Fostering Trade and Investment in Africa: The Role of the USAID Private Capital Group
By Orevaoghene Odu

On July 17, 2012, the CSIS Africa Program hosted a discussion featuring Raja Jandhyala, deputy assistant administrator for Africa, U.S. Agency for International Development; Carolyn Campbell, managing director and general counsel of Emerging Capital Partners; Dale Mathias, member of Private Capital Group for Africa Partners Forum; and Karima Ola, chief investment officer of the African Development Corporation, as part of its *Overcoming Barriers to Investment in Africa* series. Moderated by Anthony Carroll, CSIS senior associate, the panel addressed the new U.S. government initiative, the USAID Private Capital Group for Africa, and how it, leveraging private-sector partnership, could facilitate and enhance trade and investment opportunities on the continent.

The session began with an explanation of the U.S. policy framework in Africa, with Ms. Jandhyala stressing the importance of making the continent more economically and politically engaged on a global platform. She stressed the importance of a trade- and investment-friendly environment as a means to accomplishing this goal, through improved economic institutions in Africa and cooperation between regional bodies such as ECOWAS and SADC. Ms. Jandhyala also highlighted USAID's two main obstacles while interacting with the private sector in Africa: overestimating risk and underestimating opportunity. She noted that dynamics in Africa are shifting; Africans no longer want just an aid recipient relationship but are seeking partnerships with their Western counterparts. Although USAID has pushed $15 billion of investment into the continent, Africans still feel there is a disconnect in both the rhetoric and practice, that Western countries lack the understanding of how money works and flows on the continent, and that hence Africans seek "greater neutrality and transparency" in future partnerships between the two.

Ms. Campbell's private equity firm has been active on the continent since 2000, making investments with over 50 companies in over 40 countries. She identified infrastructure as the greatest block to investment in Africa. African countries currently spend less than two percent of GDP on infrastructure-building including roads, ports, and airports; in comparison, China and India spend six to seven percent of their respective GDPs on such projects. As a result, her company has begun to invest in Pan-African banking institutions in order to develop local capital markets and raise funding for long-term, high capital projects. For Ms. Campbell there are two types of opportunities for foreign investment in Africa: bottleneck exploitation and infrastructure shortcomings. Giving the example of generator use for power in Nigeria, she noted that although bottleneck sectors have had high margins, they are not sustainable. Growing demand within the African business sector requires real solutions to issues such as power. She suggested a greater focus on "debottlenecking" by looking toward more sustainable power solutions such as renewable energy.

Ms. Mathias stated the role of USAID in Africa is often misunderstood. USAID is focused on development goals on the continent as "an agent and not the principle." She noted that private sector involvement on the continent is still underwhelming. Most individuals who want to invest in Africa are still unaware as to how to do so due to a lack of structures similar to those in developed economies. Ms. Mathias identified "plumbing problems"—the lack of support for capital flow in Africa—and not enough African involvement in such projects as key issues that make it difficult to push investment initiatives on the ground. She noted, however, that there are some private ventures already in place. She offered the example of a joint venture between an American commercial fund to fund manager and a Dutch development agency to help the Kenyan government pension fund diversify into private equity investment through training and management recruitment and facilitation. She stressed that the U.S. needs to build on its expertise in private capital in order to contribute to trade and investment on the continent.

Ms. Ola suggested that the mentality that there is one solution to investment opportunities for the entire continent needs to be dispelled. Most of the investment issues on the countries are based on the "last mile" principle. Using the example of mobile networks in Africa, although cell phones now have access to the internet and data, there are still kinks in the speed of these connections. Foreign direct investment groups need to work to address gaps in the value chain. Risk management is fundamental to this.

In their concluding remarks, the speakers noted that Africa cannot undertake the task of infrastructure development alone, and knowledge needs to be shared between the U.S. and Africa. There also needs to be a revaluation of the value chain on the continent in order to aid the growth of industries such as manufacturing and agriculture. Ultimately, institutions in Africa such as banking need to be strengthened through increased capacity of human capital and improved technology, with African governments playing a central role in this process.

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