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The Trump Administration's Prosper Africa Initiative

Prosper Africa is a Trump Administration initiative intended to foster U.S.-African trade and commercial ties. The initiative seeks to double U.S.-Africa trade, spur U.S. and African economic growth, and—as U.S. officials have stated—"demonstrate the superior value proposition of transparent markets and private enterprise for driving growth."

Past Administrations have similarly sought to expand U.S.-Africa trade and investment ties, but gains to date have been modest. In 2018, Africa accounted for 1.6% of U.S. global trade and 0.8% of U.S. foreign direct investment—about half the level recorded in 2010, the peak year for such measures over the past decade. These trends suggest that achieving significant trade and investment growth may not be easy. As such, Congress may seek to determine whether Prosper Africa is adequately funded, effectively configured, and a proper vehicle to attain such goals. (For recent U.S.-Africa trade trends, see **Figure 1**.)

Background and Vision

Then-National Security Advisor John Bolton announced Prosper Africa during a late 2018 speech unveiling the Administration's Africa strategy. He said the initiative would foster U.S. investment, expand Africa's middle class, and enhance business climates across the region. He also said it would help to counter "predatory" financial and political efforts by Russia and China "to gain a competitive advantage over the United States" in Africa and "provide strong alternatives to external state-directed initiatives" in the region. Prosper Africa, he stated, would "encourage African leaders to choose high-quality, transparent, inclusive and sustainable foreign investment projects," including from the United States, and increase African access to finance for such projects.

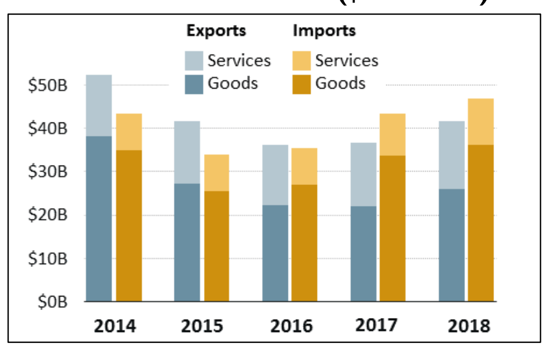
The State Department's FY2020 foreign aid budget request, which seeks $50 million for U.S. Agency for International Development (USAID) implementation of Prosper Africa, portrays the initiative as having transformative potential both for African development and U.S. economic interests.

Prosper Africa, the request states, aims to level "the playing field" for U.S. firms in Africa, "increase U.S. exports, create and support American jobs," and unleash "unmatched [U.S.] competitive advantages to vastly accelerate" U.S-Africa trade and investment. The initiative, the request says, is to provide "early market intelligence" to U.S. firms in Africa and "create a pipeline of U.S.-Africa commercial opportunities." Prosper Africa also is intended to help "close deals," "design blended-finance solutions to de-risk investment opportunities," support regulatory and policy reforms in Africa, and remove other nontariff barriers to investment (e.g., logistical hurdles). Through such efforts, Prosper Africa aims to help transform U.S.-Africa relations from "an aid-based focus to [a] true trade partnership"—a goal shared by several Administrations.

Structure

Prosper Africa is not a new foreign aid program. Rather, its goal is to mobilize and harmonize the existing programs, resources, and capabilities of 16 U.S. agencies and departments in a cohesive, coordinated manner to achieve the initiative's objectives. In addition to USAID, it includes all U.S. trade promotion agencies: the Export-Import Bank (EXIM), the Trade and Development Agency (TDA), the Small Business Administration (SBA), and the Overseas Private Investment Corporation (OPIC), which is currently transitioning into a new agency called the U.S. International Development Finance Corporation (DFC). Other participating agencies include the Office of the U.S. Trade Representative (USTR), the Millennium Challenge Corporation (MCC), the U.S. African Development Foundation (USADF), and the Departments of Agriculture, Energy, Homeland Security, State, Transportation, and the Treasury. The roles of some of these agencies remain under development, as do initiative impact metrics.

Figure 1. U.S. Trade with Africa ($ in billions)



Source: U.S. Bureau of Economic Analysis (BEA).

Implementation

According to USAID, each U.S. embassy in Africa has formed a Prosper Africa "deal team" drawn from existing mission staff. These teams' role is to link U.S. firms to trade and investment opportunities in Africa, enable African firms to access similar opportunities in the United States, and facilitate private sector access to U.S. trade assistance, financing, and insurance services. A Washington, DC-based team supports those in Africa, as well as efforts to expand U.S. business interest in African markets. Officials also plan to establish a single online point of access to agencies' services and resources, as well as information about Prosper Africa. USAID's trade hubs in East, Southern, and West Africa also are to help implement the initiative—though the East Africa hub is currently inactive, pending the award of a new contract. A fourth North Africa hub also is planned.

Administration officials formally launched Prosper Africa in mid-2019 at the U.S. Corporate Council on Africa's U.S.-Africa Business Summit in Mozambique. USAID hosts a small initiative secretariat, led by a USAID Acting

Prosper Africa Coordinator, and USAID and the Commerce Department co-chair weekly Interagency Planning Committee meetings. This work is guided by a nonpublic National Security Council-coordinated strategy. A separate inter-agency implementation plan containing goal and assessment metrics also is being developed. USAID is funding initial Prosper Africa implementation and coordination activity with FY2018 resources.

Prosper Africa in Perspective

While Prosper Africa emphasizes the facilitation of private sector transactions and the coordination of trade promotion and other U.S. assistance to enhance U.S.-Africa trade relations, to some it may not be clear how much it may differ from past efforts to achieve similar objectives. USAID's Africa trade hubs, launched in the early 2000s, have each pursued a unique, evolving set of region-specific trade capacity-building activities. They also have supported intra-regional trade and economic integration and worked to expand African exports globally and to the United States under the African Growth and Opportunity Act (AGOA Title I, P.L. 106-200, as amended, a trade preference program).

Other past U.S. efforts include the Obama Administration's Trade Africa and Doing Business in Africa (DBIA) initiatives. The former was a trade hub-led effort to achieve some of the same goals as Prosper Africa in selected countries. While U.S.-Africa trade was a Trade Africa goal, the hubs offered few direct services to Africa-bound U.S. investors, in part as USAID's mandate focuses on foreign development, not U.S. commercial activity. DBIA, a Commerce Department-led effort to increase U.S. business exposure to African markets and U.S. trade promotion programs, is now defunct, apart from the DBIA President's Advisory Council. Made up of private sector appointees, it provides advice on strengthening U.S.-Africa commercial ties, including under Prosper Africa.

Prospects and Challenges

At an institutional level, success for Prosper Africa may be measured, in part, by how effectively the multiple participating agencies—entities with highly varied missions, performance goals, and organizational cultures—are able to coordinate their efforts. To do so, agencies are drawing on experience gained under other ongoing multi-agency development initiatives, such as Power Africa, an effort to expand access to electricity in the region. Under Power Africa, USAID and U.S. trade agencies have worked together particularly closely, and developed a project and a transaction facilitation approach that closely informs Prosper Africa's deal teams model.

Some Prosper Africa goals may be easier to achieve than others. Streamlining access to U.S. trade and investment programs and aiding specific transactions, for instance, may pose challenges, but are in the direct span of control of U.S. agencies. Promotion of U.S. government loans and financial services is also an agency prerogative, although private sector demand ultimately drives utilization rates. Other goals—such as financial sector expansion and improving business climates as a means of spurring private sector-led growth—are broader outcomes less likely to change in response to direct U.S. agency action.

Building the capacity of African states to ensure transparency and the rule of law in economic contexts (e.g., to effectively enforce contract, property rights, and anticorruption laws, and ensure equal market access for foreign and local investors) also is likely to be a long-term endeavor. The same may be true of efforts to reform inefficient cross-border trade procedures and encourage African states to adopt and implement effective trade and investment policies—all long-standing U.S. goals.

Whether an initiative like Prosper Africa can double total U.S. trade with Africa—dominated in 2018 by U.S. exports of machinery, vehicles, aircraft, and fuels, and U.S. imports of fuels, precious metal and stone, agricultural goods, and iron and steel—may be debated. Some of the fastest-growing economies globally are in Africa, and a marked increase in trade with a handful of them could drive marked Prosper Africa progress. Multiple structural and economic governance weaknesses, however, have long made Africa less economically competitive than other world regions.

Even in the better-performing countries, structural barriers substantially hinder trade. Infrastructure gaps (e.g., limited and unreliable electrical, transport, and communication systems), for instance, often impose high production, logistical, and transportation costs, dampening commerce. Meanwhile, low rates of industrialization and value-added processing of raw commodities often constrain the production of higher-value goods, cross-sectoral linkages and economies of scale, and complex goods, services, and financial markets. Some African exporters also face U.S. import restrictions, such as tariffs and quotas that limit African access to the U.S. market for certain import-sensitive agricultural and other products.

Prosper Africa could potentially complement and leverage regional trade facilitation efforts. The African Continental Free Trade Area (AfCFTA), for instance, which seeks to reduce trade barriers among its 55 signatories, eventually could lead to greater market integration across Africa. U.S. officials have expressed optimism about AfCFTA's potential, but how Prosper Africa may interact with AfCFTA is not clear. Nor is the initiative's potential role in fostering the Administration's goal of signing a U.S. free trade agreement with an as-yet unidentified African country. U.S. support for African countries' ratification and implementation of the World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) could also aid Prosper Africa. TFA implementing countries, which include 35 of Africa's 44 WTO members, commit to customs and regulatory reforms.

Issues for Congress

For Members of Congress who support the goals set out under Prosper Africa—including countering Chinese economic sway in Africa—the initiative may be welcome. Some Members may seek to better understand how the initiative will undertake its work, however, as they weigh how, if at all, to fund and support implementation. In doing so, Congress may seek to assess the Prosper Africa strategy and implementation plan, as well as the initiative's metrics for measuring and achieving success as they are developed.

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