USAID Southern Africa Trade and Investment Hub

Boosting Opportunities to Trade and Invest

HUB HAPPENINGS NEWSLETTER – MAY 2018

In This Issue

1. Mozambique Launches AGOA Utilization Strategy
2. USAID Hubs Wrap-up U.S. Trade and Investment Roadshow Tour
3. Changing the Face of Small Business Financing in South Africa
4. Hub Assists MCC Compact Process in Lesotho
5. Botswana AGOA National Strategy Awareness Workshop

Mozambique Launches AGOA Utilization Strategy
This month the Ministry of Industry and Commerce launched Mozambique’s AGOA Utilization Strategy in Maputo. Since the enactment of AGOA as part of the Trade and Development Act of 2000, a fraction of the U$100 million of Mozambican exports into the U.S. takes advantage of the trade initiative’s duty-free access.

For this reason, the U.S. Government, through the USAID Speed+ project, helped the Government of Mozambique develop its AGOA Utilization Strategy, and the Hub continues to engage with Mozambican companies to promote increased bilateral trade and investment.

In his remarks, U.S. Ambassador to Mozambique Dean Pittman noted “Trade incentives to access the American market will lead to increased investments in Africa, creating more jobs and economic opportunities for all.”

Mozambique’s AGOA Utilization Strategy will prioritize key sectors and products for potential trade expansion to the United States including Textiles/Apparel manufacturing; Specialty Foods and Agro-processing ( cashews, pigeon peas, cassava, shelled almonds, kidney beans, macadamia nuts, cane molasses, etc.); and precious metals.
After visiting three U.S. cities—Washington, D.C., New York City, and Des Moines, Iowa—on the inaugural Africa Investment Rising Roadshow, the USAID Southern and East Africa Trade and Investment Hub teams returned with dozens of new contacts and linkages as well as potential transactions.

The Initiative for Global Development (IGD) organized the tour, of which both USAID Hubs were one of three premier sponsors, along with the African Development Bank. The roadshow was the perfect opportunity to showcase the power of enterprise-led development and the Hubs’ role as a facilitator between businesses and institutions in the United States and Africa.

Events included a panel discussion on mobilizing financing from the U.S. Government and private investors; and a private sector engagement session that featured top USAID officials including Oren Whyche-Shaw, Deputy Assistant Administrator for the Africa Bureau; Beth Dunford, Deputy Coordinator for Development for Feed the Future; Matt Rees, Deputy Director for Power Africa; and Greg Simpkins, Senior Advisor for the Africa Bureau.

Africa, on average, makes up a mere 0.3% of U.S. private-sector investment portfolios and presents a unique opportunity for U.S. firms to create sustainable expansion strategies, due to its rapidly growing population and expanding middle-class. The continent’s relatively under-developed societies also create avenues for U.S. firms to partner with African companies to fill gaps in infrastructure investment.

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**Changing the Face of Small Business Financing in Southern Africa**

https://mailchi.mp/673d2b8f84a0/usaid-southern-africa-trade-and-investment-hub-may-2018-newsletter?e=be19896860
Through the Hub’s Investment Facilitation and Funding Platform Development services, Developing World Markets (DWM), a U.S.-based asset manager, completed a debt financing facility on behalf of the ACTIAM Institutional Microfinance Fund III with Retail Capital this month. The Hub supported this transaction by providing a detailed risk analysis of the political and economic landscape in South Africa for a new market entrant.

DWM was particularly concerned about the volatility of the local currency and potential political shocks that could influence the investment. Retail Capital is a South African based microfinance institution that seeks to address the lack of capital funding for start-up companies in the region. The company’s innovative lending model provides funding to firms that otherwise would have limited access to traditional financing due to either their small size, limited track record, or lack of collateral.

Retail Capital’s business cash advance model links loan repayments to the firms revenue cycles rather than through fixed loan installments. Loans are repaid as a percentage of the merchant’s credit and debit card turnover. This results in clients receiving effective working capital funding with a repayment profile that automatically adjusts to the cyclical nature of their business. This investment will support Retail Capital to expand this customer base, creating positive spill-over effects for small businesses.
The Hub traveled to Maseru, Lesotho, for stakeholder consultations with the Millennium Challenge Corporation (MCC) as part of the Compact development process. MCC seeks to focus infrastructure development, capacity building, policy planning, coordination, and implementation, across a number of sectors including agriculture. The MCC consultations met with a wide variety of stakeholders including the World Bank’s Private Sector Competitiveness and Economic Diversification Project, private sector firms and associations, government officials at the local and district level, including traditional leaders.

The MCC team consulted the Hub in trying to better understand the main issues affecting Lesotho’s business climate and the bottlenecks preventing private sector expansion and investment. The Hub provided insights on these issues, particularly as they relate to critical agriculture sectors (i.e. fresh and dried deciduous fruit, wool and mohair, aquaculture, etc.) and textiles. It also provided a regional perspective on the best enabling environment practices elsewhere in the region.

The MCC team returned to Washington, D.C. and will continue to develop its Compact with the Kingdom of Lesotho, while the Hub is in the process of finalizing the review and development of an updated AGOA Response Strategy for Lesotho focusing on export diversification.
The Hub completed a series of workshops in Botswana focused on creating awareness on the preferential trade benefits offered under AGOA. The final workshop, held in Gaborone, was delivered to more than 100 participants from the private sector and public sector. The Hub and the Embassy of the U.S. in Botswana co-hosted the workshops with the Ministry of Investment Trade and Industry (MITI), Botswana Investment and Trade Centre (BITC), and the African Women’s Entrepreneurship Program (AWEP).

In his remarks, the Mission Director of USAID Southern Africa Mr. John Groarke noted that businesses in Botswana were not taking advantage of AGOA and that there is need to find out why and address the challenges. The Hub’s Director of Export Competitiveness informed participants about capacity-building opportunities to partners in taking advantage of AGOA.

Mr. Makore indicated that the Hub works with partner countries to develop AGOA Utilization Strategies and also provides support at firm level including export linkages facilitation, standards compliance support, factory assessments and awareness creation workshops e.g., the Worldwide Responsible Accredited Production (WRAP) event that was recently conducted in collaboration with BITC, also in Gaborone.