



## Economic Growth and Trade



USAID works in South Africa to increase trade and investment, create employment opportunities and support entrepreneurial development.

### PORTFOLIO 2016-2020

- Trade and Investment Hub
- Feed the Future Southern Africa Seed Trade Program
- Trade Policy Initiative
- Africa Private Capital Group

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### Overview

The Regional Economic Growth and Trade Office (REGO) portfolio supports programming across the 15 Southern African Development Community (SADC) countries in economic growth. These programs contribute to U.S. Presidential Initiatives in Feed the Future (FTF), Trade Africa, and the African Growth and Opportunity Act (AGOA). Together the projects work to not only increase trade and investments, but also improve regional food security.

In response to the food insecurity situation in Southern Africa, the U.S. government's Feed the Future regional program supports regional and country-led agricultural development plans to improve agricultural productivity and expand markets and trade. These efforts are intended to achieve inclusive agriculture sector growth and regional integration and contribute to reducing poverty and hunger.

To achieve this, development efforts therefore need to focus on fostering intra-regional trade, developing the agricultural sector, and boosting private and public investment in the region. An increase in agricultural productivity, coupled with expanding intra-regional trade, will lead to sustained economic growth in SADC Member States, and will ultimately result in improved food and nutrition security as well as poverty reduction. USAID supports initiatives that address common constraints to trade and improve the investment environment to support trade competitiveness.

### **Trade: The Trade and Investment Hub**

The USAID/Southern Africa Trade and Investment Hub's mission is to increase international competitiveness, intra-regional trade and regional food security. This is achieved by reducing the time and cost of transporting goods across borders; improving the quality of seed production systems; and increasing trade and investment in Southern Africa's textile sector, as well as encouraging investment into the region. All these activities contribute towards the development of an efficient regional market.

The project aids governments, and private sector organizations in eight countries (Botswana, Lesotho, Malawi Mozambique, Namibia, Swaziland, South Africa and Zambia) to advance regional trade within Southern Africa while incorporating gender integration, environment compliance in all activities. In addition, the Hub provides needs-driven assistance to the Southern African Development Community (SADC) Secretariat, and the Southern African Customs Union (SACU) Secretariat.

### **Agriculture: Feed the Future Southern Africa Seed Trade Program**

Southern African agricultural productivity is extremely low and it is a net importer of most agricultural products. Malnutrition and food insecurity remain at high levels, with stunting levels greater than 26 percent in nearly all SADC Member States. Seed is a key input in agricultural production and access to improved varieties – drought and heat tolerant, pest resistant, high yielding, bio-fortified – are critical for farmers to adapt to climate change. However, the region's seed sector is characterized by weak seed production and distribution systems, inadequate supply of quality and improved seed, and slow



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implementation of seed policies and international and regional agreements and conventions.

The goal of Feed the Future Southern Africa is to make quality and improved seeds more accessible to farmers. The project will fully implement the SADC Harmonized Seed Regulations (HSR) to create a larger regional seed market, promote investment in the development of seed varieties, facilitate and increase trade in seeds. Availability of quality, improved seeds will increase agricultural productivity, agricultural sector growth and food and nutrition security.

### ***Trade: Trade Policy Initiative***

The overall goal of the Trade Policy Initiative (TPI) is to enhance the quality of trade policy making in the countries in the Southern Africa Customs Union (SACU), the Southern African Development Community (SADC) and the Tripartite Free Trade (T-FTA) are to ensure that trade policy supports sustainable development.

Over the course of a three-year award from USAID, TPI has worked to apply trade policy research, train Southern African trade policy officials, and foster a public dialogue. Through this, TPI has produced applied policy research initiatives and publications, awarded scholarships each year for regional government trade officials to complete Masters Degrees in Trade and Law Policy, and host trade policy dialogue events.

### ***Investment: Africa Private Capital Group***

Many of the challenges investors face are symptoms of the development challenges that USAID is working to address. As a result, initiatives to address business and development challenges are often best pursued jointly. In Sub-Saharan Africa (SSA), increased investment and expanded access to capital are critical to the region's future. Access to capital, in particular longer-term growth capital, remains a major constraint to economic growth and development in the region.

Africa Private Capital Group (APCG) is a South Africa-based platform to mobilize U.S., African and international private sector investment capital to key sectors of development in sub-Saharan Africa, including agriculture, energy, trade, infrastructure and health. By supporting investment in key value chains and infrastructure throughout SSA, the Platform will spur inclusive economic growth, improve the sustainability of the USG's development efforts, expand regional and international trade and enhance business opportunities in the region.



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ACTIVITIES	PRIME/ SUBS	TIME- FRAME	TOTAL EST. COST	BRIEF SUMMARY
Business Leadership South Africa Beyond Advocacy Fund	BLSA	2016-2018	\$1.5 million	A \$1.5 million agreement with Business Leadership South Africa to design, establish and manage the Beyond Advocacy Fund. The fund is aimed at assisting South African businesses to develop, promote and achieve public-private partnerships supporting the development goals of the Government of South Africa, including employment and education.
Finance for Small Business Loans for SME's in Targeted Sectors in the SA economy	ABSA	2011 - 2021	\$28.6 million	The ABSA Development Credit Authority (DCA) facility is a \$28.6 million Loan Portfolio Guarantee. The facility is used to guarantee loans made by ABSA to small and medium enterprises (SMEs) that do not meet the minimum criteria. ABSA can use the facility to guarantee loans to SMEs throughout South Africa. Currently ABSA has approved loans for 70 businesses worth \$8.5 million making use of the guarantee. Of these 70 businesses 12 are located in Cape Town, 11 in Durban, 5 in Johannesburg and 1 in Pretoria.
Finance for Small Business Loans for SME's in Targeted Sectors in the South African Economy	CADIZ Asset Management	2012 - 2020	\$40 million	The Cadiz Development Credit Authority (DCA) facility is a \$40 million Loan Portfolio Guarantee. The facility is used to guarantee loans made by Cadiz to small and medium enterprises (SMEs) that do not meet the minimum criteria. Cadiz can use the facility to guarantee loans to SMEs throughout South Africa. Currently Cadiz has approved loans for 5 businesses worth \$3.9 making use of the guarantee. Of these 5 businesses 3 are located in Johannesburg and 2 in Cape Town.
Mazwe Bond Guarantee for Social Infrastructure and Affordable Housing	Mazwe Financial Services	2017 - 2026	\$15 million	This is a 9-year, \$15 million, 50% bond guarantee, intended to support Mazwe Financial Services (Pty) Ltd (Mazwe) for the purpose of issuing a bond to obtain access to stable, medium-term local currency liquidity to on-lend to SME construction companies for the construction of low-income housing and other social infrastructure in South Africa.
Industrial Development Corporation (IDC) DCA for Renewable Energy	IDC	2016 - 2031	\$200 million	This is a 15-year, \$200 million, 50% loan portfolio guarantee designed to enhance IDC's ability to provide loans to energy services companies (ESCOs); small- and medium-sized enterprises (SMEs); and projects for the purpose of developing, promoting, and expanding the renewable energy sector in South Africa.
ASISA/EDGE Growth	ASISA	2016 - 2019	1 million	Awarded in March 2016, this GDA will facilitate early stage investments by investors not traditionally investing in this space (mainly financial services and institutional investors) by providing assistance to SMEs to make them "investable". The desired outcome, beyond increased investment, is to increase longer term investors (via ASISA's network) to smaller scale investments and vertically integrate these investments. ASISA is based in Cape Town, SME's supported through this program however, could be based anywhere in South Africa.