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Economic Commission for Africa

African Trade Policy Centre

Report on a Survey of AGOA's Past, Present and Future Prospects: The Experiences and Expectations of Sub- Saharan Africa

Stephen Karingi
Laura Páez
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Table of Contents

Abstract.....	vii
I. Introduction.....	1
II. Overview of the Questionnaire and Undertaking of the Survey	2
III. Distribution and Main Areas of Activity of the Survey Respondents.....	4
IV. Importance and Awareness of AGOA Opportunities.....	8
V. The Impact of AGOA on Employment	11
VI. AGOA and International Trade	12
VII. AGOA and Foreign Direct Investment	13
VIII. AGOA's Contribution to Regional Integration in Sub-Saharan Africa.....	14
IX. AGOA Requirements and Restrictions	15
X. Future Prospects of AGOA	19
XI. Conclusion and Recommendations.....	22
XII. Annexes	24

Abstract

ABSTRACT: Eleven years after it entered into force, the African Growth and Opportunity Act (AGOA), a unilateral preference scheme of the US to promote trade and investment, Sub-Saharan member States subject to this scheme have requested an evaluation of AGOA. The present report documents the main findings of a survey undertaken by UNECA, AUC and RECs on a continental level, to assess how AGOA eligible countries are benefiting from the preferences conferred to them under AGOA. Among the main findings, an important share of respondents to the survey reported having experienced employment, trade, investment creation thanks to AGOA. There was evidence that AGOA has been beneficial, but its full potential has not been realised. Therefore, in order to tap into these reported benefits the great majority of respondents are of the view that AGOA needs to be revised. Among others, requirements and restrictions need to be relaxed and the scheme needs to be extended beyond 2015, for beneficiaries to maximize employment, trade, investment and regional integration related gains.

Key Words: African Growth and Opportunity Act (AGOA), Sub-Saharan Africa (SSA), preferential trade schemes, international trade, foreign direct investment.

JEL Classification: F10, F13

I. Introduction

The African Growth and Opportunity Act (AGOA) is a preferential arrangement governing over U.S.-African trade and investment relations since the year 2000. The legislation provides for preferential treatment of exports from Africa in the form of duty-free and largely quota-free access to US markets. It has been amended a number of times, to make substantial changes to the original provisions and also to extend the life of the Act until September 2015. With just four years left to its expiration, attention is centered on the extent to which AGOA is meeting its objectives of increasing African-US trade and investments, diversifying African exports and facilitating Africa's integration in the global economy.

Following the Decision of the AU Ministers of Trade Conference endorsed in Kigali in November 2010, the AUC, UNECA, and the RECs have been instructed to support African countries in undertaking a review of the AGOA process ahead of each AGOA Forum. Taking due account of this mandate, UNECA and AUC have worked closely together to develop a questionnaire which would enable the two organizations to collect information on the experiences of Sub-Saharan Africa (SSA) with the African Growth and Opportunity Act (AGOA). Subsequently, the questionnaire was used as to conduct country surveys across SSA.

The results of these efforts are captured in this report, taking a close look at the experiences of SSA respondents to the survey questionnaire. It is hoped that this factual evidence informs the member States during the AGOA Mid-Term Review, in an effort to contribute to their discussions and consensus-building around the key issues of concern to be discussed in the upcoming AGOA Forum.

II Overview of the Questionnaire and Undertaking of the Survey

The main objective of the questionnaire was to obtain information on how and to what extent Sub-Saharan Africa has benefited from the AGOA initiative since the legislation was passed in 2000. The questionnaire targeted both public and private sector respondents, in order to ensure the collection of information at country, sectoral and firm level. It was designed to reflect the main issues of AGOA preferences in terms of trade diversification and growth, investment creation, and employment generation in SSA. For this purpose, a set of questions were developed to capture: (i) background information on the respondent (Section I); (ii) information on the impact of AGOA on employment issues affecting the respondent (Section II); (iii) information on the impact of AGOA on international trade and foreign direct investment activities of the respondent (Sections III and IV); (iv) information on the impact of AGOA on regional integration ties of the respondent (Section V) and, (vi) information on AGOA requirements and restrictions affecting the respondent (Section VI). In addition, qualitative questions were also included to capture the views of respondents on future prospects of AGOA (section VII). In terms of survey methodology, both open-ended and closed-ended questions were used.

In order to ensure regional and statistical validity, a representative sample of the 37 SSA countries who currently classify as AGOA beneficiaries from the 5 African subregions was defined prior conducting the survey. Correspondingly, the following 26 countries were selected: Benin, Botswana, Burundi, Cameroon, Chad, Congo, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Kenya, Lesotho, Liberia, Mali, Mauritania, Namibia, Nigeria, Rwanda, Sao Tomé and Príncipe, Senegal, Seychelles, South Africa, Swaziland, Tanzania, Togo and Zambia. In addition, 3 countries which were former AGOA beneficiaries (DRC, Guinea and Niger) were also included in the survey, with a view to observe how the withdrawal of benefits has affected their economies.

To ensure transparency during the process, African member States eligible to AGOA were informed of the initiative through a Note Verbale, issued by the AUC prior to the initiation of the survey. Throughout the process of the survey, rigor was also kept in conveying to the survey respondents that the information they disclosed would be used strictly for the purposes of reporting to the member States participating in the AGOA Mid-Term Review.

The survey took place during the months of March and April of 2011 by officials of UNECA and AUC, with ample knowledge of African trade and the AGOA arrangement. Precautions were taken to conduct the survey both in English and French to afford survey respondents ample opportunity to reply in their official language, so as to capture detailed information which may have been otherwise lost in translation. Further, the survey was conducted on-site in the countries surveyed, to ensure respondents could clarify

any questions they had with the UNECA and AUC officials, whilst at the same time allow the officials to obtain more background information relating to AGOA in the country in question.

On the basis of this information, this report has been drafted to provide factual information on the survey responses and interviews conducted onsite with the respondents. The following sections 3 to 9 of this report provide detailed information on the respondents and their views on the issues raised in sections I to VII of the survey questionnaire. Finally, section 10 of this report closes with some conclusions and recommendations on how AGOA may be improved in terms of inclusiveness, accessibility and permanence, beyond 2015 for the benefit of SSA.

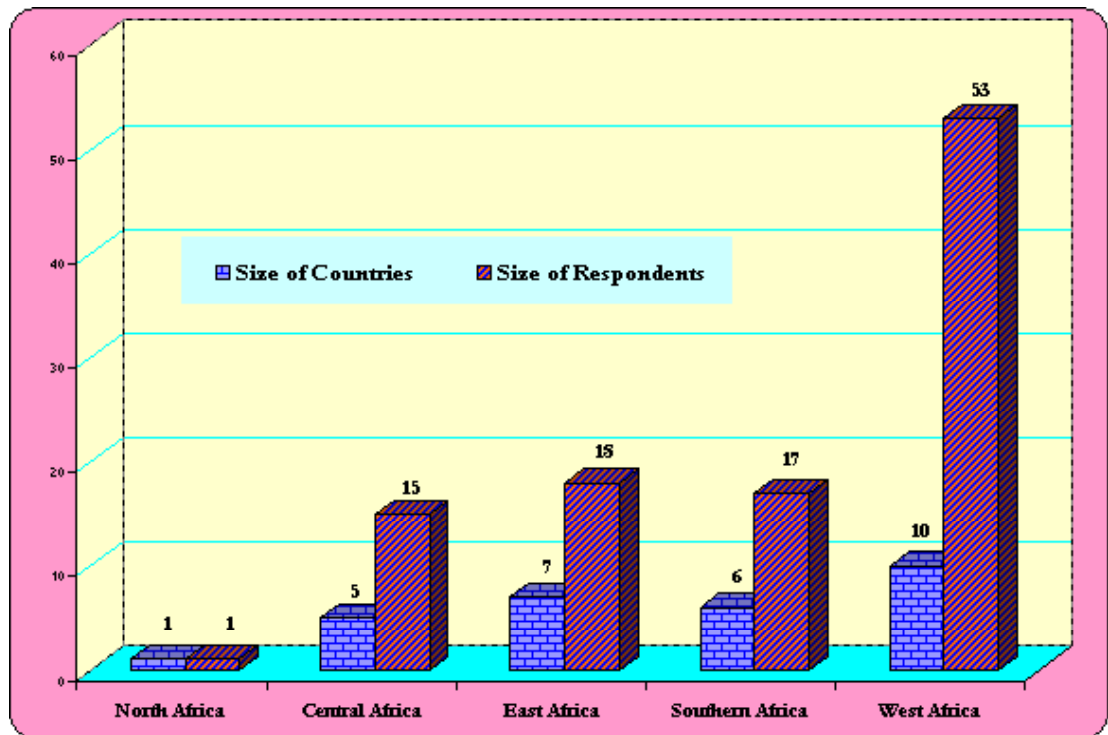
But before discussing the findings of the survey, it is important to mention what the survey did not do. This will become apparent once the review of the various responses begins. Essentially, as the distribution of the respondents show, the survey did not target the major energy-related investments and exports. Past discourses on AGOA have emphasized the part that the significant growth in exports from Africa to the US that has been witnessed in the last decade or so has mainly been due to the oil exports, especially those from Nigeria and Angola. But looking at the objectives of AGOA, it was expected that beyond oil, the initiative would lead to diversification of Africa's exports to the US, create jobs away from the oil and mining sectors, principally through attracting US and non-US investments to Africa. To a large extent, this survey focused on the non-oil and non-mining small and medium sized enterprises, although some big manufacturer's associations in some selected sectors did provide information.

III. Distribution and Main Areas of Activity of the Survey Respondents

Upon completion of the survey across SSA, a total of 104 questionnaires had been received from the 29 country sample from all the African subregions. A great majority of countries responded with two or more questionnaires, enabling the survey compilers to capture the various views and nuances of the impact of AGOA at regional, country and sub-country level.

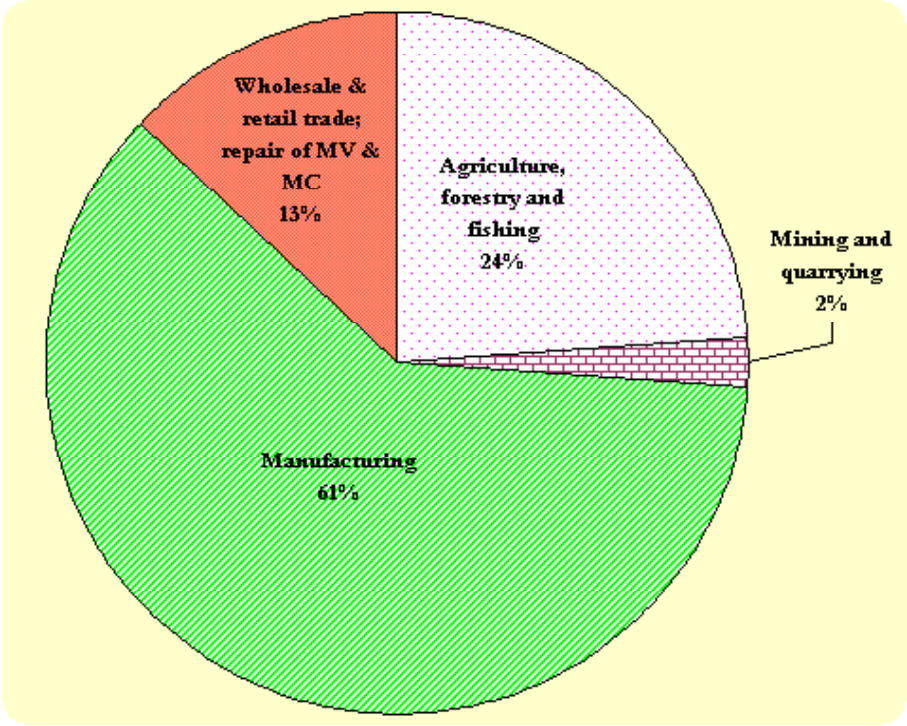
The great majority of questionnaires were contributed by West African (53) member States, followed by East Africa (18), Southern African (17), Central Africa (15) and finally Northern Africa (1). In terms of languages, Francophone countries submitted a total of 55 in French, whilst Anglophone countries submitted 49 questionnaires in English, giving an even result across the sample in terms of language distribution.

Figure 1: Total number of countries and respondents by SSA region



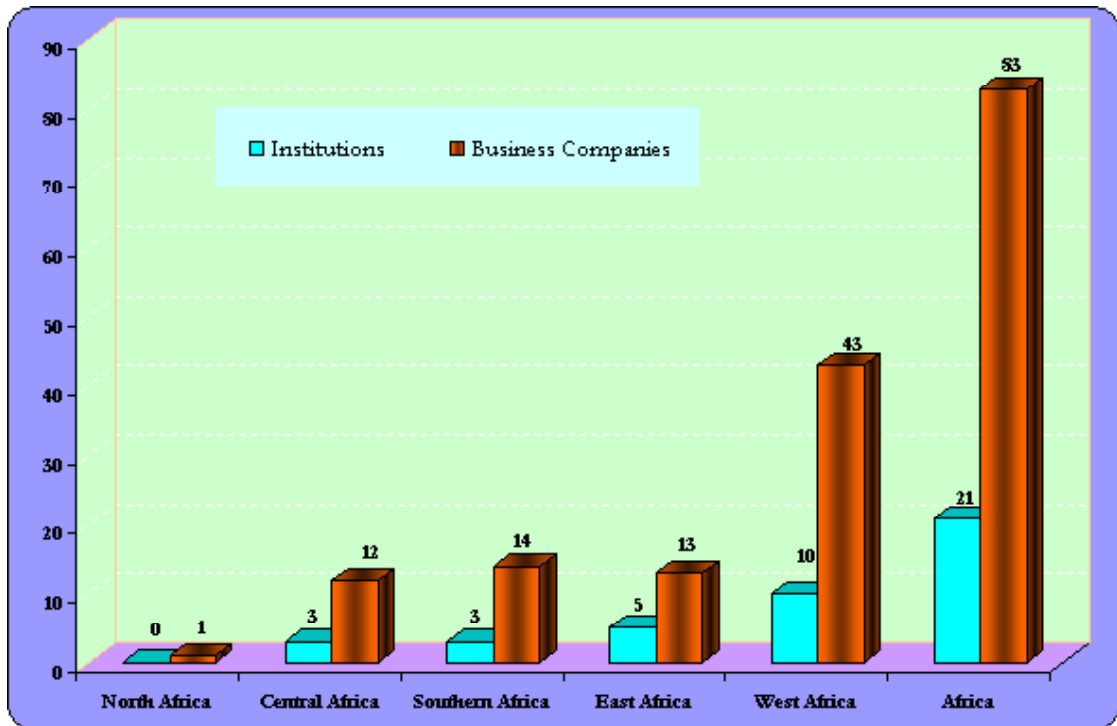
In terms of sectoral representation, respondents were distributed across the three broad economic categories of manufacturing (61%); agriculture, forestry and fishery (24%); wholesale and retail trade of motorvehicles and motorcycles (13%), and mining and quarrying (2%). When delving deeper into the specific subcategories of economic activities, respondents informed that they produced and exported a wide range of inputs and products, including, among others: food and food products (e.g. dried fruits and nuts, chilies, sauces, canned food, wine, etc.), flowers, wood and wood products, textiles and apparel, handcrafts, leather products, skin care lotions and motor vehicles.

Figure 2: Sectoral representation of respondents by broad economic categories



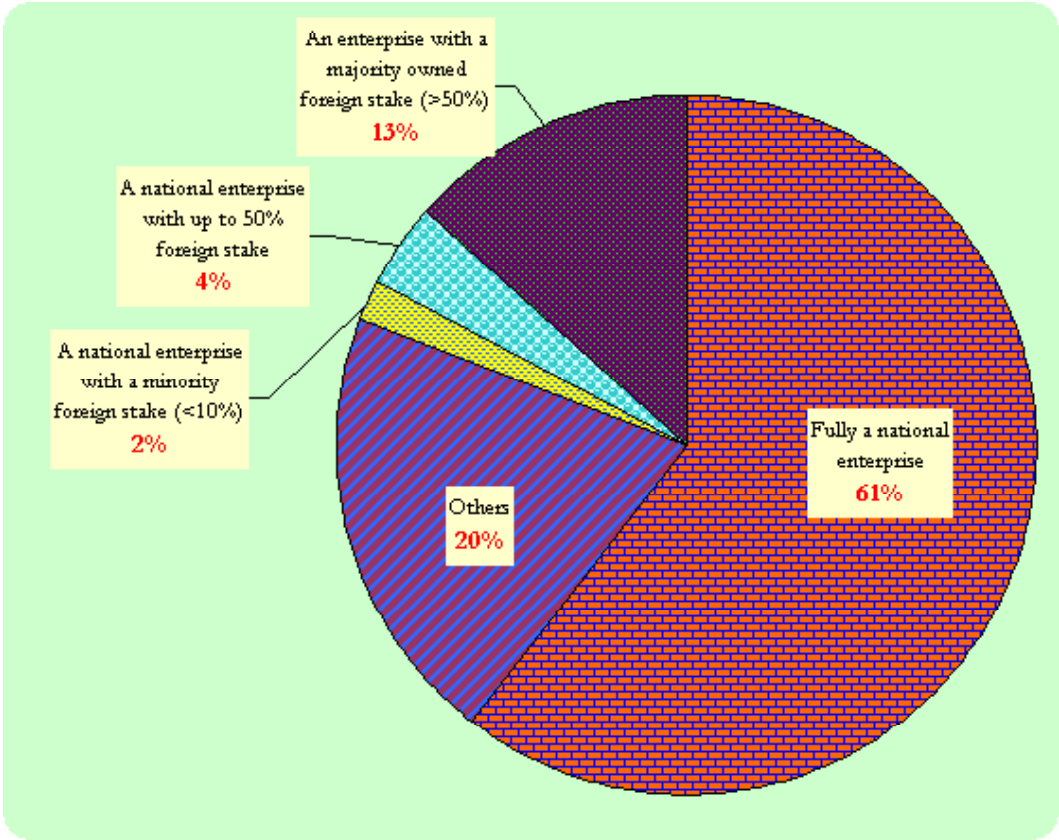
When broken down into types of respondents, questionnaires were received from both institutions and the private sector respondents. The first group included ministries of trade and other government bodies, umbrella organizations, such as chambers of commerce, manufacturers’ or traders’ associations, export and investment promotion agencies and workers unions, among others, totalling 21 of the 104 questionnaires. The second group, strictly grouping business enterprises, collectively produced a total of 83 responses.

Figure 3: Distribution of SSA by type of respondent



As for the representativeness of ownership of private enterprises in the survey, 61% of the respondents were fully national enterprises with no foreign stake, 2% of the respondents were national enterprises with a minority stake (of less than 10%), 4% of the respondents were national enterprises with up to 50% foreign stake and 13% of the respondents were enterprises with a majority owned foreign stake (of 50% or more). The 20% of respondents under the category of others correspond to the institutional respondents, which are not firms, as defined in the previous paragraph. As, can be seen from Figures 3 and 4, both the private and domestic component is very marked in the sample, indicating that the survey results presented hereafter are strongly representative of African business sector views. In addition, given that the majority-owned foreign component is relatively small in the sample (13%), one may also conclude that the domestic component of such views is very marked.

Figure 4: Distribution of respondents according to ownership of enterprise or institutions

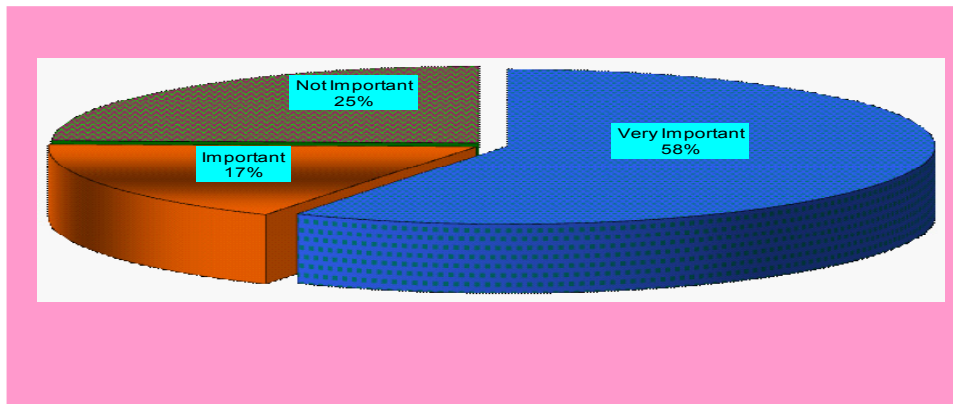


On the basis of this preliminary analysis and considering the regional, country and sectoral representation, the sampling and survey methodologies focusing on primary sources of information used in this analysis are considered to respect the statistical rigor required in the conduct of cross-country surveys. In conclusion, the results of the survey inform the analysis with factual information on AGOA's impact from an African perspective in the sample group and are a useful tool in the analysis that follows.

IV. Importance and Awareness of AGOA opportunities

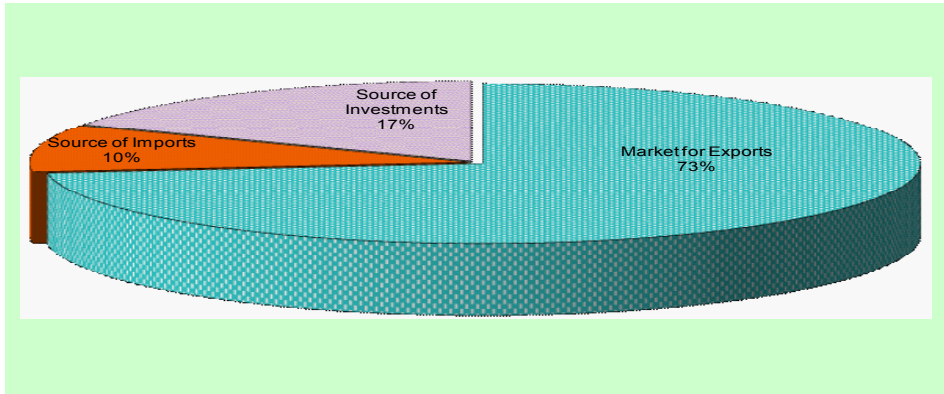
When private sector respondents were asked on the relative importance of AGOA and their trade and economic links with the US in the context of their activities, 58% replied they considered AGOA as “very important”, followed by 25% of the responses as being “not important” and finally 17% as being “important”. Though overall, the great majority of SSA respondents believe that AGOA is important (75% when summing the “very important” and “important” responses in Figure 5 below); one fourth of the sample still is of the view that AGOA has no relevance for them. A reason for this stark contrast in the replies rests on the capability of accessing AGOA benefits when trading with the US, as is further discussed in detail in this section.

Figure 5: Relative importance of AGOA in the view of the respondents



In terms of AGOA awareness, a great majority of respondents indicated that the importance of AGOA rests mainly on the US being an export market to African products (73%), and to a lesser extent a source of investments (17%) and imports (10%) for their businesses, as shown in Figure 6. The information seems to be consistent with previous research on AGOA conducted by UNECA, which argues that more tangible evidence exists on the effects of AGOA on trade than what has been captured in terms of investments.

Figure 6: Importance of AGOA for SSA exports and source of investment and imports



As for familiarity with AGOA, 72% of the respondents replied they were familiar with the preference scheme's opportunities for trade and investment, whilst 28% responded they were not. These differences may be explained by the level of sensitization on AGOA. In some countries, several campaigns have been conducted and information has been made available to the business community on AGOA and on how to trade with US. These initiatives have been either conducted by the government, private sector or both. In contrast, absence of such information was established to be the case and a continuous point of concern in other countries.

Taking these results together, respondents seem to have an understanding of AGOA. However, when concretely asked about whether they have benefited from this preferential scheme, just over half (51%) reported they actually have managed to benefit, whilst 49% of the respondents replied they had not. Among those that did benefit, some reported that their experience has been positive because they managed to establish a client base when directly operating from the US, which at the same time enabled them to access to more competitive sources of funding for their business. Unfortunately, for the rest of those private operators aspiring to get on board, challenges such as capacity and funding constraints, difficulties in obtaining visas to travel to the US for business contacts/negotiations, inability to secure distribution channels and conduct market research, as well as lack of concrete support from government and other sources continue to impede them from accessing AGOA.

In general, respondents think that AGOA can be a good opportunity as it is supposed to increase market access. However, the reality is that half of the beneficiaries in the sample – notably small and medium sized enterprises – are currently not benefiting. Therefore, the expectation of an economy-wide impact of AGOA is still to be experienced. In the discussions conducted on-site with the respondents, some firms have indicated that even if they are eligible, they prefer to export to the US (or other markets) under the

GSP scheme. Furthermore, a strong export bias towards traditional export markets such as the EU also explains the low uptake of AGOA preferences. Nonetheless, and as will be discussed in greater detail in section 9 of this report, an overwhelming majority of respondents still believes AGOA should be prolonged beyond 2015.

Another major concern relates to the assistance operators receive to qualify and export under AGOA. Some are of the view that local governments, as well as the U.S., could do more to raise awareness on AGOA opportunities, provide information and assistance, for instance, through a “one stop service” facility. Though support offered by institutions such as the West and Southern African Trade Hubs, business organizations, U.S. embassies, as well as AGOA focal points in each country does exist, communication with some of these institutions is difficult. Respondents to the survey noted that getting in touch with some of these institutions is a major challenge, and that some of the information provided is not updated or readily available. This is a hinge to providing effective assistance, given that travel to these support institutions is sometimes a severe impediment to companies seeking to benefit from AGOA.

V. The Impact of AGOA on Employment

Given that half of the respondents reported to have actually benefited from AGOA, establishing its impact on employment is still difficult. The expectation of everyone seeking AGOA benefits was that there would be a large positive employment impact. But most respondents, including both categories of those who said they have benefited from AGOA and those who said they have not, did not divulge much on the employment impacts. Nonetheless, for those that gave information on employment impacts, the reasons cited why AGOA may have had weaker impact on employment than expected so far rests on the general fear of an AGOA phase-out in the short term, which impedes building local capacity through investment (foreign or domestic) and thereby deters employment creation.

Nevertheless, some countries did report employment benefits. From the 56 out of the total respondents who answered the questions on AGOA having an impact on employment creation, 75% said they had registered employment creation, whilst 25% reported they had not. As for whether low-skilled and high skilled-workers have been required as a result of this job creation, though fewer (41) were able to provide information, 34 of respondents did report that both had been created whereas 7 said this was not the case. Interestingly, human capital creation seems to have been an important element in this context: of the 46 respondents, 37 reported that as a result of AGOA job creation, they trained or coached their personnel to be able to conduct their tasks, whilst 9 said they had not.

In turn, the withdrawal of AGOA benefits has also had an impact on employment and downsizing in those companies (or countries) which at one point did benefit from the initiative. In total, 5 respondents stated they had experienced employment loss. Finally, of a total of 47 respondents, 13 reported that there have been downsizing in their enterprise or sector whilst their country was still AGOA beneficiary, which in turn points to the existing vulnerabilities SSA economies are not shielded from through AGOA preferences, as was the case of the Multi-Fibre Agreement phase-out in 2004 for the textiles and apparel sector in many African countries.

One could take the example of Kenya, a country which has distinctly benefited of AGOA preferences is Kenya. Based on information provided by Kenya's export promotion institutions, textiles and apparels have dominated the composition of Kenya's exports to the U.S. and constituted about 76 percent of the total exports to the US in 2007. However, exports of textiles declined by 17.6% in 2009 driven largely by a decrease in exports to the US under AGOA which fell from US\$228.4 million in 2008 to US\$161.6 million in 2009. Direct employment in the garments/apparel sector dropped by 5.5% from 25,766 employees in 2008 to 24,359 employees in 2009 as companies cut down on costs or closed down operations.

VI. AGOA and International Trade

In relation to international trade, of 77 respondents, only 36 responded they were able to experience an expansion in their export to US in their respective enterprise or sector as a result of AGOA benefits. In terms of trade diversification, out of a total of 64 respondents, only 25 said they had experienced diversification in their enterprise or sector as a result of AGOA. Finally, in relation to other export destinations, from 74 respondents, 29 said they were exporting to other countries other than the US as a result of AGOA, whilst 45 said they had not.

Once again, as commented in the previous section on the impact of AGOA on employment, the smaller number of responses makes it difficult to draw generalized conclusions for the sample.

Some respondents have noted that (government) support to exporters mainly concentrates on textile exporters, whereas the handcrafts exports get relatively less support from the government. This is why some respondents still consider AGOA is viewed as a program that targets only textiles, given its bias toward preferences in that sector.

This bias may be counterproductive, since some countries have reported a decrease in trade of traditional AGOA products (i.e. textiles, flowers) over the past years, and others an increase in their handcrafts exports. Almost certainly, African exporters may have a greater comparative advantage in the handicrafts sector, given the level of segmentation of consumer tastes in the US markets which may push for greater specialization. Further, the smaller handcrafts firms have lower production costs and are less affected by competition from Asia. The handcrafts firms use locally sourced raw materials and will not be affected by rules of origins, whereas textiles are.

VII. AGOA and Foreign Direct Investment

Distilling from the on-site interviews with the respondents, a generalized notion on AGOA having failed to bring in US originating FDI is present. Of 76 respondents answering the question on FDI, only 14 stated that AGOA had generated the flow of foreign direct investment (FDI) into their enterprise or sector. The exception appears to be in those countries where foreign entry in the textiles and apparel sector in the form of Asian investment has taken place (e.g. Lesotho, Botswana and Kenya).

An important revelation from the on-site discussions with some of the respondents is that those that have taken advantage of AGOA are the bigger and more established companies with export capacity. The small-scale or micro enterprises mostly exporters of handcrafts; fashion design and apparels; unprocessed (e.g. bulk Shea butter products), or semi processed goods that have tapped AGOA opportunities are exceptions. These have also expressed the desire to diversify at some point in the future, since at present no diversification of their product range has taken place. A reason for this is that the capital holdings (i.e. the share capital) of these enterprises have not been diversified through foreign direct investment, despite expressed interest in FDI for the purposes of expansion, diversification and competitiveness.

When asked whether a withdrawal of AGOA benefits led to a loss of FDI, only 5 of 37 respondents answered “yes”, which is explained by the fact that only 3 countries from the 29 country sample (Niger, DRC and Guinea) had experienced a recent withdrawal from the beneficiary list. Finally, on the issue of down-scaling during AGOA benefits, 6 respondents out of 48 did experience a loss of FDI at the time they were beneficiaries, which in turn is evidenced by another major concern raised by AGOA beneficiaries which are at an advanced stage of operations (e.g. in the textiles and food processing sectors): the predictability of their investments. Some respondents during the interviews stated having acquired large extensions of land and equipment purely on the basis of AGOA. Unless the Act is extended well beyond 2015, their investments would suffer severe backlashes, as was the experience of many textile companies after the phase-out of the Multi-Fibre Agreement (MFA) in 2004.

VIII. AGOA's Contribution to Regional Integration in Sub-Saharan Africa

When addressing the regional integration dimension of AGOA, a majority of respondents (70.4%) reported that they did not source imports from their African neighbors as a result of AGOA. Equally, respondents in their majority (70%) stated that they were not exporting finished goods to the rest of Africa due to AGOA.

Further, there also seems to be little evidence of AGOA supporting regional integration through value chain creation. From all the respondents, only 21% reported that they are part of a regional value chain. An important reason for this trend resides in the nature of the activities some enterprises engage in. For example, the handicrafts sector bases production on the availability of local raw materials and does not source inputs or intermediate products from abroad. This may partly explain why few of the respondents in certain sectors have not developed value-chains across borders with neighboring countries.

In those sectors of production where local specificity of handicrafts is not the case, lack of productive capacity may be a more plausible reason for no value-chain creation. For example, South African motor vehicles production could source leather from the continent to produce leather seats for its vehicles. However, low volumes and concerns/perceptions on quality of African leather products, in addition to the logistics challenges, infrastructure constraints and higher cost, means that these inputs are sourced elsewhere.

Despite the apparent lack of a regional integration dimension to AGOA, the potential is there. In discussions with the respondents, a positive aspect of the language barrier faced by francophone SSA is that some French-speaking West African exporters are considering to develop partnerships with Anglophones West African exporters. The West Africa Trade Hub (WATH) could play a major role in facilitating these dimensions of regional integration under AGOA.

Input-sourcing is an issue in both textiles and the food sector, with many non-food operators appealing for flexible rules on third party sources of such inputs. Furthermore, the Act should encourage venture capital even if partners are from non-eligible countries, as long as these assist AGOA eligible countries.

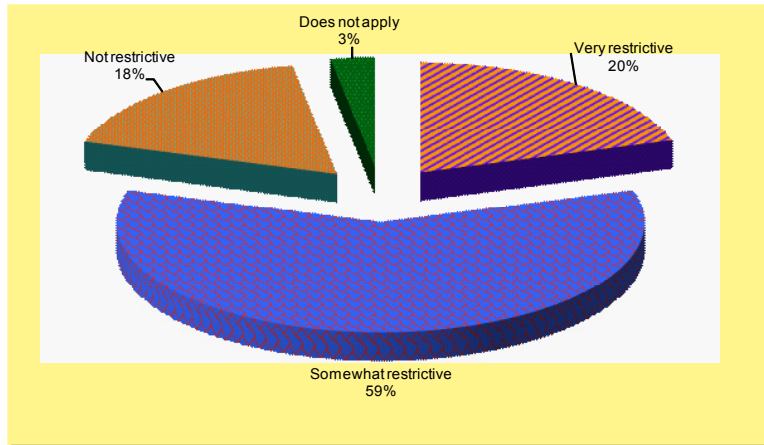
IX. AGOA Requirements and Restrictions

AGOA has a set of requirements and restrictions affecting SSA exports, ranging from specific rules of origin for, product lists, social and political conditionalities, GSP thresholds, to environmental and product specific standards. When asked about these requirements and restrictions, 64.5% of the respondents stated they were familiar with these measures, whilst 35.5% stated they were not. Though a great majority appears to be aware, still, over one third is not sufficiently informed on what it necessitates to export under AGOA. This may explain why half of the respondents (49%) have not benefited from AGOA, as discussed in section 4. More importantly, even among those who seemed fairly aware, most confided in the interviews that they would still need further sensitization and training on AGOA rules to make the best of existing opportunities.

In general, AGOA requirements to export to the US are considered by a great majority of respondents as either “restrictive” or “very restrictive” (in total 79% of the respondents). Only 18% did not consider requirements to be restrictive, whilst a remaining 3% stated this did not apply to them, as shown in Figure 7.

Underlying reasons as to why AGOA rules and requirements are perceived negatively are manifold. For instance in textile sector, it is difficult to comply with rules of origin of the third country yarn rule when it is impossible to find local thread and the only available one is from China. Indeed, some of the exporters responding to the survey commented that they preferred to use (EU) GSP schemes due to stringent rules of origin and standards under AGOA.

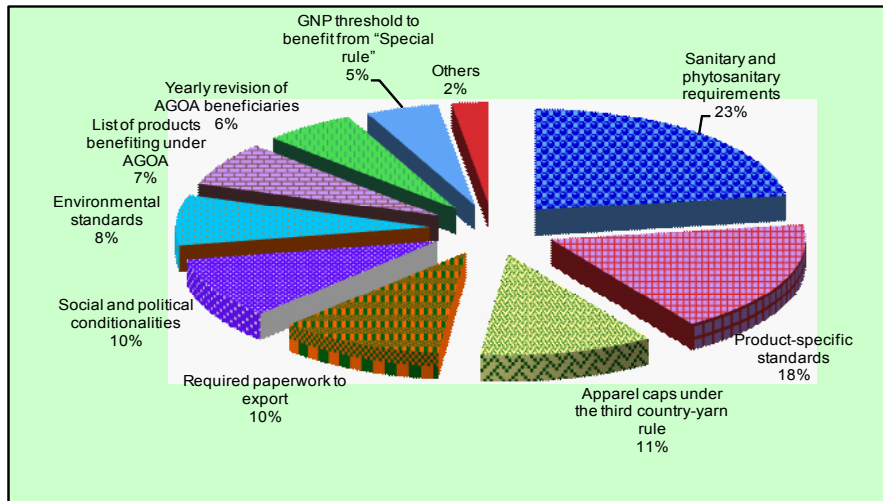
Figure 7: Perception of AGOA standards on SSA exports



In addition, some respondents have also mentioned the difficulties posed by language and cultural barriers. The US legal framework and US Trade law in particular are closer to African Anglophone countries that have Anglo-Saxon inspired law, compared to African francophone countries that have a Roman-inspired law, posing difficulties to understand certain requirements. The same dichotomy also affects marketing and packaging considerations: Senegalese firms think that exporters from Ghana have more “cultural” advantages in understanding US demands, which may explain why the Anglophone countries are able to benefit more readily from this cultural proximity.

When asked to evaluate specific requirements and restrictions under AGOA, sanitary and phytosanitary (SPS) requirements were viewed as most restrictive (23%), followed by product-specific standards (18%), apparel caps (11%), paperwork and social and political conditionalities (10% each), environmental standards (8%), list of products (7%), yearly revision (6%), the GNP threshold (5%), and other requirements (2%), as depicted in Figure 8. As can be seen, SPS measures and standards are viewed as major impediments to AGOA exports. This is backed up by the numerous comments from respondents during the on-site interviews, about their interest in more strengthened capacity building support in the area of SPS and standards, so as to be able to export to the US, as well as to other countries.

Figure 8: Specific AGOA requirements and restrictions perceived as most restrictive

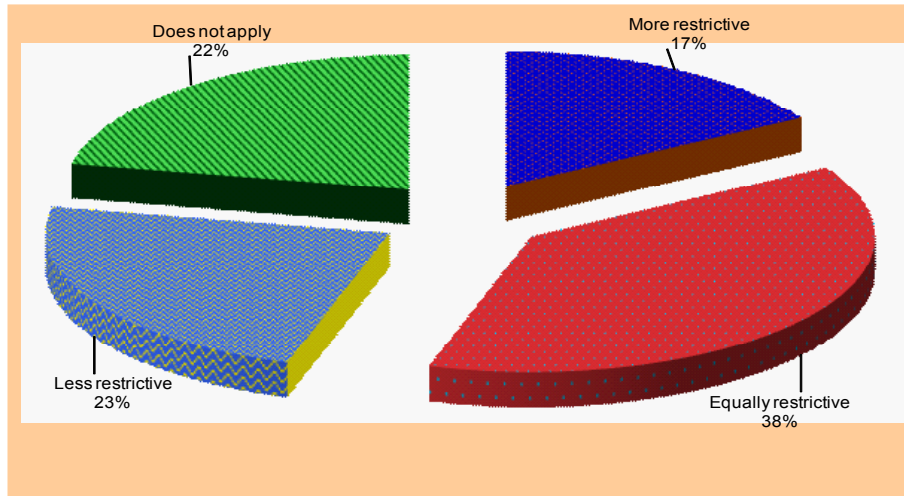


In addition to the stringent rules of origin for the textiles sector, other impediments noted by beneficiaries are the restrictive environmental standards, phytosanitary requirements and product specific standards, in particular in the textiles and food industry. For food products, some respondents have reported that the key impediment towards accessing the US market is getting FDA approval for their products. Though local laboratories may exist in some of the beneficiary countries, they need to be approved by the US as testing and certifying bodies to facilitate the processing of FDA approvals. Equally, the same applies for standard setting bodies for non-food products. This is an area where these institutions are often not well calibrated, lack sufficient expertise or equipment to fulfill US demands and requirements.

As a result, for African agribusiness in particular, SPS measures as those mentioned above pose immense NTBs. Further, these requirements often vary across US states and buyers, raising their production costs and thereby eliminating any competitive margin they may have over other producers.

Though a majority of respondents (63%) were of the view that AGOA should not be extended to other regions since Africa will suffer from a loss of preferences, some believe that an extension of benefits to other countries which source inputs in very specific areas – notably China and Turkey to source cheaper fabric and package material, would be of benefit to African exporters under AGOA, allowing them to better place their products in the US, a highly competitive textiles market. This divergence among respondents also becomes apparent when asked to compare AGOA with requirements of other preferential schemes. Indeed, though a bigger group viewed AGOA as equally restrictive to other preferential schemes (38%), others felt it as more restrictive (17%), as shown in Figure 8.

Figure 9: Perception of AGOA in comparison with EU GSP and EBAs

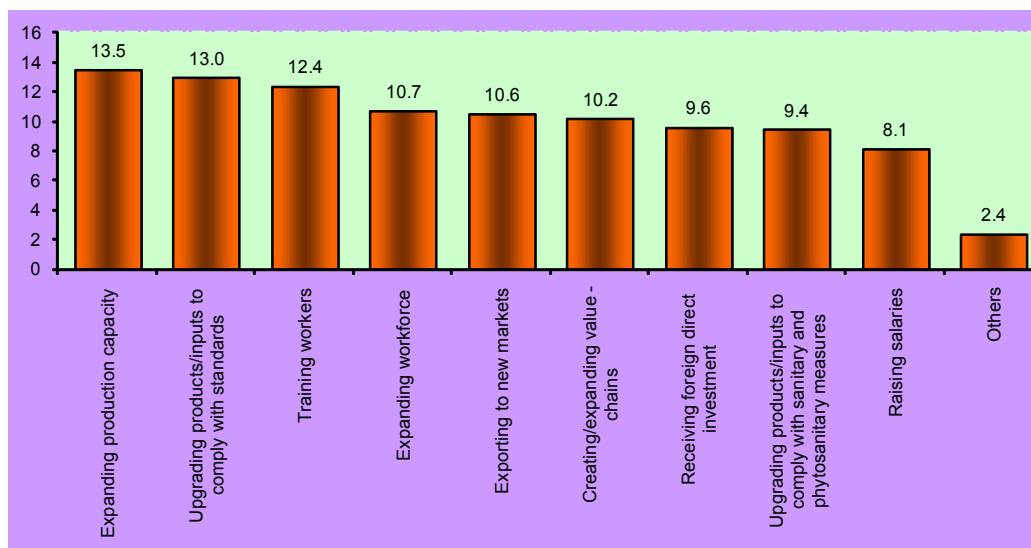


Finally, another of the recurring concerns raised by respondents relates to supply-side constraints. Though the great majority is of the view that AGOA offers opportunities to African enterprises, most are barred from benefiting due to supply-side constraints, which go beyond the conditionalities and difficulties posed by AGOA restrictions and requirements. For example, financing is scarce and the cost of lending is very high when sourced from commercial banks, pointing to important impediments to business startups and expansion projects, as well as trade finance constraints in African countries. Equally, many operators do not possess the critical size or capacity to trade to the US in an economically viable manner, let alone become an export base of US companies wishing to invest in production plants. Other major setbacks is the lack of information about the USA markets, which still persists in the region, in addition to the transport and energy constraints faced by African firms wishing to access the US market.

X. Future Prospects of AGOA

As can be seen from the previous sections, AGOA touches on key issues which relate to employment, trade, investment and regional integration in SSA. Figure 9 depicts what key issues respondents felt they would give closer consideration to in the near future, as a result of AGOA benefits. Notably, among the top three are: expanding production capacity (13.5%), followed closely by upgrading product and inputs to comply with standards (13%) and training workers (12.4%). These results are consistent with the generalized comments received during the interviews on the “quality” and “quantity” constraints SSA firms face when engaging in export to the US under AGOA.

Figure 10: Future prospects as a result of AGOA benefits



On the question of the life span of the AGOA, all respondents were unanimous in their views that the scheme should be extended beyond 2015. An overwhelming majority of 91% also believed it should be made permanent, as it would guarantee continued market access and attraction of long term investment for SSA economies.

Equally, a great majority of respondents (63%) were opposed to extending AGOA opportunities to other regions, in order to maintain their preference margins and stay in business. The only exception for just over a third of the respondents (37%) may reside in the existing rules of origin under AGOA. As argued in the previous section, some are of the view that if they were able to source cheaper textile and packaging

materials from abroad, their products could be more competitive in American markets, thereby allowing them to better access AGOA benefits.

Respondents were also asked to comment on what needs to be revised in AGOA to make the preference scheme more inclusive and accessible, their responses being grouped in Figure 10. What becomes apparent is that although there is a strong support for the extension and permanency of AGOA, much needs to be done to improve the preferential scheme. In particular, a majority of respondents recommended that the existing product list should be amplified (55.1%), technical assistance for SPS measures and standards (73.4%), promotion of African product in US market (94%) and US investment promotion in Africa be increased (88.8%), and that efforts to strengthen regional integration (75%) and diversify goods and services (65.2%) should also be augmented. From all of the above, the strongest 2 recommendations address business support services in general, underlining their desires and aspirations to improve the environment for doing business in SSA.

Figure 11: Percentage distribution of respondents on what needs to be revised in AGOA

	Does not apply	Eliminated	Increased	Maintained	Reduced
Beneficiary requirements	9.3	6.7	10.7	46.7	26.7
Possibility of suspending benefits	15.9	44.4	1.6	27.0	11.1
List of products benefiting under AGOA	3.8	2.6	55.1	37.2	1.3
Volume caps on apparel imports from Africa under the third-country yarn rule	14.7	41.2	22.1	10.3	11.8
Technical assistance and capacity building on standards and sanitary and phytosanitary measures	2.5	0.0	73.4	21.5	2.5
Trade and business promotion of African products and services in US markets	0.0	0.0	94.0	6.0	0.0

US Investment promotion in Africa	2.5	1.3	88.8	7.5	0.0
Eliminating supply side-Constraints	11.4	30.0	25.7	10.0	22.9
Strengthening regional integration through value chain creation	2.5	1.3	75.0	21.3	0.0
Diversification of goods and services	9.1	1.5	65.2	22.7	1.5

Finally, on the question of a US-African FTA, over two thirds of the respondents also agreed that a US free trade area with SSA will have negative impacts on the bilateral trade balance, permeating any gains from the preferences so far received under AGOA. Most were of the view that an extension of AGOA – permanent or not – will allow them time to educate themselves on how to trade with US and develop partnerships. This is also viewed as an important factor that can encourage investors to take risks (in order to increase capacity and thereby also returns to investment). Finally, though not specified in the questionnaires, some also were of the view that financial services could be developed in support of such partnerships.

XI. Conclusions and Recommendations:

The AGOA survey results presented in this report, as well as the face-to-face discussions held with the respondents' on-site point to important conclusions and recommendations for SSA, especially given the proximity of AGOA expiry in 2015. In particular, what may be drawn from the report is that important actions need to be taken to ensure all beneficiaries are able to benefit from the preferences, which has only been the case of a handful of countries so far.

In terms of actions, the AGOA Forum provides for a setting in which the following issues should be addressed:

- The US and SSA governments should discuss how to ensure sustainability of AGOA after the framework expires in 2015. In particular, these discussions should focus on aspects such as greater inclusiveness and accessibility of AGOA to the beneficiaries, in a way that these are realistically able to access US trade and investment opportunities without getting caught up in the myriad of requirements and restrictions.
- Rules of origin and requirements on third-country sourcing of yarn and textile inputs should be made more flexible, to allow SSA to: (i) source cheaper inputs on a global basis, (ii) allow for value-chain creation with other African countries which are not currently benefiting from AGOA or which have been subject to a withdrawal of AGOA benefits.
- Distinguishing between relatively well-off AGOA eligible countries and those emerging from conflict will enable the Act to meet its goal of promoting development. Therefore, there should be some kind of accommodation in the Act for these categories of countries such as Liberia, Sierra Leone, Guinea and Cote d'Ivoire, to waive these from fulfilling the economic social and political criteria.
- In order for SSA to tap better into AGOA opportunities, greater US technical assistance and support should be provided to strengthen the capacities of African standard and SPS testing and certification bodies. Equally, greater efforts should be place on speeding up the accreditation and certification processes of such bodies so that such processes do not in themselves constitute NTBs to African exports.
- Providing support to the private sector wishing to tap on AGOA opportunities, particularly by offering capacity building in trade finance and business startup support for small-scale enterprises which are unable to access credits at commercial rates. Equally, undertake other supporting measures in close collaboration with African governments, to ensure conditions are created for micro and

small-scale enterprises to organize themselves in order to attain the capacity to respond to export demands of US buyers.

- Greater sensitization and awareness of US investors as well as the overall society, on their role in investing in SSA, on the part of US investment promotion bodies as well as private sector organizations grouping potential investors.

In parallel to these common actions, SSA governments, in conjunction with the private sector, RECs and regional organizations, will also need to consider the following:

- Articulating trade and industrial policies which target niche sectors for AGOA exports and set up the adequate business support environment for operators in these sectors, including export incentives and simplified procedures.
- Developing AGOA-specific strategies and actions to be embedded in existing trade policies. These must be carefully articulated in a coherent and coordinated manner with existing trade provisions and commitments at the domestic, regional, bilateral and multilateral levels, in order to tap into the multiple and cross-cutting opportunities these different levels of engagement provide.
- Building local capacities of sector umbrella organizations in order for these to better assist the business community. Governments may be assisted by organizations offering trade-related technical assistance such as UNECA ATPC and ITC.
- Continue harnessing AfT to overcome transportation infrastructure and logistics constraints to facilitate the movement of goods from the farm and factory gate to the ports and reduce the costs and time of transport. The focus should be set on increasing productive capacities and eliminate supply-side constraints of those sectors with export potential under AGOA, notably, handcrafts, agricultural semi-processed and processed goods, leather products and textiles, among other.
- Facilitating and reducing customs requirements, procedures and rules of origin on the export-side of those goods which are subject to AGOA preferences. In particular, requirements which are impeding the regional dimension through value-chain creation in SSA should be addressed first.
- Establish focal points at national level to undertake systematic monitoring and review mechanisms on the impact of AGOA, in conjunction with the AUC, the RECs and UNECA, and as mandated in the Kigali Ministers of Trade Decision.

XII. Annexes

12. 1 AGOA Questionnaire

SURVEY QUESTIONNAIRE ON THE AFRICAN GROWTH AND OPPORTUNITY ACT (AGOA):

The following questionnaire has been designed to collect information on the experiences Sub-Saharan African countries have had with the African Growth and Opportunity Act (AGOA), which came into force as a preferential scheme governing over U.S.-African trade and investment relations since the year 2000. It is a follow-up to the decision of the AU Ministers of Trade Conference which mandated the AUC, UNECA, and the RECs to undertake a mid-term review of the AGOA process ahead of each AGOA Forum.

The questionnaire is targeted to both public and private sector respondents and seeks to obtain information on how and to what extent Sub-Sahara Africa has benefited from the AGOA initiative in terms of trade diversification and growth, investment creation, and employment generation. All information collected in this questionnaire will be treated as confidential and will be used strictly for the purpose of the review of AGOA. The Report of the review which will be presented to AGOA member States trade Ministers and Officials in the upcoming AGOA forum to be held in Lusaka, Zambia in June 2011, is expected to assist in their engagement with the US counterparts for the improvement of AGOA.

Your early completion of the questionnaire will be highly appreciated. Please send this completed survey questionnaire either through email or fax to: Mr. Stephen Karingi (email: karingi@un.org; fax: +251 11 5153005) and Ms. Laura Páez (email: lpaez@uneca.org; fax: +251 11 5153005) from the UNECA, as well as Ms. Tarana Loumabeka (email: loumabekat@yahoo.com; fax: +251 11 551 04 67) and Ms. Louise Bailey (email: shbai@aol.com; fax: +1 202 2938007) from the African Union Commission.

I. Information on the Respondent:

1.1 Name: _____

1.2 Functional title: _____

1.3 Organization: _____

1.4 Telephone: _____

1.5 Email: _____

1.6 Country where your organization is based: _____

1.7 If you represent a business enterprise or sector, please mark the corresponding box with an X the economic category under which your enterprise is best represented:

Agriculture, forestry and fishing	<input type="checkbox"/>
Crop and animal production, hunting and related service activities	<input type="checkbox"/>
Forestry and logging	<input type="checkbox"/>
Fishing and aquaculture	<input type="checkbox"/>
Mining and quarrying	<input type="checkbox"/>
Mining of coal and lignite	<input type="checkbox"/>
Extraction of crude petroleum and natural gas	<input type="checkbox"/>
Mining of metal ores	<input type="checkbox"/>
Other mining and quarrying	<input type="checkbox"/>
Mining support service activities	<input type="checkbox"/>
Manufacturing	<input type="checkbox"/>
Manufacture of food products	<input type="checkbox"/>
Manufacture of beverages	<input type="checkbox"/>
Manufacture of tobacco products	<input type="checkbox"/>
Manufacture of textiles	<input type="checkbox"/>
Manufacture of wearing apparel	<input type="checkbox"/>
Manufacture of leather and related products	<input type="checkbox"/>
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	<input type="checkbox"/>
Manufacture of paper and paper products	<input type="checkbox"/>

Printing and reproduction of recorded media	†
Manufacture of coke and refined petroleum products	†
Manufacture of chemicals and chemical products	†
Manufacture of basic pharmaceutical products and pharmaceutical preparations	†
Manufacture of rubber and plastics products	†
Manufacture of other non-metallic mineral products	†
Manufacture of basic metals	†
Manufacture of fabricated metal products, except machinery and equipment	†
Manufacture of computer, electronic and optical products	†
Manufacture of electrical equipment	†
Manufacture of machinery and equipment n.e.c.	†
Manufacture of motor vehicles, trailers and semi-trailers	†
Manufacture of other transport equipment	†
Manufacture of furniture	†
Other manufacturing (please specify):	†
Repair and installation of machinery and equipment	†
Wholesale and retail trade; repair of motor vehicles and motorcycles	†
Wholesale and retail trade and repair of motor vehicles and motorcycles	†
Wholesale trade, except of motor vehicles and motorcycles	†
Retail trade, except of motor vehicles and motorcycles	†

1.8 If you represent a business enterprise or sector, please specify what your main production and export goods are, including any intermediary or input products and exports: _____

1.9 Considering your response for question 1.6, if you represent a business enterprise or sector, please mark the corresponding box with an X whether your enterprise is:

A national enterprise with no foreign stake	†
A national enterprise with a minority foreign stake (less than 10%)	†
A national enterprise with up to 50% foreign stake	†
An enterprise with a majority owned foreign stake (51% or more)	†
Other (please specify):	†

1.10 How important is AGOA and trade and economic links with the US in the activities of your business enterprise?

Very important	↑
Important	↑
Not important	↑

1.11 If very important or important, indicate whether as a market for exports, source of imports or source of investment. → _____

1.12 Are you familiar with the opportunities for trade and investment with the US under AGOA? YES/NO

1.13 Has your enterprise benefitted from the AGOA initiative? YES/NO

II. Employment:

2.1 If your answer to question 1.13 is YES, has benefiting from AGOA led to the creation of jobs in your enterprise/ sector? YES/NO

2.2 If YES, how many jobs have been created: _____

2.3 Of these new jobs, how many have been occupied by female workers? _____

2.4 Do these jobs require low-skilled or high-skilled workers? YES/NO

2.5 Have these workers received some form of training or coaching to perform their jobs? YES/NO

2.6 Has there been a withdrawal of AGOA benefits at any time in your country? YES/NO

2.7 Has a withdrawal of AGOA benefits in your country led to a loss of jobs? YES/NO

2.8 If YES, how many jobs have been eliminated? _____

2.9 How many of these job losses were occupied by female workers? _____

2.10 Has there been downsizing in your enterprise/ sector during the time your country has enjoyed AGOA benefits? YES/NO

III. International Trade:

3.1 Has benefiting from AGOA led to export trade expansion to US in your enterprise/sector? YES/NO

3.2 If YES, please state by how much your trade volumes and values have increased and during which period of time: _____

3.2 Has benefiting from AGOA led to trade diversification in your enterprise/sector? YES/NO

3.3 If YES, please indicate how many and what new product or inputs you have successfully managed to export: _____

3.4 Has benefiting from AGOA led to exporting to other destinations, other than the U.S.? YES/NO

3.5 If YES, please state which other countries you are exporting to, other than the U.S.: _____

IV. Foreign Direct Investment:

4.1 Has benefiting from AGOA generated the flow of foreign direct investment (FDI) into your enterprise/sector? YES/NO



4.2 If YES, please indicate how much FDI you have received over a given period and from which countries _____

4.4 Has a withdrawal of AGOA benefits led to a loss of FDI in your enterprise/sector? YES/NO

4.5 If YES, indicate how much disinvestments have occurred over a given period and from which countries as a result of the withdrawal of AGOA benefits _____

4.6 Has there been down-scaling of FDI during the time your country has benefited from AGOA? YES/NO

4.7. If YES, please indicate why this may have occurred _____

V. Regional Integration:

5.1 Does your enterprise/sector source raw or intermediate inputs from other African countries, as a result of AGOA benefits? YES/NO

5.2 If YES, please specify the inputs, value and volume of such trade, as well as the countries you export to _____

5.3 Does your enterprise/sector export final goods to other African countries, as a result of AGOA benefits? YES/NO

5.4 If YES, please specify the final goods, value and volume of such trade, as well as the countries you export to _____

5.5 Is your enterprise sector part of a regional value chain in Africa, producing or processing goods within the continent? YES/NO

5.6 If YES, please specify the countries and inputs involved, as well as any finished goods or products, and their export destiny _____

5.7 Has the removal of AGOA benefits affected existing integrated production structures which you share with other African countries? YES/NO

5.8. Does your country have any institutional framework (e.g. Joint Chamber of Commerce and Industry) with private enterprises in the US? YES/NO

5.9 If YES, does your enterprise belong to the framework? YES/NO

VI. Requirements and Restrictions:

6.1 Are you familiar with the requirements and restrictions governing exports to the US under AGOA? YES /NO.

6.2 If your answer to question 6.1 is YES, do you consider that existing AGOA requirements to export to the U.S. to be: (Please mark the corresponding box with an X)

Very restrictive	<input type="checkbox"/>
Somewhat restrictive	<input type="checkbox"/>
Not restrictive	<input type="checkbox"/>
Does not apply	<input type="checkbox"/>

6.3 Among the requirements and conditions for benefiting under AGOA, which do you consider to be the most restrictive? (Please mark the corresponding box with an X)

Sanitary and phytosanitary requirements	†
Product-specific standards	†
Environmental standards	†
GNP threshold to benefit from “Special rule”	†
List of products benefiting under AGOA	†
Required paperwork to export	†
Apparel caps under the third country-yarn rule	†
Yearly revision of AGOA beneficiaries	†
Social and political conditionalities	†
Other (please specify):	†

6.4 When compared to other preferential schemes such as the EU GSP or the EBAs, do you consider AGOA requirements to be: (Please mark the corresponding box with an X)

More restrictive	†
Equally restrictive	†
Less restrictive	†
Does not apply	†

Please specify which preferential scheme(s) you are comparing AGOA to: _____

VII. Future Prospects:

7.1 As a result of AGOA benefits, are you considering any of the following in the near future? (Please mark the corresponding box with an X)

Expanding workforce	†
Expanding production capacity	†
Receiving foreign direct investment	†
Creating/expanding value-chains with African regional partners	†
Upgrading the quality of your products/inputs to comply with standards	†
Raising salaries	†

Training workers	†
Diversifying production capacity	†
Exporting to new markets	†
Upgrading the quality of your products/inputs to comply with sanitary and phytosanitary measures	†
Other (please specify):	†

7.2 Do you consider AGOA should be extended beyond 2015? YES/NO

7.3 If yes, should this extension be permanent? YES/NO

7.4 For AGOA to be more inclusive and accessible what do you consider needs to be revised in the current legislation? (Please mark the corresponding box with an X)

	Eliminated	Reduced	Maintained	Increased	Does not apply
Beneficiary requirements	†	†	†	†	†
Possibility of suspending benefits	†	†	†	†	†
List of products benefiting under AGOA	†	†	†	†	†
Volume caps on apparel imports from					
Africa under the third-country yarn rule	†	†	†	†	†
Technical assistance and capacity building on standards					
and sanitary and phytosanitary measures	†	†	†	†	†
Trade and business promotion of African products					
and services in US markets	†	†	†	†	†
US Investment promotion in Africa	†	†	†	†	†
Eliminating supply side-					
Constraints	†	†	†	†	†
Strengthening regional					

integration through value chain creation	†	†	†	†	†
Diversification of goods and services	†	†	†	†	†
Other (please specify):	†	†	†	†	

7.5. What general recommendations will you suggest for making AGOA more effective as an instrument for the promotion of economic growth and development in the beneficiary countries? _____

7.6 The US government plans to extend AGOA like preferences to other non-African developing countries. Do you consider such an extension would undermine the existing benefits under AGOA for Africa? YES/NO

7.7 Would you support the idea of Free Trade Areas between the US and Africa to replace AGOA, where Africa would be required to eliminate customs duties on imports from the US? YES/NO

MANY THANKS FOR YOUR TIME AND COLLABORATION!

12.2 AUC Note Verbale

AFRICAN UNION الاتحاد الأفريقي		UNION AFRICAINE UNIÃO AFRICANA
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Réf. : **TI/TD/19/095**

The Commission of the African Union presents its compliments to the Ministries of Foreign Affairs of the African Growth and Opportunity (AGOA) beneficiary Member States of the African Union and has the honor to refer to the AU Ministers of Trade Kigali Declaration [AU/EXP/TD/Decln/3 (VI)] which, inter alia, requested the AUC, in close collaboration with UNECA and the RECs, to take urgent steps towards the assessment and review of AGOA.

In compliance with the above request, the AUC, UNECA and the RECs have commenced the process of the review of AGOA, preparatory to the 10th AGOA Forum which is scheduled for 6-8 June 2011 in Lusaka, Zambia. To obtain the necessary data and information for the review exercise, a questionnaire, to be administered to AGOA stakeholders (public and private sector) in beneficiary countries, has been developed. It will be greatly appreciated if each AGOA beneficiary Member State of the AU can assist in facilitating the response to the questionnaire (herewith attached).

The Commission of the African Union avails itself of this opportunity to renew to the Ministries of Foreign Affairs of the AGOA-beneficiary Member States of the AU the assurance of its highest consideration. *hussien hussien*

Addis Ababa, 11 March 2011

**Ministry of Foreign Affairs of the
African Growth and Opportunity – AGOA
Beneficiary Member States of the African Union**

cc

- Ministries of Trade
- Permanent Representations of AGOA-beneficiary Member States of the African Union

Addis Ababa.