

**Testimony of
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U.S. African Development Foundation
House Foreign Affairs Committee
Subcommittee on Africa, Global Health, and Global Human Rights
Hearing on “Examining U.S. Foreign Assistance to Address the Root Causes of Instability and
Conflict in Africa”
November 15, 2022**

Chair Bass, Ranking Member Smith, and members of the Subcommittee, thank you for the opportunity to appear before you today to discuss U.S. foreign assistance and how it can be used to address the root causes of instability and conflict in the African nations where these conditions persist.

Thank you to my colleagues at USAID, MCC, and DFC for joining as well, all three of whose agencies USADF has collaborated with to mitigate these challenges.

This being my first time appearing before you in my role as President and CEO of the U.S. African Development Foundation, I'd like to take the opportunity to thank the Subcommittee for its longstanding, bipartisan support for the important work of USADF, and the unique contribution that we make to the U.S. Government's foreign assistance toolkit.

Testimony

The U.S. African Development Foundation (USADF) is an independent U.S. Government agency established by Congress in 1980 to invest in African grassroots organizations, entrepreneurs, and small- and medium-sized enterprises (SMEs). USADF's investments promote African-owned and African-led local economic development by increasing incomes, revenues, and jobs and creating pathways to prosperity for marginalized populations and underserved communities.

Working through a community-led development model, USADF provides grant capital of up to \$250,000 per enterprise or entrepreneur, capacity-building assistance, and convening opportunities to develop, grow, and scale African enterprises and entrepreneurs. These investments improve lives and impact livelihoods while addressing some of the continent's biggest challenges including food insecurity, insufficient energy access, and unemployment, with an emphasis on women and youth, who are often spoken of as small, niche, or special interest groups, but in fact are the continent's marginalized majorities. Additionally, 100 percent of the staff that USADF employs across the continent are African nationals of the countries in which they serve. These elements help make the agency a more agile, impactful, and innovative foreign assistance provider that can operate in areas that are often too remote or insecure to be reached by other U.S. government development agencies.

The topic of today's hearing is an important one, and one that is paramount to USADF's work. USADF currently operates full country programs in 21 countries across the continent and creates impact in 40 countries through partnerships with the Young African Leaders Initiative and the Academy for Women Entrepreneurs. Of those 21 countries, 17 are classified as either fragile or extremely fragile by the OECD. This fragility and instability is driven by hunger and food insecurity, lack of economic opportunity, and youth unemployment, among other factors. These drivers of instability are the core focus of USADF's work as we seek to support the growth of stronger, more resilient communities and economies.

For the remainder of my testimony, I will focus on USADF's ability to work in fragile states, invest in SMEs that create stable employment and livelihoods, enable the creation of resilient local food systems

and climate change mitigation, and support the creation of employment opportunities for youth and women.

Ability to Work in Fragile States

USADF's operating model of using 100 percent African staff and partners on the African continent means that USADF can manage programs in areas that are difficult for other agencies to reach on a consistent basis. USADF's 100 percent African staff and partners have the distinct advantages of local knowledge, cultural insight, and language skills. Already, USADF works in difficult areas such as Somalia, the Democratic Republic of the Congo, South Sudan, Niger, Mali, and Burkina Faso, among others. USADF's investments can directly help reduce the drivers of conflict in those regions.

As an example – in the DRC, USADF assistance has helped grantee Cooperative des Planteurs et Négociants de Café au Kivu (CPNCK) in offering a gainful start for former child soldiers on Idjwi Island, Lake Kivu, on the border between DRC and Rwanda. The island has been a coffee growing community for decades, but until recently, because of unrest and a lack of in-country formal markets, coffee growers on the island could sell their produce only by smuggling it across the lake into Rwanda, a dangerous enterprise that resulted in deaths and an inability to negotiate prices.

With USADF funding and technical support from USADF's local partner, the cooperative has taken over more of the value chain by expanding from growing coffee beans to now washing, drying, and packaging coffee. CPNCK has sold more than 96,000 kilos of coffee internationally and supplied brands in Europe and the United States, including Starbucks. The cooperative employs more than 250 ex-combatant members, former rebels, and child soldiers who fought with insurgent groups. After many years of violence and instability, Idjwi island is now working to become an ecotourist destination, and CPNCK has begun offering tours of its farms and processing sites to visitors.

USADF's work with and investment in these local partners not only enables USADF's work in fragile contexts, but also helps create strong development practitioners that can further development in their own countries. Already, USADF's local partners have been contracted to provide services to other organizations such as USAID, the World Food Program, IFAD, and others. USADF's local partners have been recognized as experts in the field of locally led development, to the point where development agencies and experts from other nations have visited USADF grant sites and partners to better understand how to successfully replicate USADF's locally led model.

Investments in SMEs Lead to Stable Economies and Improved Livelihoods

Job creation plays an important role in fragile regions, as stable employment can lead to poverty reduction, increase productivity and economic growth, increase social cohesion, and reduce violence and conflict. These factors make the creation of jobs and stable livelihoods a high priority for development and stability in fragile or conflict-affected regions.

Small and medium enterprises (SMEs) account for an estimated 80 percent of jobs in sub-Saharan Africa, showing how critical SMEs are to creating resilient economies. In addition to their criticality for the continent's overall economic growth, SMEs will play a pivotal role in Africa's post-pandemic economic recovery. USADF provides African SMEs with a combination of capital and capacity building support, helping SMEs grow into sustainable enterprises that can create jobs and provide better livelihoods for their employees or members.

For example, in Rwanda, USADF has supported grantee Gahaya Links, an artisan women's cooperative. The group was founded in 2004 by two entrepreneurial sisters and with USADF's support, has expanded

to support more than 5,000 artisans from over 50 cooperatives and associations located in all the provinces of Rwanda. Gahaya Links is committed to training local women and has trained 500 girls who had dropped out of school in handicraft skill and design, helping invest in the next generation of female artisans.

In Kenya, USADF grantee VEP Enterprise Limited sells green energy products on credit to rural, low-income customers, a majority of whom are women. VEP has successfully reached a customer base of 8,000 women but lacked the resources to reach more borrowers since it had limited access to capital to purchase more solar home systems and open additional offices and hire staff. Through a blended finance partnership with Nithio, an AI-driven platform for clean energy investment, USADF is helping VEP expand its operations. VEP will deepen its market penetration in the 15 Kenyan counties where it currently operates and open offices in five additional counties, selling over 15,000 solar home systems and reaching 6,000 new borrowers.

Earlier this year, USADF and the DFC launched the African Small Business Catalyst (ASBC), a business accelerator for early growth-stage SMEs in sub-Saharan Africa. This blended finance initiative provides grant capital for capacity building from USADF and loan financing for capital from DFC to SMEs in sectors including agriculture and food security, education, healthcare, and water, sanitation, and hygiene. Through the ASBC partnership, USADF and DFC are using their complementary investment tools to boost private sector-led development in sub-Saharan Africa and strengthen African SMEs to have a greater impact in their communities.

Creating Strong and Resilient Local Food Systems

Food insecurity is not only a consequence of conflict, but a cause of conflict as well, making it inextricably linked with political stability. A 2019 study by the World Food Program found that approximately 95 percent of peer-reviewed studies that they examined were able to establish an empirical link between food insecurity and instability. For example, in the Sahel, one of USADF's primary focus regions, food insecurity is a key driver of conflict. Agricultural systems in the Sahel are particularly vulnerable to climate change, and many families rely on subsistence agriculture and pastoralism, which depend on natural resources, including land and water, which are both decreasing commodities in the region. The climate-induced expansion of the Sahara each year pushes pastoralists further south for longer periods, where they clash with traditional agriculturalists.

In the last few years, we have seen how world events such as the COVID-19 pandemic or the Russian invasion of Ukraine can disrupt supply chains and lead to food insecurity in sub-Saharan Africa. While USADF invests in multiple sectors, including agriculture, energy, and youth and women-led businesses, agriculture has always been USADF's largest portfolio sector and comprises the majority of USADF's work and funding. USADF's funding helps agriculture cooperatives and agribusinesses build more resilient local food systems and increases local production of food, helping to decrease reliance on imports, better prepare communities against shocks, and alleviate potential conflict due to hunger and food insecurity.

USADF grantee Wack Ngouna Producers Network is a cooperative of millet producers in central Senegal. Created in 2011, it helps its 1,760 members get access to seeds and fertilizers and with marketing. The Network faced a shortage of storage warehouses at the same time millet production was increasing and to cope, it rented stores that were often far from member millet producers. In 2019, USADF support helped the cooperative build three storage warehouses with a capacity of 200 tons each. The grant is helping it increase collections, storage options, and marketing capacity, with production and revenues expected to go up by more than 250 percent.

Finally, in areas like northern Mali, food insecurity can lead to violence and instability. USADF is partnering with cereal cooperatives like Diédougou Cooperative to boost food productivity and incomes for farmer members and build a food-secure future. With USADF support to over 1,900 farmers who comprise the enterprise, Diédougou Cooperative has more than quadrupled the quantity of cereals sold annually. By investing in farmers to increase cereal production, Diédougou Cooperative is not only generating economic growth for its members, but selling surplus cereal grains to new markets, such as the World Food Program.

As agriculture is a core focus of USADF's work, climate-related impacts and mitigation strategies are a key part of USADF's work. Despite contributing the least to global warming, Africa is the most-exposed region to the adverse effects of climate change. USADF's work helps mitigate the impacts of climate change by focusing on climate-resilient agriculture and the provision of energy through entirely renewable sources.

For all the attributes that make USADF a unique agency in the U.S. foreign assistance toolkit, the agency is also a key partner and collaborator across the interagency. For example, in Niger, the World Bank estimates that on average, droughts cause almost 1 percent GDP loss every year, in what is one of the most vulnerable countries to climate change in the world. The agriculture, forestry, and livestock sectors represent Niger's primary source of economic activity, as it supports 80 percent of the population in terms of food and employment. To address these challenges, USADF partnered with the Millennium Challenge Corporation (MCC) on a Climate-Resilient Communities (CRC) project to increase incomes for small-scale, agriculture- and livestock-dependent families in rural Niger through investments in producer/processor groups, women and youth groups, and MSMEs.

In partnership with MCC, USADF is implementing a Climate Resilient Agriculture (CRA) Grant Facility in 18 target communes with high rates of poverty driven in part by low agricultural productivity and limited market access. The CRA also encourages and facilitates the incorporation of innovative technologies and environmentally sustainable practices. It is anticipated that the MCC-USADF partnership will impact over 41,000 lives and livelihoods and help mitigate the impacts of climate change in Niger's rural communities.

In Nigeria, an energy enterprise funded under USADF's Off-Grid Energy Challenge uses solar energy to generate clean, cost-effective, and sustainable electricity in rural and urban areas. With USADF's support, the business has successfully deployed a 20-kilowatt solar mini-grid system to provide electricity and clean water in the Federal Capital Territory. The electricity generated by the plant is distributed to customers via a 3km distribution network, allowing customers to have light without the negative health implications associated with fossil fuels.

In Turkana County, Kenya, a USADF-funded farmer cooperative uses climate-smart agricultural techniques to build the community's access to fruit and vegetables. By using a drip irrigation system to provide a reliable water supply for vegetable production, the group has increased the amount of land used for cultivation. Additionally, the cooperative has eliminated its need for diesel energy by applying solar energy to power the pump used in the drip irrigation system. The cooperative now serves as a model to other groups in Kenya for embracing climate-smart diversification, and the Government of Kenya now directs other farming and NGO groups to view this USADF grantee's agricultural methods and business model.

Youth and Women's Employment and Economic Empowerment

USADF places a strong emphasis on women and youth, who are often spoken of as small, niche, or special interest groups, but in fact are the continent's marginalized majorities.

Roughly 60 percent of Africa's population is under the age of 25, and analysts project that one-third of the world's youth will be concentrated in Africa by 2050. It is also expected that by 2050, Africa will be home to a quarter of the world's population, highlighting just how critical investment in Africa is now. According to the International Labor Organization, in 2019, 36 percent of youth were defined as being in extreme working poverty and were earning under \$1.90 per day on average. This signals that even young people who can find work are often unable to earn enough to support themselves and their dependents. These trends have concerned policymakers, as large underemployed and disenfranchised youth populations have been linked to political unrest and violence. However, at USADF, we recognize how youth create a tremendous opportunity to drive Africa's future success.

For example, in Somalia, where nearly 70 percent of youth are unemployed and potentially at risk of joining extremist groups, USADF is filling a skills gap by providing vocational training and job placement for youth between the ages of 15 and 35. USADF provides funding to local Somali NGOs to train unemployed youth and work with local businesses to set up five-month training and apprenticeship programs. To date, USADF funding has facilitated placement for 6,000 youth. Dahabshiil Bank has provided funding alongside USADF that has facilitated 200 placements. Youth trainees have reported their income jumping from as much as \$50/month to \$300/month.

In FY 2020, USADF expanded that impactful youth training and apprenticeship model to the Democratic Republic of the Congo, Lagos State in Nigeria, Senegal, South Sudan, and Uganda. This expansion of youth training programs also highlights another unique feature of USADF – the gift authority provided by Congress, which allows USADF to partner with and accept co-funding from African governments, corporations, and foundations. In the last five years, USADF has signed multiple matching funds partnerships with African governments, corporations, and foundations designed to address the problem of youth unemployment. These partnerships allow USADF to leverage U.S. taxpayer dollars to create a greater return on investment, as well as amplify the impact of USADF's efforts. African governments' investments in their own development leads to African-owned and African-led programs that also validate the credibility and success of localized development as an approach.

In Lagos State, Nigeria, USADF entered into a five-year, \$10 million partnership with the Lagos State Employment Trust Fund (LSETF) in 2019. Under the partnership, USADF is providing globally competitive industry and trade-relevant skills and apprenticeships to 15,000 youth in Lagos State, equipping them to take advantage of employment and entrepreneurship opportunities.

Through a five-year, \$20 million partnership with the Government of Senegal's La Délégation Générale à l'Entreprenariat Rapide des Femmes et des Jeunes (DER), a government-sponsored fund launched by the President of Senegal to catalyze entrepreneurship, USADF will invest in youth and women entrepreneurs, farmer cooperatives, producer associations, and SMEs, with a focus on expanding access to markets.

USADF also partners with the State Department and USAID to fund youth entrepreneurs from the Young African Leaders Initiative. USADF provides these entrepreneurs with catalytic seed capital through highly competitive business plan competitions, and since 2014, USADF has invested in more than 300 YALI entrepreneurs' social enterprises.

USADF's investments in youth are proven to be impactful. A study performed by Foreign Policy Analytics showed that within one year of receiving a grant from USADF, youth-led enterprise grantees in the Sahel reached an average of 12,570 beneficiaries or customers and hired an average of 15 workers. In the Horn of Africa, youth enterprises reached 2,353 customers and hired an average of 273 workers. In the Great Lakes, USADF youth entrepreneurs reached an average of 403 customers and hired an average of nine workers. For every \$10,000 in entrepreneurship grants, this translates to 8 workers hired in the Sahel, 19 in the Horn of Africa, and 4 in the Great Lakes.

According to the International Finance Corporation, there is a roughly \$300 billion credit gap for women-owned SMEs globally, despite women entrepreneurs serving as a critical source of innovation and job creation and fueling economic growth. The larger the opportunity gap between men and women, the more likely a country is to be involved in violent conflict. At USADF, we believe that Africa's growth and prosperity will be driven by her women and considers investments in women as investments in Africa's peace and security.

USADF invests in women entrepreneurs and provides them with the needed tools to invest in their own communities, employ marginalized people, train other women or youth, impact their communities, and create or expand markets by providing goods and services. USADF has supported several African women's enterprises in expanding markets and meeting supply orders from international retailers. For example, a women's shea cosmetics enterprise in Ghana can now meet orders from 1,000+ U.S. Target stores, and another grantee in Burkina Faso can consistently supply shea to French cosmetics company L'Occitane. USADF support helped a female entrepreneur in Ghana export handicrafts to be sold in Whole Foods stores across the U.S. USADF has also supported women coffee enterprises to expand and export their internationally recognized brands that can be found in Starbucks and elsewhere.

In Mali, USADF supported Binkola Cooperative, a cooperative of 30 cereal farming groups comprised of 800 women who united in 2016. They faced obstacles such as a lack of adequate equipment and tools, and also did not own their land for farming. USADF helped the cooperative purchase tools, build a storage facility and a central office, and provided training on best agricultural practices. When local leaders saw how productive the cooperative became, they decided that the women would be allowed to own land. By the time USADF's grant ended, the average woman's income had increased by 500 percent, income that for many of the women helped them pay for their children's school fees.

USADF partners with the Department of State to fund selected graduates of its Academy for Women Entrepreneurs and since FY 2020 has provided just over \$2 million in funding to 157 female entrepreneurs across Africa. Starting in FY 2023, USADF is partnering with the African Women's Entrepreneurship Program Re-imagined to promote economic growth and prosperity throughout Africa by providing grants to eligible female entrepreneurs and their enterprises, targeting women SME owners with the potential to expand their businesses beyond their local markets to regional and international markets.

Conclusion

In conclusion, USADF's enduring relationship with communities in Africa provides a unique perspective on development, stability, and peace and security on the continent. As the drivers of instability proliferate, it is increasingly important for the United States to invest in economic development in Africa, particularly in ways that reach communities of greatest need and vulnerability. USADF affirms its commitment to country-ownership and community involvement for successful capacity building and long-term development success. We believe in the immense potential of African creativity and ingenuity – and its capacity to develop solutions for both African and global challenges.

Our programs deliver results that extend key U.S. foreign assistance priorities, including improving local food production through agricultural innovation, increasing income levels for shared prosperity, promoting youth and women's economic security, and creating an environment for economic growth and investments. We look forward to your support and guidance as we seek to maintain and expand the impact of this unique foreign assistance program and mutual opportunities for growth and strengthened ties between Africans and Americans.