

Updated November 12, 2020

The Trump Administration's Prosper Africa Initiative

The Trump Administration's Prosper Africa initiative aims to expand U.S.-African trade and commercial ties. Its goals include doubling U.S.-Africa trade, spurring joint U.S. and African economic growth, and—as U.S. officials have stated—demonstrating “the superior value proposition of transparent markets and private enterprise.”

Past Administrations have similarly sought to expand U.S.-Africa trade and investment ties, but gains to date have been modest. In 2019, Africa accounted for 1.4% of U.S. global trade and received 0.7% of U.S. foreign direct investment. Such shares have declined relative to their historical highs a decade or so ago, suggesting that quickly achieving sizable growth in such metrics may not be easy. As such, Congress may seek to determine whether Prosper Africa is adequately funded, effectively configured, and an appropriate vehicle to attain such goals. (See **Figure 1** for recent U.S.-Africa trade trends.)

Background, Vision, and Justification

Then-National Security Advisor John Bolton announced Prosper Africa in a late 2018 speech unveiling the Administration's Africa strategy. The initiative, he said, 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 in Africa; “encourage African leaders to choose high-quality, transparent, inclusive and sustainable” U.S. and other foreign investment projects; and expand African access to business finance. U.S. officials formally launched Prosper Africa in 2019 at the U.S. Corporate Council on Africa's U.S.-Africa Business Summit in Mozambique.

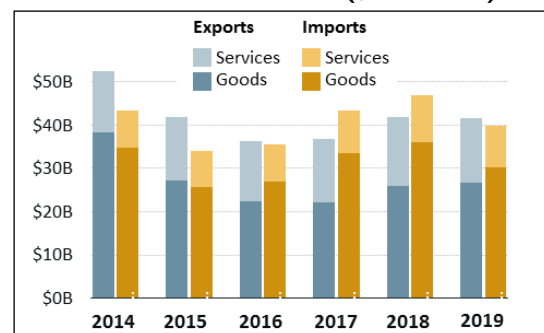
The State Department's FY2021 budget request states that Prosper Africa aims to unleash U.S. “unmatched competitive advantages to vastly accelerate” U.S.-Africa trade and investment, including by creating “a pipeline of U.S.-Africa trade and investment opportunities” for U.S. firms active in the region. It seeks to do so, in part, by helping to facilitate business transactions and “blended-finance solutions to de-risk investment opportunities,” and by supporting business-facilitating regulatory and policy reforms and environments in Africa, the request states. It also promotes African exports to the United States under the African Growth and Opportunity Act (AGOA Title I, P.L. 106-200, as amended, a trade preference program). Through such efforts, the initiative seeks to help transform U.S.-Africa relations from “an aid-based focus to [a] true trade partnership” (as the FY2020 budget request stated)—a goal shared by several past Administrations.

The FY2021 foreign aid budget request seeks \$75 million for U.S. Agency for International Development (USAID) implementation of Prosper Africa, which was funded with \$50 million in FY2020 and \$25.5 million in FY2019. Further separate funding also is planned (see below).

Structure

Prosper Africa is not a new foreign aid program. Rather, its goal is to harmonize and mobilize the existing programs, resources, and capabilities of 17 U.S. agencies and departments in a cohesive, coordinated manner to achieve the initiative's goals. In addition to USAID, it includes the U.S. International Development Finance Corporation (DFC), and U.S. trade promotion agencies: the Export-Import Bank (EXIM), the Trade and Development Agency (TDA), and the Small Business Administration (SBA). 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, Commerce, Energy, Homeland Security, Labor, State, Transportation, and the Treasury.

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



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

USAID hosts a secretariat that coordinates Prosper Africa and is led by a Chief Operating Officer (CEO) from USAID. The initiative as a whole is led by an Executive Chairman (currently the head of the DFC). Its work is guided by a nonpublic National Security Council-coordinated strategy and a separate inter-agency implementation plan containing initiative goals and assessment metrics.

At the country level, each U.S. embassy in Africa maintains a Prosper Africa “Deal Team” drawn from existing mission staff. These teams aim to link U.S. firms to trade and investment opportunities in Africa, enable African firms to access similar prospects in the United States, and facilitate private sector access to U.S. trade assistance, financing, insurance, and related services. The secretariat and other Washington, DC-based staff support the teams in Africa, as well as efforts to expand U.S. business interest in African markets. USAID's trade hubs in Southern and West Africa (see textbox below) help implement the initiative, and a similar hub in North Africa also is planned. In place of a similar former hub in East Africa, USAID plans to support a Prosper Africa “Private Sector Engagement” project centered on increasing two-way U.S.-Africa investment,

pursuing new trade and investment-expanding activities, and reducing trade and investment barriers. A broader five-year, \$500 million to \$750 million USAID Africa Trade and Investment Program supporting a wide range of initiative goals and activities also is planned.

Implementation

As of early November 2020, Prosper Africa's website states, the initiative had helped bring more than 280 deals worth an aggregate \$22 billion to financial closure (i.e., completion of financing agreements necessary to enable a transaction to proceed) in more than 30 countries. Projects it has supported are diverse. Many center on infrastructure or access to credit or financial services. Other key sectoral foci include energy, agribusiness, transport, healthcare, and technology, and several focus on addressing emergent COVID-19-related challenges. The initiative also supports industry-specific and broader policy reforms.

Prosper Africa in Perspective

Several past U.S. efforts in Africa have, like Prosper Africa, sought to expand U.S.-Africa trade and investment by enhancing U.S. inter-agency coordination and by fostering private sector transaction activity centered on such ends. 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 AGOA. 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 many of the same goals as Prosper Africa in selected countries, as well as sub-regional economic integration. While increased 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 knowledge of 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—which have highly varied missions, performance goals, and organizational cultures—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 Africa. Under Power Africa, USAID and U.S. trade agencies, among others, jointly pioneered a project and 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, while challenging, is in U.S. agencies' direct span of control—although utilization of U.S. government loans and financial services ultimately depends on private sector demand. Other goals (e.g., financial sector expansion and

improving business climates as a means of spurring private sector-led growth) are broader outcomes that direct U.S. agency action may be less capable of rapidly achieving. 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 are likely to be long-term endeavors. 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 2019 by U.S. exports of machinery, vehicles, aircraft, and fuels, and U.S. imports of fuels, precious metal and stones, agricultural goods, and ferroalloys—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 transport costs, dampening commerce. Meanwhile, low rates of industrialization and value-added processing of raw commodities often constrain the production of higher-value goods, economies of scale, and cross-sectoral linkages in goods, services, and financial markets. Some African exporters also face U.S. import restrictions, such as tariffs and quotas, that limit their access to the U.S. market, notably for some import-sensitive agricultural goods, among other products.

Broader U.S. Aid Context and Issues for Congress

Prosper Africa is augmented by diverse other U.S. trade capacity building activities in Africa, including efforts to support African implementation of the World Trade Organization's Trade Facilitation Agreement, which seeks to streamline cross-border trade processes and regulations. Prosper Africa could potentially complement and leverage African-led intra-regional trade expansion efforts, notably the African Continental Free Trade Area (see CRS In Focus IF11423, *African Continental Free Trade Area (AfCFTA)*). U.S. officials have voiced support for AfCFTA, but how Prosper Africa may help to advance its realization—or the Administration's ongoing effort to clinch a U.S. free trade agreement with Kenya (see CRS In Focus IF11526, *U.S.-Kenya FTA Negotiations*)—is not clear.

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 is operating in practice—and vis-à-vis its strategy, implementation plan, and metrics—as they weigh how, if at all, to further fund and support execution of the initiative following an anticipated U.S. presidential transition.

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