudan were excluded from the AGOA-eligible group because of missing data. Somalia was excluded from the ineligible group due to missing data. Within each country grouping, we took the weighted average of countries' GDP per capita, where the weights are given by the share of a country's population in the overall group's population. The weighted average GDP per capita is a measure of the yearly income of the average individual in the country group. Equation (1) shows that the weighted average GDP per capita is equivalent to summing up the GDP of every country in the group and dividing by the total group population:

$$\sum_{i=1}^{n} \frac{y_i}{L_i} \times \frac{L_i}{\sum_{j=1}^{n} L_j} = \frac{\sum_{i=1}^{n} y_i}{\sum_{j=1}^{n} L_j} \quad (1)$$

Where n denotes the number of countries in the group, y_i refers to gross domestic product of country i, and L_i refers to the population of country i.

AGOA export share. To examine the magnitude of AGOA exports relative to the total exports of each AGOA-eligible country, we used U.S. Census data on imports by trading partners. We calculated the value of imports under AGOA (i.e., imports that received duty-free access claiming AGOA preference benefits) and imports that received duty-free access under GSP. Since AGOA was established as a program for SSA countries that builds on GSP, we analyzed exports from AGOA-eligible countries to the United States under both programs together. AGOA countries continue to have duty-free access to the commodities covered under the GSP although that program expired in 2013. We computed the AGOA (including GSP) share of exports relative to total exports for each AGOA-eligible country in 2013, and graphically tabulated countries according to their AGOA export share. In this analysis, both the exports data and the definition of AGOA eligibility are from 2013. We used data from two International Monetary Fund databases, Direction of Trade and

International Financial Statistics, to determine total exports for each country.

Top three AGOA-eligible petroleum exporters. The top three AGOA-eligible petroleum exporters were Nigeria, Angola, and Chad, which collectively accounted for 90 percent of all petroleum exports to the U.S. under AGOA in 2013, based on U.S. Census data on AGOA imports by product. Since AGOA was established as a program for SSA countries that builds on GSP, the 90 percent statistic refers to exports of petroleum from AGOA-eligible countries to the United States under both programs together. AGOA countries continue to have duty-free access to the commodities covered under the GSP although that program expired in 2013. AGOA-eligible countries minus the top petroleum exporters refer to the remaining 34 AGOA-eligible countries.

Governance. To examine differences in the quality of governance (also known as "institutions") between AGOA-eligible and ineligible countries, we reviewed a judgmental sample of empirical academic literature that provided evidence that property rights and political stability can promote economic growth.[2] We judgmentally identified two measures of institutional quality from the Worldwide Governance Indicators that may capture aspects of the security of private property, namely scores for the rule of law and political stability. We compared the simple average of scores in 2000 and 2012 for AGOA-eligible countries versus ineligible countries. We rescaled the indicators to range from 0 to 5, with higher scores indicating better perceptions of governance.

Aid and foreign direct investment. To examine differences in the amount of development assistance received by AGOA-eligible versus ineligible countries, we used annual data from the OECD on country programmable aid. According to the OECD, country programmable aid (CPA) is the proportion of aid that is subjected to multiyear programming at the country level, and hence represents a subset of official development assistance (ODA) flows. CPA is equivalent to gross ODA

[2] D. Acemoglu, S. Johnson, and J.A. Robinson, "The Colonial Origins of Comparative Development: An Empirical Investigation," *American Economic Review*, vol. 91, no.5 (2001); D. Rodrik, A. Subramanian, and F. Trebbi, "Institutions Rule: The Primacy of Institutions over Geography and Integration in Economic Development," *Journal of Economic Growth*, vol. 9, no. 2 (2004); and A. Aisen and Francisco José Veiga, "How Does Political Instability Affect Economic Growth," *European Journal of Political Economy*, vol. 29, no. 1 (2013).

disbursements by recipient but excludes spending that is (1) inherently unpredictable (humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration costs, student costs, development awareness and research, and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to nongovernmental organizations, aid through secondary agencies, ODA equity investments, and aid that is not allocable by country). CPA counts loan repayments among the aid transferred from donor countries to developing countries. We represented country programmable aid in per person units by dividing the program aid total by the total population of the country. Data on population were from the World Development Indicators. We computed the simple average of aid per person in each year from 2005 to 2012 for AGOA-eligible countries and AGOA ineligible countries.

To examine differences in the amount of foreign direct investment received by AGOA-eligible versus ineligible countries, we used annual data on net inflows of foreign direct investment as a percentage of GDP from the World Bank World Development Indicators. We computed the simple average of these series in each year from 2001 to 2013 for AGOA-eligible countries and AGOA ineligible countries. In using the FDI data, we checked for outliers and missing values and identified Equatorial Guinea as an outlier based on comparisons with data from other sources; values for Equatorial Guinea’s net FDI inflows as a percentage of GDP were omitted from the calculation of the average.

We conducted this performance audit from April 2014 to February 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.

Appendix II: African Growth and Opportunity Act (AGOA) Eligibility Status for Sub-Saharan Countries as of January 2015

Sub-Saharan countries	Eligibility lost and regained	Eligibility lost and not regained	Eligibility never lost	Never eligible
Angola (eligible Dec. 30, 2003)			√	
Benin (eligible Oct. 2, 2000)			√	
Botswana (eligible Oct. 2, 2000)			√	
Burkina Faso (eligible Dec. 10, 2004)			√	
Burundi (eligible Dec. 22, 2005)			√	
Cameroon (eligible Oct. 2, 2000)			√	
Cape Verde (eligible Oct. 2, 2000)			√	
Central African Republic (eligible Oct. 2, 2000; ineligible Jan. 1, 2004)		√		
Chad (eligible Oct. 2, 2000)			√	
Comoros (eligible June 30, 2008)			√	
Congo, Democratic Republic of (eligible Oct. 31, 2003; ineligible Jan. 1, 2011)		√		
Congo, Republic of (eligible Oct. 2, 2000)			√	
Côte d'Ivoire (eligible May 16, 2002; ineligible Jan. 1, 2005; eligibility regained Oct. 25, 2011)	√			
Djibouti (eligible Oct. 2, 2000)			√	
Equatorial Guinea				√
Eritrea (eligible Oct. 2, 2000; ineligible Jan. 1, 2004)		√		
Ethiopia (eligible Oct. 2, 2000)			√	
Gabon (eligible Oct. 2, 2000)			√	
Gambia, The (eligible Mar. 28, 2003; Ineligible Jan. 1, 2015)		√		
Ghana (eligible Oct. 2, 2000)			√	
Guinea (eligible Oct. 2, 2000; ineligible Jan. 1, 2010; eligibility regained Oct. 25, 2011)	√			
Guinea-Bissau (eligible Oct. 2, 2000; ineligible Jan. 1, 2013; Eligible Dec. 23, 2014)	√			
Kenya (eligible Oct. 2, 2000)			√	
Lesotho (eligible Oct. 2, 2000)			√	
Liberia (eligible Dec. 29, 2006)			√	
Madagascar (eligible Oct. 2, 2000; ineligible Jan. 1, 2010; eligibility regained June 26, 2014)	√			
Malawi (eligible Oct. 2, 2000)			√	
Mali (eligible Oct. 2, 2000; ineligible Jan. 1, 2013; eligibility regained Dec. 23, 2013)	√			

Sub-Saharan countries	Eligibility lost and regained	Eligibility lost and not regained	Eligibility never lost	Never eligible
Mauritania (eligible Oct. 2, 2000; ineligible Jan.1, 2006; eligibility regained June 28, 2007; ineligible Jan. 2009; eligibility regained Dec. 23,2009)	√			
Mauritius (eligible Oct. 2, 2000)			√	
Mozambique (eligible Oct. 2, 2000)			√	
Namibia (eligible Oct. 2, 2000)			√	
Niger (eligible October 2, 2000; ineligible Jan. 1, 2010; eligibility regained Oct. 25, 2011)	√			
Nigeria (eligible Oct. 2, 2000)			√	
Rwanda (eligible Oct. 2, 2000)			√	
São Tomé and Principe (eligible Oct. 2, 2000)			√	
Senegal (eligible Oct. 2, 2000)			√	
Seychelles (eligible Oct. 2, 2000)			√	
Sierra Leone (eligible Oct. 2, 2000)			√	
Somalia				√
South Africa (eligible Oct. 2, 2000)			√	
South Sudan (eligible Dec. 20, 2012; ineligible Jan. 1, 2015)		√		
Sudan				√
Swaziland (eligible Jan. 17, 2001; ineligible Jan. 1, 2015)		√		
Tanzania (eligible Oct. 2, 2000)			√	
Togo (eligible Apr. 17, 2008)			√	
Uganda (eligible Oct. 2, 2000)			√	
Zambia (eligible Oct. 2, 2000)			√	
Zimbabwe				√

Source: GAO analysis of presidential proclamations. | GAO-15-300

Appendix III: Annual Income per Person (GDP per capita) in Sub-Saharan African Countries in 2000 and 2012 and AGOA Eligibility Status in 2012

Inflation-adjusted U.S. dollars (2005 base year)

Country	GDP per capita in 2000	GDP per capita in 2012	AGOA-eligible in 2012
Angola	1,238	2,686	Yes
Benin	513	568	Yes
Botswana	4,736	6,684	Yes
Burkina Faso	343	493	Yes
Burundi	150	153	Yes
Cameroon	868	964	Yes
Cape Verde	1,866	3,321	Yes
Central African Republic	339	472	No
Chad	367	738	Yes
Comoros	639	606	Yes
Côte d'Ivoire	1,014	958	Yes
Congo, Democratic Republic of	124	165	No
Congo, Republic of	1,596	1,944	Yes
Djibouti	847	No data available	Yes
Equatorial Guinea	4,708	14,199	No
Eritrea	246	200	No
Ethiopia	135	253	Yes
Gabon	6,488	6,709	Yes
Gambia, The	438	441	Yes
Ghana	446	724	Yes
Guinea	289	308	Yes
Guinea-Bissau	416	397	No
Kenya	501	595	Yes
Lesotho	640	929	Yes
Liberia	167	276	Yes
Madagascar	286	273	No
Malawi	221	220	Yes
Mali	380	480	Yes
Mauritania	643	835	Yes
Mauritius	4,555	6,496	Yes
Mozambique	236	417	Yes
Namibia	3,007	4,373	Yes
Niger	255	290	Yes
Nigeria	679	1,053	Yes
Rwanda	211	390	Yes

Inflation-adjusted U.S. dollars (2005 base year)

Country	GDP per capita in 2000	GDP per capita in 2012	AGOA-eligible in 2012
São Tomé and Principe	No data available	840	Yes
Senegal	703	797	Yes
Seychelles	11,492	14,303	Yes
Sierra Leone	276	435	Yes
Somalia	No data available	No data available	No
South Africa	4,652	5879	Yes
South Sudan	No data available	No data available	Yes
Sudan	566	837	No
Swaziland	2,189	2341	Yes
Tanzania	304	483	Yes
Togo	411	413	Yes
Uganda	268	405	Yes
Zambia	562	798	Yes
Zimbabwe	676	431	No

Source: GAO analysis of World Bank data. | GAO-15-300

Note: Data are from the April 2014 version of the World Development Indicators.

Appendix IV: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

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