AfCFTA Secretariat

UNDP

The Futures Report

MAKING THE AfCFTA WORK FOR WOMEN AND YOUTH

An Organ of the African Union

Contents

Acknowledgments

The United Nations Development Programme (UNDP) would like to thank all contributors who provided case stories, reflections and insights.

This report was prepared under the overall guidance of Ahunna Eziakonwa, Assistant Secretary General, Assistant Administrator and Director of the Regional Bureau for Africa. Ify Ogo served as editor, Joy Kategekwa, Luisa Bernal, Angela Lusigi and Jide Okeke served as the internal strategy and review team. Michelle Muita, Betelihem Teklu, Monica Bonfanti and Lauren Rooney provided support for communications.

Thanks to Barbara Hall and Dawnielle Jacobson for their editorial support, to Amandine Gillet and Adla Kosseim for their translation services and to Peter Ørntoft for the design of the report.

Executive summary

The Agreement establishing the African Continental Free Trade Area (AfCFTA) is a legal instrument – an agreement among the African Union Member States to create a single market. But the AfCFTA represents much more. On the one hand, it is a significant milestone on the journey to African integration and development. On the other hand, it is a catalyst for new ways of doing business, producing, working and trading within Africa and with the rest of the world.

This report demonstrates that, beyond the numbers and negotiations, the realization of this promise will depend on decisive actions and the collective efforts of the African people. Concrete policy measures and investments are needed, in particular to ensure that women and youth, who account for the majority of the population, business owners and workforce, can be better integrated into the value chains, jobs and opportunities stemming from the AfCFTA.

The AfCFTA is also central to recovering from the coronavirus disease (COVID-19) pandemic and enhancing Africa's resilience. Trade of all types of goods and services underpins efforts to achieve the Sustainable Development Goals, and the Agenda 2063 of the African Union cannot be implemented without the AfCFTA.

In anticipation of trading under AfCFTA terms in 2021, the 'Futures Report: Making the AfCFTA Work for Women and Youth' is a narrative about the promise of the AfCFTA as told through the voices of Africa's producers, traders, policy officials and regulators. Under the Agreement, African Union Member States, now also AfCFTA State parties, explicitly seek to achieve gender equality and enhance the export capacity of women and youth.

This report presents opportunities in the AfCFTA, as pursued by women and youth entrepreneurs and business owners, and discusses ongoing efforts by Governments and development institutions to ensure that these groups derive maximum benefit from the Agreement. Policy actions to implement the protocols already in force are also presented to enable the AfCFTA to work to the greatest advantage of Africa's women and youth.

SKG Drone Training. Ready to Fly.
Credit: Francis Owusu

Forewords

Ahunna Eziakonwa
Assistant Secretary-General, Assistant Administrator and Director, UNDP Regional Bureau for Africa

We dream of an Africa that is self-sufficient. At a time when the coronavirus disease (COVID-19) pokes significant holes in Africa's capacity to yield its promise, I am energized by the potential of the African Continental Free Trade Area (AfCFTA) to empower Africans to take control of their lives.

This report focuses on women and youth because of the significant transformational impact they hold for defeating poverty. Over 70 percent of cross-border traders, especially those engaged in informal trade, are women. Understanding their needs and giving them a platform to speak is incredibly important. The youth are Africa's largest composite of human capital. As the youngest continent, Africa needs to invest in ensuring that its youth have credible pathways to engage in productive activities so that they may reap the promise of their dreams and become architects of their own prosperity.

As an African woman, I am particularly hopeful that an effective implementation of this Agreement will advance the dream of African integration—one that our forefathers committed to, and for good reason. An integrated Africa will create a single market of 1.2 billion people, each of these with needs and priorities, translating into opportunities for production and supply of a new 'Made in Africa' transformation. This is particularly important at a time when the world has heard for far too long the challenges of low volume and low-value exports. The AfCFTA gives Africa's people the opportunity for seamless trade, value addition and diversification of the product range (both goods and services); a closer interaction between Africa's natural resource endowments and much needed industrialization; and the structural transformation of the African economy. This has importance beyond the traditional narrative of a rise in gross domestic products. It is critically important for human development, in allowing more opportunities for the right investments through which the AfCFTA can change the game – triggering a production revolution across Africa, creating jobs, rising incomes and lifting more and more people out of poverty.

At a time when COVID-19 has challenged much of what we know about development models, the AfCFTA could be one good way to bring back perspective, positing the prospect of recovery in home-grown solutions by giving exports a boost and, in doing so, empowering all participants in cross-border trade, especially women and youth.

The United Nations Development Programme (UNDP), with its presence across the continent of Africa, is pleased to unveil its inaugural 'Futures Report: Making the AfCFTA Work for Women and Youth'. This report builds on the important contribution of several partners that have made the case for the economic benefits of the AfCFTA. In this Futures Report, we unveil a new approach in which exporters and policy officials in Africa lead the conversation. We asked them a simple central question: why does the AfCFTA matter to you, and what are you doing to maximize opportunities within the continental market?

This simple question has triggered a wealth of case stories, which leave one hopeful that the future of the continent could indeed be brighter with the right policy support, thanks to the zeal of Africa's exporters. From shoe manufacturers to educationists, from film-makers to producers of poultry feed, from players in the pharmaceutical market, to farm-to-table agriculture traders, from a minister responsible for trade to senior policy specialists leading the implementation of the Agreement, this report continues on the Africa Innovates trajectory to showcase African voices in telling their story and ensuring that they hold the mantle for homegrown solutions.

UNDP will continue to provide the space for these stories to thrive, and is committed to going beyond the story, by working with partners on the ground to ensure support for women and youth export-led enterprises. We will keep track of these stories and more, as part of our efforts to boost intra-African trade on the ground.

I am grateful to all the outstanding women and youth and all the contributors who have worked with my team in putting together this Report. I wish you all the best and hope to see the fruits of your labour as we work together to create the Africa We Want.

His Excellency, Wamkele Mene
Secretary General,
AfCFTA Secretariat

Aspirations of over half a century are now being realized through the imminent start of trading under the preferential terms of the African Continental Free Trade Area (AfCFTA). This heralds a new chapter in Africa's development; of cooperation through trade to drive economic and social transformation. Importantly, the AfCFTA Agreement explicitly seeks to benefit women and youth, as well as small and medium scale enterprises (SMEs), who all predominate economic activity in African countries.

This Futures Report captures the capacity, ingenuity and resources of Africa's women and young people. Gender equality is a specific goal of the AfCFTA Agreement, and thus the Secretariat is committed to ensuring that Africa's women are able to trade in a beneficial and rewarding manner. Likewise, young people are the continent's greatest asset – they represent the boundless stock of energy, creativity, confidence and resilience that will propel the continent towards achievement of Agenda 2063: The Africa We Want.

It is evident that under the AfCFTA, Africa will successfully ideate, produce and trade with herself. This report captures only a snapshot; for example, an SME led by a young man in the technology space is supporting important positive changes to farming, health services and logistics. Similarly, a young woman trained as a scientist leads a business that has found alternative methods of making poultry feed, through seaweed, thus reducing production costs and protecting the environment. Senior government officials present the commitment and efforts of the public sector to facilitate trade and invest in the necessary enabling infrastructure. Across the board, Africans in the public and private sectors are embracing the AfCFTA. Most importantly, they are working to realize the promise of the continental market.

Recovery from the contractions associated with the COVID-19 pandemic is hinged on intra-African trade; shortened global supply chains can translate into increased levels of production of goods and services in Africa, led by African enterprises. Increased production will lead to stable business growth, which can contribute to the revenue bases of African governments. Crucially, Africa's producing and trading enterprises will create the jobs needed by Africa's workforce. These enterprises will thus drive Africa's economic transformation and the improvements in social conditions and well-being.

This report also highlights the important policy and institutional actions that will remove the encumbrances to trading, and unlock opportunities for Africa's women and youth in the AfCFTA. The AfCFTA Secretariat is proud to collaborate with UNDP through capacity building, investment, and advocacy, to ensure that the AfCFTA works for Africa's women and youth.

Edem Adzogenu
Co-Chair of AfroChampions

The AfCFTA is one of the greatest achievements of 21st century Africa. But it will fail its mandate unless it is inclusive – in design and implementation. Ensuring an inclusive AfCFTA is therefore crucial to achieving the Africa We Want. That is why this 'Futures Report' is a welcome and timely initiative by UNDP – because it places the subject matter on the radar just in time for Start of Trade under AfCFTA terms.

Processes to negotiate, ratify and operationalize the AfCFTA have progressed at lightning speed – not just by African standards but by world standards for trade agreements. In a matter of one year, from 2018 to 2019, the Agreement was signed by 54 of 55 African Union Member States, and by 2020, ratified by 30 of these, with start of trading under AfCFTA terms set to commence in January 2021. As such, several stakeholders – including Member States themselves – are constantly catching up with the fast-paced processes. While this is worth celebrating, it also means that we stand the risk of leaving key voices behind, especially those of youth and women who must be at the heart of the Agreement if it is to be deemed inclusive.

It is our hope at AfroChampions that this Futures Report triggers an important and long overdue conversation about the opportunities and roles for women and youth in the AfCFTA. By profiling the voices and aspirations of actual youth and women from the professional and entrepreneurial trenches – as opposed to those of "experts" – this report grounds itself in the lived experiences, fears and hopes of the constituency it seeks to project. This same approach should inform the integration of women and youth into AfCFTA implementation. The message must be that the AfCFTA is not some Agreement for women and youth to go explore and find some benefit in. The message must be that women and youth are the foundation upon which the AfCFTA must find its relevance and success. For women and youth – as well as for political and policy leaders – it is important to grasp the essence of this message. It means that women and youth must claim ownership of the AfCFTA and seek to shape and maximize it for their businesses and careers– to make the most of it for their own good and the common good.

To maximize the opportunities of the AfCFTA, it is important to appreciate first and foremost that the AfCFTA is about "scale and upscaling"; it is about thinking bigger; aiming for bigger markets beyond the local. It's about looking beyond the limitations of the billion-dollar domestic markets of our individual countries to exploring the trillion-dollar continental market that the AfCFTA now makes possible. That is why the report's focus on "prospects about a future of scale" for women and youth makes so much sense!

But what better way to scale women and youth owned businesses in the AfCFTA, than through inclusive digital technology, especially technology that can boost value chain partnerships. At AfroChampions we are rolling out a suite of "AfCFTA-enabling" tech platforms through the African Union-backed African Virtual Resilient-Integration for a Vibrant Africa (AVRIVA) programme (www.avriva.org) to support "Caravan" – an initiative aimed at equipping about 100,000 microenterprises over three years to leverage the AfCFTA for prosperity. This can create 2 million indirect jobs in ten years through the multiplier effects of cross-border value amplification. We look forward to partnering with UNDP and other stakeholders to place women and youth at the center of such initiatives with the hope of giving practical effect to "prospects about a future of scale" that the AfCFTA has brought to our people, businesses, communities and countries.

Creating one African market.
Credit: AfCFTA Secretariat

1

The AfCFTA at a Glance

What is the AfCFTA?

It is an important instrument to realise Africa's economic integration and economic development ambitions.

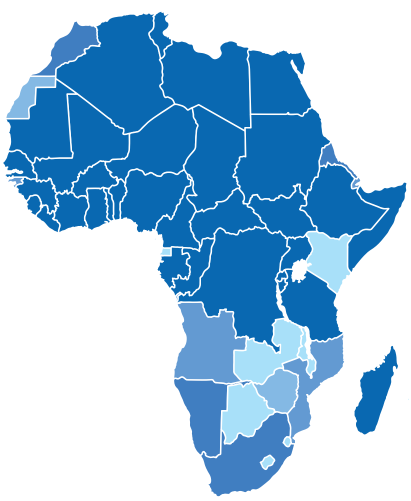
1963 — The Organisation of African Unity (now African Union) was founded

1980 — Lagos Plan of Action for the Economic Development of Africa, 1980–2000

1991 — Treaty Establishing the African Economic Community

2018 — Agreement Establishing the African Continental Free Trade Area signed by 44 countries in 2018. In 2019, signed by 54 countries

This trade agreement builds upon the progress achieved in Regional Economic Communities to create a market of US$2.5 trillion for goods and services with over 1 billion people.



AfCFTA - One African market

Why the AfCFTA?

The Objectives of the Agreement are reflected in Article 3 of the Framework Agreement[1] as follows:

A
Create a single market for goods, services, facilitated by movement of persons in order to deepen the economic integration of the African continent and in accordance with the Pan African Vision of an “integrated, prosperous and peaceful Africa” enshrined in Agenda 2063;

B
Create a liberalised market for goods and services through successive rounds of negotiations;

C
Contribute to the movement of capital and natural persons and facilitate investments building on the initiatives and developments in the State Parties and RECs;

D
Lay the foundation for the establishment of a Continental Customs Union at a later stage;

E
Promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties;

F
Enhance the competitiveness of the economies of State Parties within the continent and the global market;

G
Promote industrial development through diversification and regional value chain development, agricultural development and food security; and

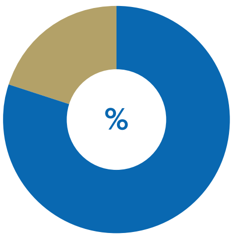
H
Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.

Women and Youth in the AfCFTA

Two groups are specifically mentioned in the Agreement: women and youth.

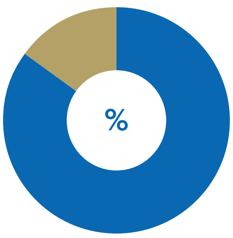
Article 3 (e): promote and attain sustainable and inclusive socio-economic development, **gender equality** and structural transformation of the State Parties.

Per Article 27 (2) (d) of the Protocol on Trade in Services, State Parties are mandated to: “improve the export capacity of both formal and informal service suppliers, with particular attention to micro, small and medium size; women and youth service suppliers”.

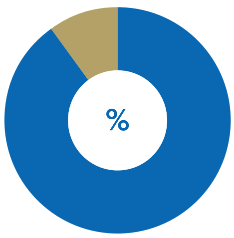


80%
of businesses in Africa are categorized as small- and medium-sized enterprises.

18–35 yrs
African Union defines youth as people aged between 18 and 35.



85%
The informal sector accounts for more than 85 percent of economic activity in Africa.



90%
Women account for nearly 90 percent of the labour force in the informal sector.

[1] African Union (2018). Agreement Establishing the African Continental Free Trade Area.

What is different about the AfCFTA?

Stronger cooperation frameworks will boost trade capacity and social development.

Better terms of trade will enhance global export earnings.

Increased intra-African trade will boost revenues and livelihoods.

Capturing trade in services will drive competitiveness.

Stronger partnerships between public and private actors will enable trade expansion.

The AfCFTA Agreement goes beyond simple trade liberalization – its components are directed at boosting and strengthening Africa's capacities and encouraging economic and social development through cooperation.

1 → 2 → 3

Phase 1 (signed):
Protocols on Trade in Goods, Trade in Services and Rules and Procedures on the Settlement of Disputes

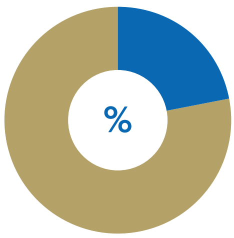
Phase 2:
Negotiations on Intellectual Property Rights, Investment and Competition Policy

Phase 3:
Negotiations on e-commerce

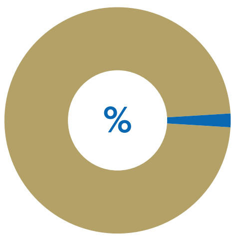
Liberalizing trade in services

Services have not been typically recorded in estimates of intra-African trade.

Africa's contribution to global services trade still rests at around 2 percent.[2] Services are important; they are traded in themselves, are inputs for the production of goods and are enablers of trade in goods.



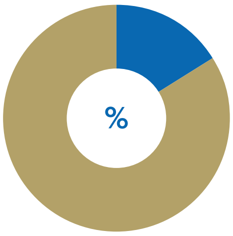
22%
The share of services in Africa's trade, 2016



2%
Africa's contribution to global services trade

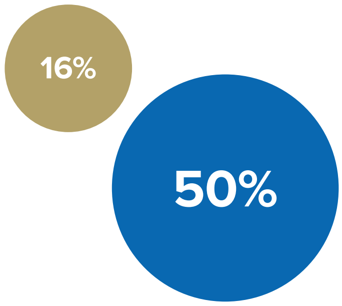
Liberalizing Trade in Goods

Africa’s goods exports in 2018



16%
Current intra-African trade

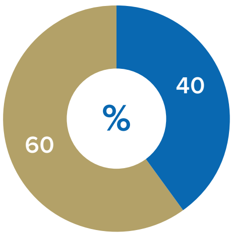
84%
Current global trade



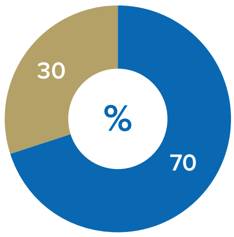
Increased intra-African trade by 2030

Africa’s current trade basket is dominated by primary commodities, which are subject to cyclical price fluctuations on the international market. Even when prices of these commodities are high, they are typically lower than those of higher-value goods. Hence, increased intra-African trade is an incentive for increased levels of industrialization in African countries.[3]

Extractive exports   Industrial exports



Exports to within Africa, 2018



Exports to outside Africa, 2018

Tariffs on 90 percent of goods of AfCFTA State Parties will be reduced in equal annual installments until they are eliminated: 5 years for non-least developed countries (LDCs) and 10 years for LDCs.

A product exported from an AfCFTA State Party into a non-LDC

2021: 25 percent tariff
2022: 20 percent tariff
2023: 15 percent tariff

Reductions each year until it is traded duty-free by 2025.

Following the implementation of the AfCFTA Agreement, the volume and value of intra-African trade in goods is expected to increase.

On 7 percent of ‘sensitive’ goods, tariffs will fall within 10 years for non-LDCs and 13 years for LDCs.

Tariffs will remain on 3 percent of ‘excluded’ products.

These will be reviewed every 5 years.

Note that State Parties can choose to liberalize more quickly and deeply than outlined in the Agreement.

[2] United Nations Conference on Trade and Development (2020). UNCTADstat Data Platform. Available at https://unctadstat.unctad.org.
[3] Economic Commission for Africa (2018). African Continental Free Trade Area: Questions and Answers.

12 service sectors

Services will be liberalized through the removal of regulatory restrictions. State Parties will: (i) submit schedules of commitment for the liberalization of trade in services in the five priority sectors; and (ii) agree upon continental regulatory frameworks.

1 Business services and professional services	**5** Education services	**9** Health and social services
2 Communication services	**6** Energy services	**10** Tourism services
3 Construction and related services	**7** Environmental services	**11** Transport services
4 Distribution services	**8** Financial services	**12** Movement of natural persons

[4] World Trade Organisation

How will the AfCFTA be realized?

- Governments consult with stakeholders and negotiate the Agreement. Governments provide trade facilitation functions, regulate sectors and businesses and ensure an enabling environment.
- Businesses, innovators and workers create and trade goods and services.

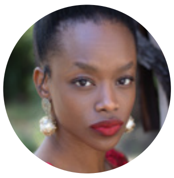
End 2020: State Parties will submit revised tariff schedules for goods and specific commitments in services in the five priority sectors.

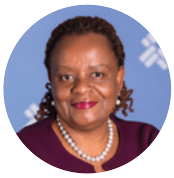
2021: Negotiations on the protocols on investment, intellectual property rights, competition policy and e-commerce.

Contributors to this report


Iriya Jona


David Luke


Tendaiishe Chitima


Dorothy Tembo


Rose Ronoh


Aya Chebbi


Angela Lusigi


Aminata Assome Diatta


Ada Osakwe


Vidal Kenmoe


Silver Ojakol

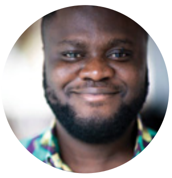

Godwin Benson

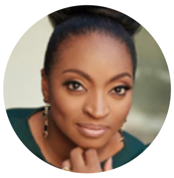

Ify Ogo


Beatrice Chaytor


Francis Owusu


Cleopatra Phiri-Hurungo


Gregory Rockson


Jumoke Oduwole


Amadou Sow

David Luke, Coordinator
African Trade Policy Centre[5]

2

Implementing the African Continental Free Trade Area during the 2020s

The COVID-19 pandemic derailed preparation for the commencement of trading under the African Continental Free Trade Area (AfCFTA). But it also brought into sharp focus the potential role that the AfCFTA could play in generating recovery and broad-based growth. This is essential if Africa is to be able to respond to the demographic challenge of absorbing its 252 million youth (aged 15–24) in productive activities while making strides in gender equality. According to the International Labour Organization (ILO), young people, male and female, are disproportionately affected by the COVID-19 crisis and its multiple shocks, including disruption to education and training, employment and income losses, and greater difficulties in finding a job. The International Monetary Fund (IMF) projects an economic contraction of up to 3.2 percent in Africa during 2020 with the expectation of a return to a positive growth rate of 3.4 percent in 2021. This assumes that effective therapies and vaccines can be found and the current upward trend in the trajectory of the disease in Africa can be contained. The outlook for recovery is promising but not assured.

During the 2020s, the AfCFTA will be part of the recovery effort. By generating the number and quality of jobs that Africa's demography requires, trade is the most reliable means for sustainable and inclusive growth. Liberalized trade offers a context and incentive for the restructuring of African economies through diversification, the promotion of intra-regional trade and a better and more stable integration into regional and global value chains. The AfCFTA builds upon the regional markets of the regional economic communities (RECs) in providing a ladder for the growth of Africa's informal, micro, small and medium-sized enterprises (IMSMEs). These enterprises already provide the bulk of employment and income- generating activities for Africa's women and youth. Even more fundamentally, the AfCFTA presents an opportunity for continent-wide reforms to bring trade costs down, reduce the thickness of borders and enhance the effectiveness of trade governance.

Although the AfCFTA is not a magic bullet, its impact could extend beyond the immediate domain of trade reform. If implemented as a forward-looking agreement, it can help to shape Africa's response to major global trends that are expected during the 2020s. As governments take measures to be better prepared for future pandemics, the liberalized continental market provided by the AfCFTA presents an opportunity for local production of pharmaceutical products and healthcare supplies at scale. Since 'green deals' increasingly frame public policy that require trade and investment to be climate-friendly, the AfCFTA provides a ready-made framework for coordinated green growth strategies among African countries. As the efficiencies sought from digitalization become pervasive, driven by more accessible and affordable technologies, the AfCFTA can help ensure policy coherence on such issues as digital competition, data governance and taxation of digital products and services. As foreign aid flows continue to decline in real terms and donor countries prioritize fiscal consolidation following their rapid accumulation of public debt to fight the COVID-19 pandemic, trade is – and will continue to be – the largest source of public and private revenue flows into African countries. A reliable revenue stream from trade is critical for development finance and management of public debt.

The three sections of this chapter unpack the issues that will be in play as the AfCFTA is implemented during the 2020s. Section 1 focuses on the outlook for the AfCFTA. Section 2 outlines the AfCFTA's potential role as an enabler in shaping Africa's response to global transitions during the 2020s. Section 3 highlights the importance of getting trade governance and implementation right because this is the key to whether the AfCFTA achieves its transformative potential or becomes just another missed opportunity.

1. The Outlook for the AfCFTA

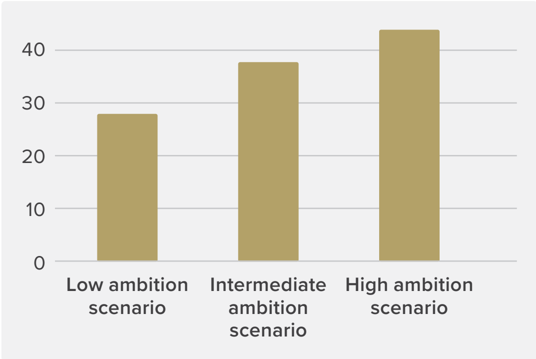
The AfCFTA represents a significant achievement. The integration of Africa's fragmented markets by creating a preferential trade area for goods and services requires great effort. Further negotiations are scheduled to establish protocols on investment, intellectual property rights, competition policy and e-commerce. These additional protocols will in effect provide the foundations for a single market on the continent.

Research and analysis on the significant impact expected from the AfCFTA has been reported by international agencies, such as UNCTAD,[8] IMF[9] and the World Bank.[10] Computable general equilibrium modelling of the AfCFTA modalities for the liberalization of trade in goods at the ECA shows that depending on the ambition of the liberalization episode and assuming full implementation of commitments, positive gains can be expected for GDP, exports, intra-African trade and its sectoral composition by 2040 compared to a baseline scenario with no AfCFTA. A win-win outcome is foreseen as the gains will accrue to the continent's least developed countries (LDCs) and developing countries alike. Tariff revenue loss from the AfCFTA liberalization episode is expected to be modest and compensated by gains in overall welfare.

Figure 2 shows the expected impact on Africa's GDP with gains between 0.35 percent of GDP (or US$28 billion) and 0.54 percent (US$44 billion) by 2040, depending on the ambition of the reform. All countries are expected to receive a boost in GDP growth from the reform.

Exports are projected to increase for all countries with gains between 1.5 percent (US$40 billion) and 2.2 percent (US$56 billion) by 2040, as shown in Figure 3. The gains in Africa's total exports will be relatively modest since most of Africa's trade is with the rest of the world (accounting for over 80 percent of both Africa's exports and imports),[11] but a shift towards intra-African trade growth at the expense of some trade with the rest of the world is to be expected. The current trade patterns are to a great extent influenced by preferential market access offered by countries from the rest of the world to Africa.

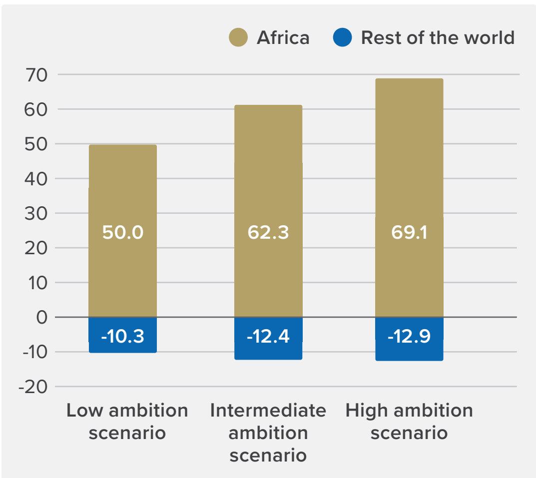
Figure 2. Expected impacts on GDP by 2040, without the AfCFTA, low, intermediate and high ambition scenarios (US$ billion)



Source: ECA, An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods, 2020.

The average equivalent preferential ad valorem tariff imposed on Africa's exports to the rest of the world is 0.8 percent compared to 3.7 percent on intra-African trade, while average equivalent most-favoured nation (MFN) tariffs are 2.3 percent and 8.4 percent, respectively.[12]

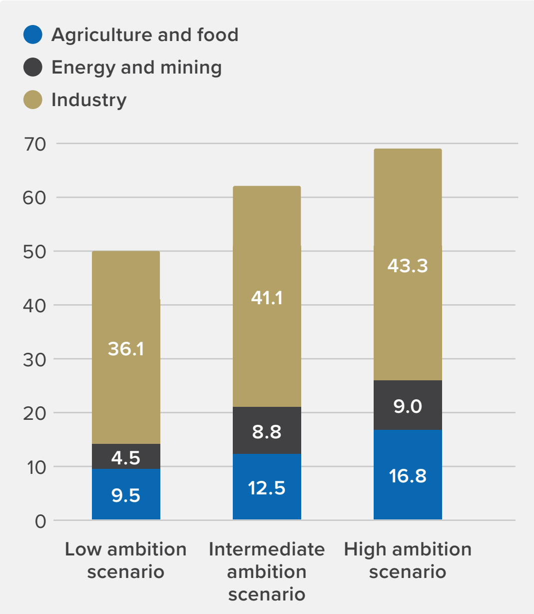
Figure 3. Change in intra-African exports and African exports to the RoW, compared to the baseline without AfCFTA by 2040, low, intermediate and high ambition scenario (US$ billion)



Source: ECA, An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods, 2020.

Note: RoW=Rest of the World.

Figure 4. Change in intra-African exports by main sectors, compared to the baseline without AfCFTA by 2040, low, intermediate and high ambition scenario (US$ billion)



Source: ECA, An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods, 2020.

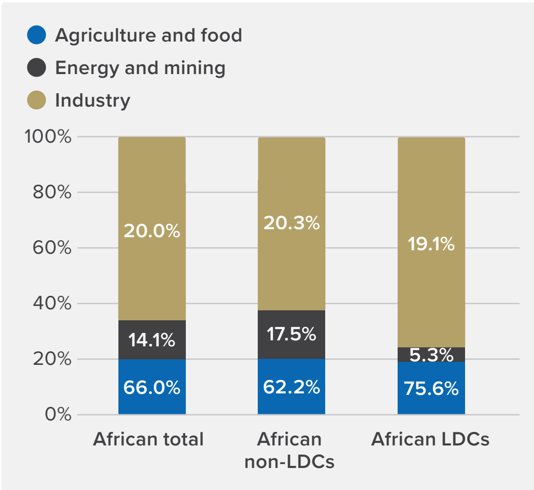
Figure 4 shows that the AfCFTA benefits, solely from liberalization of tariffs on goods, will therefore be centred on intra-African trade. Significant gains are expected in all the main sectors (i.e. agriculture and food, industry, energy and mining),[13] which could increase in value by between 15 percent (US$ 50 billion) and 25 percent (US$70 billion). More than two thirds of the gains will be captured by the manufacturing sector, with the textile, wearing apparel, leather, wood, paper, vehicle and transport equipment, electronics and other industrial goods are expected to benefit the most. This is an important consideration in relation to Africa's diversification and industrialization agendas.

African LDCs are projected to achieve the greatest increase in intra-African manufacturing exports. More than three-quarters of the intra-African trade gains of these countries will be in industry, whereas for developing African countries, industry will account for just under two-thirds of their intra-African trade gains, as shown in Figure 5.

Inevitably, a decrease of up to 9.9 percent in tariff revenue for Africa as a whole is expected from the liberalization reform. But a modest increase in overall welfare is projected mainly due to the significant expansion expected from intra-African trade as shown in Figure 6.

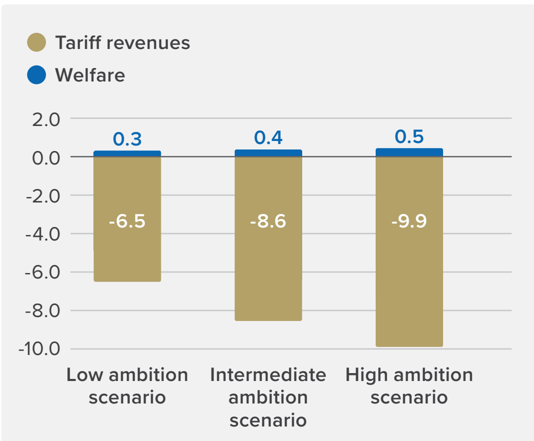
Some caveats on the ECA results should be noted. It underestimates the positive gains of the AfCFTA because the modelling did not include the foreseen liberalization in trade in services, and the disciplining of non-tariff barriers. Additional and substantial gains can also be expected from these reforms. In particular, services are inputs to goods and enablers of trade in goods. An expansion of key services sectors such as tourism, finance, communications, transport and professional services is envisaged as these sectors are slated for early liberalization in the AfCFTA process. Indeed, over time, some African countries may specialize in services sectors within the continental economy as has been the case in some Gulf countries.

Figure 5. Share of total gains in intra-African non-LDC vs. LDC, by main sectors, compared to the baseline with the AfCFTA, by 2040, intermediate ambition scenario



Source: ECA, An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods, 2020.

Figure 6. Projected changes in intra-African trade by main sectors for selected scenarios, compared to the baseline without AfCFTA, 2040 (%)



Source: ECA, An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods, 2020.

In other modelling work, addressing non-tariff barriers is estimated to have an even bigger impact than tariff liberalization.[14] The potential for industrial development is also not fully captured in the analysis, since it was not known whether intermediate goods (i.e. goods that are inputs in the production process) will be liberalized early in the 15-year period allowed for the implementation of the reforms.

The private sector, youth and women

The gains also come with the expectation of continuing progress in education, skills development, health and other human development indicators captured by the Sustainable Development Goals (SDGs). The Boosting Intra-African Trade (BIAT) Action Plan, and in particular its emphasis on upgrading trade-related infrastructure, ensuring factor mobility, making trade finance available, especially to small-scale players, and improving trade facilitation processes at the borders, are essential for the AfCFTA to succeed. The role of the private sector to harness trade for Africa's development must also not be overlooked. As previously noted, IMSMEs, many of which are women- and youth-led are key to growth in Africa; they account for around 80 percent of the continent's businesses. Youth are 1.6 times more likely to become entrepreneurs.[15] As some contributions to this publication show, youth maintain a solid presence in services sectors such heritage, culture, music, fashion, design and digital innovations. With targeted support, IMSMEs are well positioned to overcome low productivity, exploit scale economies, and use the continental market as a stepping stone for expanding into overseas markets, including through continental supply chains and global value chains.[16] Many are already involved in cross-border activities within the framework of REC trading arrangements.

Gender equality is explicitly mentioned as an objective of the AfCFTA in the preamble to the Framework Agreement. The World Bank's analysis of the economic and distributional effects of the AfCFTA estimates that an ambitious AfCFTA reform, combined with the full implementation of the Trade Facilitation Agreement (TFA) of the World Trade Organization (WTO), could lead to as much as a 10 percent increase in wages and contribute to closing the gender wage gap due to larger increases for unskilled workers and for women.[17]

Output in labour-intensive industries such as textiles, wearing apparel and leather is expected to expand. These sectors tend to disproportionately employ women. Wages for women are expected to grow faster than for men in almost all regions of the continent. For instance, employment gains are particularly expected in agriculture and agro-food processing where women represent about half of the labour force. Women are also employed in education, health, and tertiary services, but under-represented in high-productive sectors such as vehicle and transport equipment, electronics and other industrial goods and manufacturing.[18] The window of opportunity for labour-intensive production remains open but not for too long as new technologies are rapidly invading this space.[19]

Women can also benefit from improvements to the challenges they face as small-scale, cross-border traders. Women are estimated to account for around 70 percent of informal cross-border traders in Africa. When engaged in such an activity, they are particularly vulnerable to harassment and violence. By reducing tariffs, the AfCFTA makes it more affordable for informal traders to operate through formal channels, which offer more protection.[20] To ensure the inclusion of these groups, AfCFTA implementation must be accompanied by policies supported by RECs such as simplified trade regimes and improved customs cooperation in order to reduce trade cost and incentivize the transition to formality.

However, the expected benefits for women should be tempered with realism. Limited property rights for women farmers leads to low levels of investment, which limits the full potential of export-led growth. Similarly, women and youth may be limited from gains in agriculture due to barriers in accessing finance, productive resources and other assets. This, in addition to foreign direct investment (FDI) flows towards high productivity and better established exporting operations to capture scale economies, may enlarge the gap. Without complementary national policies, the gender wage gap may be used to drive competitiveness in exports and keep women in low-productive activities and sectors that may also be at risk of automation. The policy objective should be to promote women as 'achievers' in, rather than 'sources' of, trade competitive advantage. Implementation will be discussed further in Section 3.

2. The AfCFTA as an enabler of Africa's response to global trends in the 2020s

Four major global trends are expected to take place simultaneously during the 2020 decade: (i) efforts to be better prepared for future pandemics in terms of localized production of pharmaceutical and healthcare supplies; (ii) the expected pivot to green growth strategies; (iii) the widespread utilization of digital technologies driven by the search for efficiency gains; and (iv) the expected decline in foreign aid flows, but this may be tempered by a recovery in private flows such as remittances and FDI as the global economy returns to growth. A forward-looking approach to

AfCFTA implementation can provide a framework for collaborative responses by African countries. This is not to suggest that the AfCFTA is a panacea. But its impact could extend beyond the immediate domain of trade reforms. This section outlines how the AfCFTA can help to shape Africa's response to the expected trends.

The AfCFTA as an enabler of resilience in Africa's pharmaceutical and healthcare market

As the horrifying effects of the COVID-19 pandemic became clear, up to 90 governments around the world took steps to restrict the export of COVID-19-related supplies, such as alcohol-based hand sanitizers, masks, ventilators, textile raw materials for masks and personal protective equipment (PPE). Production in many places was disrupted by factory closures as lockdowns and social distancing measures were put in place. This left import-dependent Africa in a perilous position. Having learned from this episode, major efforts are underway to boost productive capacity in the pharmaceutical and healthcare sector. This includes an initiative co-sponsored by ECA, the African Export-Import Bank, the African Union's Centre for Disease Control and the ECONET Foundation to strengthen capacities and capabilities of local manufacturers (including agriculture companies) to scale up or repurpose production facilities to respond to COVID-19 needs and ensure resilience in future pandemics.

Focusing on localized production, pooled procurement, harmonized regulatory and quality frameworks, the initiative is expected to support intra-African trade in pharmaceuticals under the AfCFTA, and the operationalization of the AU's African Medicines Agency (AMA). Pharmaceutical manufacturers have been identified and shortlisted; quality standards for scaling-up production have been ascertained.

Business opportunities in Africa's healthcare and wellness sector are estimated to be worth US$259 billion by 2030, with potential to create 16 million jobs. Globally, 14 percent of all business opportunities in the healthcare and wellness sector are estimated to be in Africa. There are numerous opportunities for the private sector to invest in laboratory and diagnostics, pharmaceuticals, skills development, research, capacity building and digital health innovations.

Africa's production and export of pharmaceutical and healthcare products are not negligible. Yet, according to the system of national accounts (SNA), Africa largely imports pharmaceuticals for final consumption (60.8%), followed by intermediates (27.6%) and capital goods (11.6%). The proportion of intermediates is relatively lower in intra-African imports (18.6%) than in Africa's imports from the rest of the world (27.9%). This indicates a relative reliance of Africa on outside partners for intermediates, which are subsequently used in the production of pharmaceuticals. The composition of exports of pharmaceuticals in terms of intermediates vs. consumption goods vs. capital goods is broadly similar to that of imports (see Figures 7 and 8). On average, over the period from 2016 to 2018, the top three African exporters of pharmaceutical goods were Egypt, South Africa and Tunisia. On the import side, Algeria replaces Tunisia in third place, while South Africa and Egypt were the first and second largest importers of pharmaceutical products in Africa, respectively.

	Largest importers of pharmaceutical goods	Largest exporters of pharmaceutical goods
1	Egypt	S. Africa
2	S. Africa	Egypt
3	Tunisia	Algeria

Specifically, with regard to pharmaceutical trade between African countries, the ranking of countries changes. Senegal is the largest importer of pharmaceutical goods from other African countries, followed by United Republic of Tanzania and Zimbabwe. On the export side, South Africa, Kenya and Ghana are the largest suppliers of pharmaceutical goods to other countries in the continent.

	Largest importers of pharmaceutical goods from other African countries	largest suppliers of pharmaceutical goods to other countries in the continent.
1	Senegal	S. Africa
2	United Republic of Tanzania	Kenya
3	Zimbabwe	Ghana

The AfCFTA offers the perfect platform for businesses to tap into these opportunities. The agreement will create an environment conducive for establishing regional value chains and champions in the pharmaceutical sector. But it will not provide a panacea to Africa's over-reliance on pharmaceutical imports. Targeted interventions are required that integrate awareness of the multiple ways in which trade can impact on health systems.

Some measures that can be taken are as follows: pharmaceutical and medical products should be exempt from the sensitive or exclusion lists of AfCFTA tariff schedules; the five-year timeframe for liberalization of pharmaceutical goods should be reduced in order to speed up the development of African value chains; the finalization of rules of origin should be prioritized for pharmaceutical products and textile and apparel covering PPE and masks; African Union Member States should consider adding health and education services to the priority list of services sectors for the first round of services negotiations.

The AfCFTA can also be used as a platform for African standards bodies to pool and share resources to provide expedited testing and safety approval for new production of medical equipment in Africa. However, the greatest value in the pharmaceutical sector is in intellectual property rights, not in the mass production of generics. In the medium term, the AfCFTA protocol on intellectual property rights that is soon to be negotiated will be valuable in creating a conducive environment for African pharmaceutical research and development.

Figure 7. Africa's export composition by System of National Accounts end-use average, 2016–2018

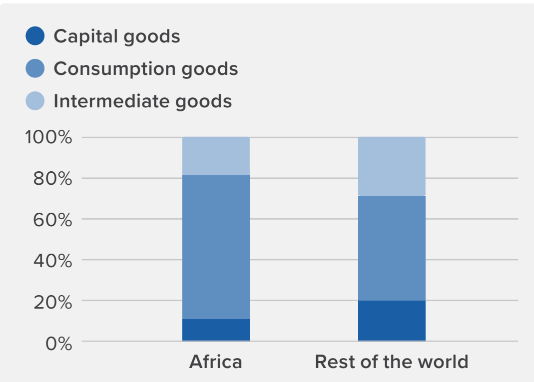
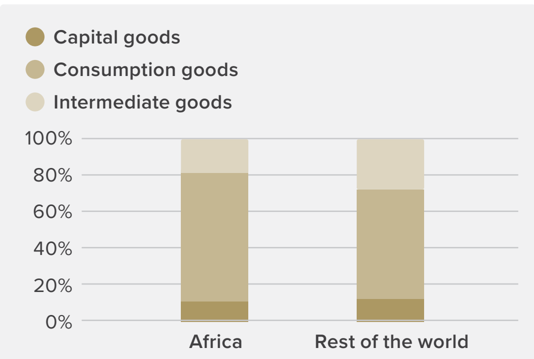


Figure 8. Africa's import composition by System of National Accounts end-use average, 2016–2018



Source: ECA's calculations based on BACI.

The AfCFTA as an enabler of the response to climate change

Although the continent has contributed little to climate change, it has been at the receiving end of some of the most devastating effects. According to the Intergovernmental Panel on Climate Change, the severity of climate change is forecast to hit Africa heavily, with temperatures rising more than the global median, extreme weather events becoming more prevalent, and dry areas, drier. The Paris Agreement encompasses a commitment to keep global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

In a high warming scenario estimate, the Sudan and United Republic of Tanzania, for example, would both lose an estimated 18.6 percent of their GDP by 2050. Guinea-Bissau, Liberia and Mauritania would all lose more than 16 percent of GDP by that point. Niger could lose as much as 19.8 percent of its GDP. Weather-related shocks attributable to climatic conditions pose adverse threats to development, such as the US$2 billion in damages caused by cyclone Idai in Malawi, Mozambique and Zimbabwe. Drought in 2019 generated 8 percent inflation in Mozambique and 19.3 percent in Malawi.

The urgency for global cooperation on climate action is also captured in the SDG 13 (Climate action), which calls on countries to integrate climate change measures into national policies, strategies and planning, including financing, capacity and technology support to facilitate developing countries' green transitions. Primarily, this necessitates a shift from carbon-intensive energy systems to renewable-based power generation, and the increased use of tools for mitigation and adaptation.

Europe, a leading trade and investment partner for Africa, is already making significant changes to its climate policy and has introduced a new growth strategy that aims to halve carbon emissions by 2030 and achieve net-zero by 2050. The Green Deal puts the European Union (EU) on track towards becoming the first carbon-neutral continent on the planet. In the United States of America, one of the contenders in the 2020 presidential elections has announced an ambitious 'Green New Deal' focused on clean energy and environmental justice. This initiative outlines over US$2 trillion in investments in clean energy, jobs and infrastructure that would be carried out over the four years. A new transatlantic alliance on climate change action may well emerge in the near future to provide global leadership for renewed momentum behind the Paris Agreement.

During the 2020s, AfCFTA implementation will take place as impetus gathers behind this transition. Trade and investment will be impacted as deeper commitments are made to pursue climate-friendly production and delivery options facilitated by cost-effective technologies. Non-compliance will become increasingly costly as penalties are enforced. Regional and global supply chains will increasingly be required to respond to consumer behaviour that will reflect choices and preferences for climate-friendly solutions and sustainable production processes.

Africa has not fully embraced these new directions. Yet there is evidence that a shift to green growth strategies including sustainable utilization of Africa's vast bio-diversity resources can have a positive impact on employment. Currently, the share of environmental goods within Africa's total trade is negligible. On average, Africa imported US$20 billion of between 2014 and 2018, which represents 3.6 percent of its total imports and only 0.84 percent of its total exports. Globally, Africa accounts for only 3.4 percent of environmental goods imports and 0.71 of exports.

However, shifts in demand towards clean energy elsewhere in the world could also leave Africa stranded with devalued fossil fuel assets. In limiting global warming to 2°C, as much as 26 percent, 34 percent and 90 percent of the gas, oil and coal reserves, respectively, of Africa could be left unused. However, Africa could be well-positioned to develop value chains around green minerals. The Democratic Republic of the Congo has 47 percent of the world's cobalt (needed for batteries) and Namibia and Zimbabwe have 100 percent of the world's caesium reserves and 89 percent of the world's rubidium reserves (both used in mobile-cellular global positioning systems). Indeed, 42 of the 63 elements used by low-carbon technologies and in the Industrial Revolution (IR) 4.0 are found in Africa.

The intensive use of carbon powered industrialization in Europe and North America during the 18th and 19th centuries, the Asian growth miracles and the rise of China during the 20th and early 21st centuries. However, Africa will need a new growth pathway.

There is scope for the AfCFTA to be an enabler of Africa's response to climate change through targeted trade-related measures. These include: exemption of environmental goods and technologies such as turbines and photovoltaic systems from sensitive and exclusion lists; prioritization of the liberalization of trade in environmentally related services since this sector is not among the five priority service sectors (i.e. business services, financial services, transport, communications and tourism) identified by AfCFTA negotiators for early liberalization; due attention given to the harmonization and strengthening of environmental standards and regulation under the relevant provisions of the AfCFTA Protocol on Trade in Goods and Protocol on Trade in Services as well as within the framework of the African Quality Standards Agenda; and the mainstreaming of climate-friendly considerations into the negotiations on investment, intellectual property rights, competition policy and e-commerce. For example, regulatory convergence on investment can facilitate investment in green-related R&D, technologies and infrastructure. Appropriate provisions on intellectual property rights can enhance technology transfer as well as protect Africa's biodiversity. Competition policy provides an avenue to discipline illegal, unreported and unregulated fishing and sustainable management of the blue economy more broadly.

The AfCFTA as an enabler of Africa's response to the fourth Industrial Revolution

Implementation of the AfCFTA will take place in an era that is very different to the one of almost a decade ago, in 2012, when the African Union adopted the roadmap for its establishment. The 4th Industrial Revolution (IR 4.0) is rapidly evolving and closing the window for the traditional, labour-intensive path to industrialization. The digital economy is significantly and irreversibly transforming value chains, skills development, production and trade. Digital solutions and single window processes have become indispensable tools for efficient border management. The use of tools such as automated cargo tracking and digital reporting of non-tariff barriers is growing in African cross-border trade.

In addition, the digital divide between African countries and the rest of the world remains a yawning gap. Within the continent, there are strong inequalities in digital access between socio-economic groups and between men and women. African countries lag behind in the use of the more advanced IR 4.0 digital technologies, such as cloud-computing applications, artificial intelligence and smart machines (e.g. robots and 3D printers). Imports of ICT goods accounted for only 5 percent of merchandise imports in Africa in 2017, compared with a global average of 13 percent. However, some African countries emerge as early leaders in the use of mobile money applications as a tool for expanding access to banking and finance. There is also strong evidence of digital literacy skills among the large youth population.

To take advantage of IR 4.0, three initiatives have emerged at the African Union. First, the Digital Transformation Strategy 2020–2030 was developed to provide a pathway for the creation of a continental digital single market by 2030 and a complementary enabling regulatory framework. This will help to clear the path toward cooperation on digital infrastructure and transboundary collaboration for economies of scale. Second, the Situational Analysis of Digital Trade and Digital Economy in Africa took stock of emerging trends and proposed a three-staged framework as a roadmap towards the harmonized laws of a continental digital single market. Third, the AU Assembly decided to introduce e-commerce as a subject for future negotiations.

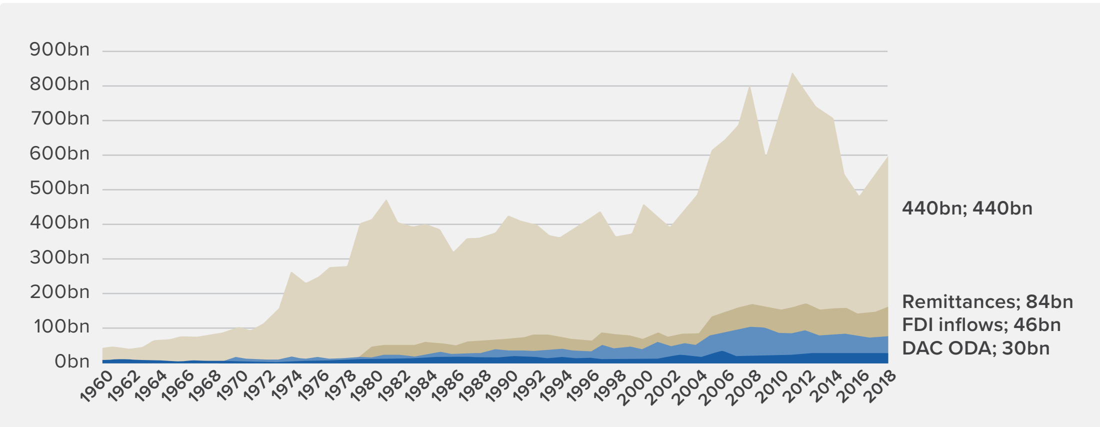
The negotiation of an e-commerce protocol is in line with a trend in a number of regional trade agreements (and an ongoing effort at the WTO) that address this subject to provide clarity on operational and regulatory issues. The onset of COVID-19 has added urgency to the introduction of the protocol in the AfCFTA in the wake of the rapid growth of online retailing during the lockdown as well as a trend towards utilizing digital solutions to ramp up under-utilized capacity. Demand also increased significantly for teleworking, remote learning, teleconferencing, online health services and digital payments.

The rapid, unanticipated expansion of e-commerce and digital solutions require urgent attention. Key issues that are not adequately addressed include consumer rights and protection, taxation and competition; African countries have generally adopted various approaches to them. ECA has therefore called for the e-commerce protocol to be put on a fast-track and negotiated simultaneously with the other subject areas that are slated to be addressed in the next phase of the negotiations. Some of the issues to be addressed in the e-commerce negotiations will be specific to operational aspects of e-commerce and utilization of digital tools, which include: data protection, portability, security and privacy; cross-border data flows and data localization provisions; coordinated cybercrime laws; and harmonization of laws for the taxation of cross-border e-commerce. Other issues will cut across the existing AfCFTA Framework Agreement and respective Protocols on Good and Services. The e-commerce protocol will provide an important building block for the AU's 2020–2030 single digital market initiative through policy alignment and enforcement mechanisms for issues such as technology standards, consumer protection and digital regulation. This will also enable the continent to speak with one voice in e-commerce and related negotiations at the WTO and with bilateral partners. This is a key consideration if the continent is to be able leverage or challenge negotiation proposals that are unfavourable to its transformation agenda.

The AfCFTA as an enabler of development finance

As can be seen from Figure 9, over the last decade, export revenues have accounted for more than three times the value of remittances, FDI inflows and official development assistance (ODA) taken together. Exports have been worth approximately 17 times as much as ODA during this period. ODA to Africa, which has been stagnant for a number of years, is expected to decline in real terms during the 2020s as donors embark on fiscal consolidation to reduce debt incurred to fight the pandemic.

Figure 9. Africa's total exports, remittances, FDI inflows and DAC official development assistance, 1980–2018 (constant 2018 US$)



Sources: Exports from IMF Direction of Trade Statistics (DOTS) 2020; FDI inflows from UNCTAD Stat 2020; Official Development Assistance from OECD ODA 2020; and remittances estimates from World Bank 2020.

Note: Reliable FDI data are available only from 1970 and remittances data from 1980 and are represented above accordingly.

In recent years, African countries have redefined the development agenda to move beyond aid. This focuses on how Africa can optimize the use of its own resources to finance the continent's development agenda as well as reduce aid dependency. The new narrative is shifting the perception of Africa's leaders, businesses, women and youth towards taking ownership of the development agenda.

'Africa beyond aid' requires forging stronger trade and investment partnerships for mutual benefit that serve Africa's interests while also leveraging trade performance and macroeconomic stability to enhance access to global capital markets as an additional source of development finance.

Capitalizing on trade revenues for development is integral to the thinking behind 'Africa beyond aid'. Governments derive revenues from international trade through taxes on imported and exported goods and services, taxes on incomes and profits from trade-related production and transactions, and by directly receiving the proceeds from exports. Private sector actors also receive returns on investment and other transactions including remittances. As noted in section 1 on the outlook for the AfCFTA, intra-African exports are projected to increase for all countries with gains between 1.5 percent (US$40 billion) and 2.2 percent (US$56 billion) by 2040. As also noted, this projection does not take into account trade in services and the additional impact on export revenues from lowering trade costs through border measures and other trade facilitation reforms.

There is therefore an opportunity to complement increased export earnings with taxation and related reforms to enhance domestic resource mobilization for development finance. Africa's tax-to-GDP ratio, which is already relatively low, declined from 16.2 percent in 2014 to 13.4 percent in 2018. This suggests that there is room for improvement, which will also help to compensate for the relatively modest decrease of up to 10 percent in tariff revenues foreseen from AfCFTA reforms, as noted in section 1. To complement the AfCFTA as an enabler of development finance, international action is required on three fronts: debt management; far-reaching action on illicit financial flows; and ODA flows for trade support or aid for trade (AfT).

Africa's access to global capital markets for finance comes with a high price. Africa's borrowing costs for government bonds are far higher than what might be warranted by risk pricing, and have increased markedly since the onslaught of COVID-19. This poses challenges for sustainable debt management. There is scope for financial arrangements to be put in place that will bring down the cost of borrowing. Closely related to this issue is the relatively high transaction cost of remittances to Africa.

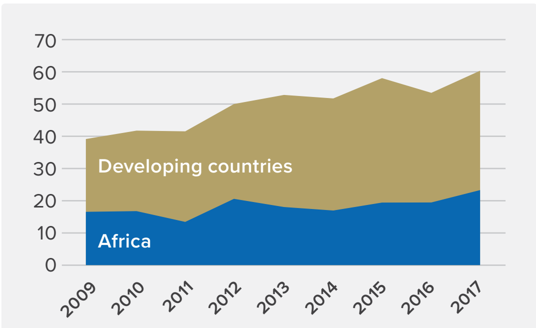
Second, comprehensive approaches have been proposed to tackle illicit financial flows including the linkages between export misinvoicing, irregular exploitation of mineral and other natural resources, and international taxation reform. Tangible and coordinated action within Africa and at the global level can unlock significant resources for development finance.

Third, while it is important to target foreign aid to finance humanitarian needs and the SDG targets more broadly, there is also scope for aid to be refocused to promote business, trade and investment ties. International trade and investment create a virtuous circle that help to generate resources for development finance and reduce reliance on ODA. The changing trade and investment dynamics in Africa, including through the AfCFTA, present an opportunity for more dynamic and business-oriented approaches to aid. AfCFTA-focused support should not become a casualty of the expected decline in ODA flows during the 2020s.

The Organisation for Economic Co-operation and Development (OECD) has found that one extra dollar invested in aid for trade generates nearly 20 additional dollars of exports from the poorest countries. Overall, ODA resources channelled as aid for trade (AfT) have increased in the last decade (Figure 10). But resource flows are concentrated in just a few African countries.

Targeted international support to help the AfCFTA fulfil its full potential would enable African countries to prosper while increasing returns to foreign partners from trade, investments and capital markets. AfT should match the ambition for transformation in Africa and target such areas as energy, transport and digital infrastructure. Adjustment support as African businesses face increased competition in national markets is another priority.

Figure 10. Total aid for trade (US$ billion, constant prices 2018), 2009–2017



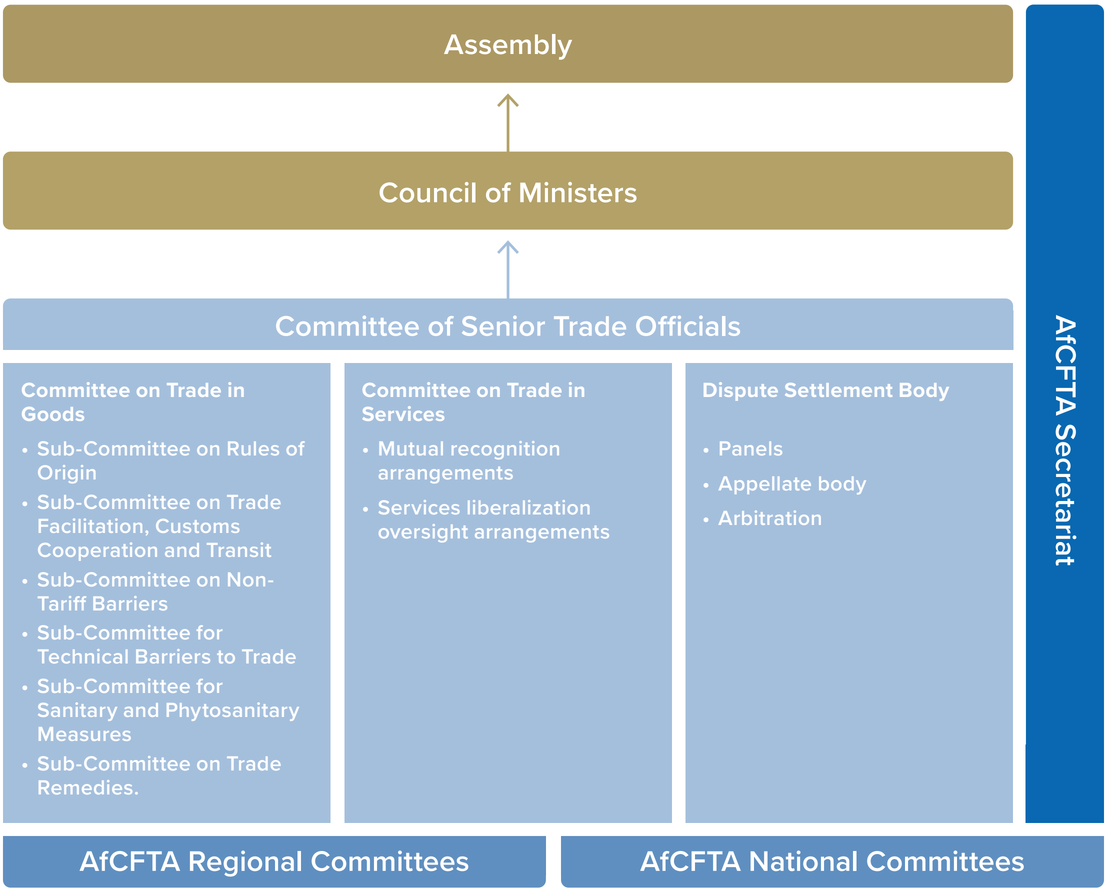
Source: OECD-DAC Aid Activities database.

3. Effective AfCFTA governance and implementation

The key to unlocking the AfCFTA's transformative potential is effective implementation at the country level and active oversight through the AU's intergovernmental system.

The AfCFTA is a continental agreement but implementation will take place primarily at the national level. If it is to succeed, the agreement must be translated to and contextualized in domestic realities. In addition, although the AfCFTA is a trade agreement, its implementation will have far-reaching policy impact.43 As was shown in section 2, AfCFTA implementation can also serve as an enabler to build resilience in Africa for future pandemics; support the transition to green growth models; provide a framework for policy coherence on digitalization; and help to meet the aspirations for 'Africa beyond aid'. Since the AfCFTA is expected to touch all areas of the national economy, there is a strong case for the establishment of AfCFTA country offices to ensure that there is continuous engagement with national authorities and stakeholders on AfCFTA implementation.

Figure 11. Institutional framework for implementing the AfCFTA



[43] *ECA (2019a).*

Subsidiary bodies

A number of subsidiary bodies are established by the Protocols on Trade in Goods, Trade in Services and Dispute Settlement. Their purpose is mainly to deliberate on technical issues that arise in the implementation of the respective protocols. In the case of the Protocol on Dispute Settlement, the hierarchy of institutions provides a framework for systematic adjudication and review. The additional protocols that are to be negotiated will also establish subsidiary bodies.

The Secretary-General and Secretariat

To service these bodies, the Framework Agreement provides for a Secretariat, now established in Accra, Ghana, under the AfCFTA Secretary-General. The Secretariat is to be a functionally autonomous institution within the African Union system with a budget derived from the African Union budget. This status is equivalent to that of other African Union organs, such as the Pan African Parliament and the African Union Development Agency – New Partnership for Africa's Development (NEPAD). It is estimated that the AfCFTA Secretariat could have 50 to 70 professional and administrative staff, and an indicative annual cost of between US$5 and 7 million.

Since the Secretariat is an administrative support body, decision-making powers are held by the hierarchy of committees, ensuring that state parties retain ownership and sovereignty over the Agreement's execution. Frequent meetings of the AfCFTA bodies are anticipated. This will require the state parties to establish diplomatic missions in Accra. Currently, there are only about 20 African countries with a diplomatic presence in Accra.

The Secretary-General is potentially an influential role. Although the Secretary-General has no decision-making role with respect to the AfCFTA, the incumbent can help ensure that the Committee of Senior Officials and Council of Ministers remain exercised with the strategic objectives of the AfCFTA.

Regional coordination
The AfCFTA is built upon the regional markets of the RECs. Many of the initiatives undertaken by RECs, such as simplified trade regimes, trade facilitation, customs cooperation, border regulation, infrastructure development and sectoral policy coordination, complement AfCFTA implementation. In practice, businesses operating within a REC can continue to trade under the prevailing trading regime with respect to operations within the REC. For operations outside the REC, the applicable trading regime will be the AfCFTA. These have to be seen as transitional measures insofar as the AfCFTA Agreement references a continental customs union and single market as the destination of the African economic integration project.

National coordination
As previously noted, implementation on the ground is the key to delivering on the expectations of the AfCFTA. In certain instances, the AfCFTA agreement explicitly requires implementation through national arrangements including national committees on trade facilitation and non-tariff barriers. National implementation mechanisms should ideally function within the structure of the AfCFTA country strategy to ensure policy coherence and effective domestication of the AfCFTA. This requires national AfCFTA entities to be created with broad membership that reflects the wide range of stakeholders and interests. Strong private sector representation through business associations is critical to advance the sector-specific needs of women- and youth-led enterprises, IMSMEs and large businesses.

Business associations can create efficiencies through cooperation among its members, initiate public-private partnerships, attract investments, and help businesses steer towards accessing and operating in new and larger markets. The private sector has a critical role to play in innovation, productivity improvements and standards, new business models, particularly in digital solutions and the green economy. Collaboration between companies is also required in logistics and connectivity, including those in transport, energy, infrastructure, and supply-chain traceability. The West African Digital Pool is an example of an AfCFTA-enabling project. It is a cross-border public-private partnership with opportunities for scale.

Groups like the Grow Africa Business Council, an initiative of AUDA-NEPAD, can promote linkages and synergies between private sector entities and advise national governments on policy interventions that can support AfCFTA implementation for the sectors of focus – agri-business in this case.46 Private sector-led platforms such as the AfroChampions Initiative help inform businesses on investment opportunities.

Finally, business associations can ensure inclusive participation in trade in order that the benefits of increased intra-Africa trade flow to various enterprises in the supply chain. Business support organizations can inform on compliance with AfCFTA measures and, critical for SMEs and smaller traders, on cross-border trade processes and documentation.

The AfCFTA is a continental agreement but implementation will take place primarily at the national level. If it is to succeed, the agreement must be translated to and contextualized in domestic realities. In addition, although the AfCFTA is a trade agreement, its implementation will have far-reaching policy impact. As was shown in section 2, AfCFTA implementation can also serve as an enabler to build resilience in Africa for future pandemics; support the transition to green growth models; provide a framework for policy coherence on digitalization; and help to meet the aspirations for 'Africa beyond aid'. Since the AfCFTA is expected to touch all areas of the national economy, there is a strong case for the establishment of AfCFTA country offices to ensure that there is continuous engagement with national authorities and stakeholders on AfCFTA implementation.

Conclusion
This chapter has situated AfCFTA implementation in the context of the issues and challenges of the 2020s. The outlook for the AfCFTA is promising

in driving recovery from the COVID-19 pandemic, facilitating broad-based, inclusive growth, absorbing Africa's youth in productive activities, and enhancing gender equality. However, modelling results are clear that much depends on the effectiveness of implementation.

The AfCFTA is not a panacea, but its impact could extend beyond the immediate domain of trade reforms. If implemented as a forward-looking agreement, it can help achieve resilience in pharmaceutical and healthcare markets; shape Africa's response to a climate-friendly and sustainable growth model; enable policy coherence on digitalization; and facilitate the aspiration towards an 'Africa beyond aid'.

The AfCFTA should not be implemented as a traditional trade agreement with a narrow focus on rights and obligations, and other arcane trade technicalities. The Council of Ministers and the Committee of Senior Officials of the AfCFTA State Parties have a key role to play in ensuring that the strategic issues are addressed, and where the need arises, channelled upwards for deliberation by the AU Assembly of Heads of State and Government. The Secretary-General can be an influential advocate for the transformative potential of the AfCFTA. The Secretariat should not operate in total isolation in Accra, but must establish country offices to engage on implementation on the ground.

David Luke is the Coordinator of the African Trade Policy Centre at the Economic Commission for Africa. He is responsible for leading the Commission's research, training, capacity development and policy advisory services on inclusive trade policies, with a focus on boosting intra-African trade and supporting the continental free trade area. His portfolio also includes trade and cross-cutting policy areas such as industrialization, structural transformation, gender, public health and climate change. Prior to joining the Commission in 2014, he served as Trade Policy Adviser in Southern Africa and Geneva for UNDP and as Senior Economist and Chief of Trade at the Organization for African Unity (now African Union). He was also an Associate Professor at Dalhousie University in Canada.

Footnotes

[5] Coordinator, African Trade Policy Centre, United Nations Economic Commission for Africa. Thanks go to the following ATPC colleagues for comments: Geoffroy Guepie, Nadia Hasham, Jamie Macleod, Simon Mevel and Lily Sommer..

[6] ILO, 2020.

[7] IMF, 2020.

[8] UNCTAD, 2019.

[9] Abrego, Lisandro, and others, 2019.

[10] World Bank, 2019.

[11] According to UNCTADStat (https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx), in 2018, Africa's exports to and imports from the rest of the world accounted for 84.1 percent and 86.7 percent of Africa's total exports and imports, respectively.

[12] ECA's calculation is based on the MacMap-HS6 database.

[13] The variation in the services sector is insignificant because liberalization in services was not considered in the modelling exercise due to data limitations.

[14] Mevel and Karingi, in UNCTAD and ILO, 2013; Chauvin, Ramos and Porto, 2016.

[15] International Trade Centre, 2015.

[16] Luke, in Luke and Macleod, 2019.

[17] World Bank modelling results on the AfCFTA. Findings are based on a newly constructed dataset comprising sex-disaggregated employment and wages, which the World Bank notes requires further vetting by country-level experts. Challenges with survey data include limitations on sector-level disaggregation due to sampling techniques of various household surveys and recall bias in survey responses.

[18] ECA, 2020c.

[19] ECA and Overseas Development Institute, 2018.

[20] ECA, 2020d.

[21] ECA, n.d.

[22] ECA, GBCHealth and Aliko Dangote Foundation, 2019

[23] African Development Bank, Economic Commission for Africa and United Nations Environment Programme, 2019.

[24] National Institute of Statistics of Mozambique (2019) and National Statistical Office of Malawi, 2019.

[25] ILO, 2018.

[26] Environmental goods (as per UNIDO's classification of green goods) data from ECA's calculation based on the BACI database.

[27] UNU-INR, 2019; Bos and Gupta, 2019.

[28] United Nations University-Institute for Natural Resources in Africa, 2019.

[29] Luke and Sommer, 2018.

[30] ECA, Office of the United Nations High Commission for Human Rights and Friedrich Erbert Stiftung, 2019.

[31] ECA, 2020e.

[32] ECA, Office of the UN High Commission for Human Rights and Friedrich Erbert Stiftung, 2019.

[33] AU. Draft Digital Transformation Strategy. June 2020.

[34] ECA, 2020a.

[35] ECA, 2020.

[36] ECA, Office of the UN High Commission for Human Rights and Friedrich Erbert Stiftung, 2019.

[37] UNDP, 2019.

[38] Luke, 2020.

[39] ECA, 2020b.

[40] Songwe, 2020.

[41] UNCTAD, 2020.

[42] OECD, 2017.

[43] ECA, 2019a.

References

Abrego, Lisandro, and others (2019). The African Continental Free Trade Agreement: Welfare gain estimates from a general equilibrium model. Working Paper, No. 19/124. International Monetary Fund. Available at www.imf.org/en/Publications/WP/Issues/2019/06/07/The-African-Continental-Free-Trade-Agreement-Welfare-Gains-Estimates-from-a-General-46881

African Development Bank, Economic Commission for Africa and United Nations Environment Programme (2020). Climate Change Impacts on Africa's Economic Growth. Available at www.afdb.org/en/documents/climate-change-impacts-africas-economic-growth. Côte D'Ivoire.

African Union (2019). Draft Digital Transformation Strategy. June.

African Union Development Agency (AUDA-NEPAD) (2020). Grow Africa Business Council. Available at https://gabc.africa/about-us

Bos, K. and Gupta, J. 2019. Climate Change: The Risks of Stranded Fossil Fuel Assets and Resources to the Developing World. Available at https://doi.org/10.1080/01436597.2017.1387477

BroadGroup (2019). Tata and Africa's ADS combine forces to build new fibre backbone across the continent. 21 May 2019. Available at www.broad-group.com/data/news/documents/b1m0b4hjhvhtvx

Chauvin, D., N. Ramos and G. Porto. 2016. Trade, Growth, and Welfare Impacts of the CFTA in Africa. Available at https://hesso.tind.io/record/2006

Luke, D. (2019). Chapter 1. Making the Case for the African Continental Free Trade Area. In Inclusive Trade in Africa: The African Continental Free Trade Area in Comparative Perspective. D. Luke, D. and J. Macleod, eds. Taylor & Francis: London, UK. Available at www.taylorfrancis.com/books/e/9780429401121/chapters/10.4324/9780429401121-2

Luke, D. (2020). Why Trade Matters for Africa. Available at https://blogs.lse.ac.uk/africaatlse/2020/07/27/why-trade-matters-for-african-development.

Luke, D. and Macleod, J. eds. (2019). Inclusive Trade in Africa, The African Continental Free Trade Area in Comparative Perspective. Available at www.routledge.com/Inclusive-Trade-in-Africa-The-African-Continental-Free-Trade-Area-in-Comparative/Luke-Macleod/p/book/9781138394520

Luke, D. and Sommer, L. (2018). The AfCFTA: Industrialization Opportunities in the Digital Age, Contemporary Issues in Intra-African Trade. Available at https://s3-eu-west-.amazonaws.com/demo2.opus.ee/afrexim/CIATVolume-4-Number--v5-spreads.pdf

United Nations Economic Commission for Africa (ECA) (2018). An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods. Available at www.uneca.org/publications/empirical-assessment-african-continental-free-trade-area-modalities-goods

______ (2019a). Assessing Regional Integration in Africa - ARIA IX.Available at www.uneca.org/publications/assessing-regional-integration-africa-aria-ix

______ (2019b). The Case for AfCFTA Country Offices (draft).

______ (2020a). Africa Impact Survey: Results and Analysis.

______ (2020b). COVID-19 in Africa: Protecting African lives and economies. Available at www.uneca.org/sites/default/files/PublicationFiles/eca_covid_report_en_24apr_web1.pdf

______ (2020c). Creating a Unified Regional Market: Towards the implementation of the African Continental Free Trade Area in East Africa. Available at www.uneca.org/sites/default/files/PublicationFiles/tmea_afcfta_report_5_june_2020.pdf

______ (2020d). Facilitating Cross-Border Trade through a Coordinated African Response to COVID-9. Available at www.uneca.org/publications/facilitating-cross-border-trade-through-coordinated-african-response-covid-19

______ (2020e). Imperative for Expediting AfCFTA Negotiations on E-Commerce. Policy Brief.

______(n.d.) COVID-19 and Export Restrictions: The limits for international trade law and lessons for the AfCFTA. Policy Brief. Available at www.uneca.org/publications/covid-19-and-export-restrictions-limits-international-trade-law-and-lessons-afcfta

ECA, Office of the UN High Commission for Human Rights and Friedrich Erbert Stiftung (2019). Digital Trade in Africa: Implications for Inclusion and Human Rights. Available at www.uneca.org/publications/digital-trade-africa-implications-inclusion-and-human-rights

ECA and Overseas Development Institute (2017). Transforming African Economies through Smart Trade and industrial Policy. Available at www.uneca.org/publications/transforming-african-economies-through-smart-trade-and-industrial-policy

ECA, GBCHealth & Aliko Dangote Foundation (2019). Healthcare and Economic Growth in Africa. Available at http://gbchealth.org/wp-content/uploads/2019/02/HealthReport_eng_fin_9Feb.pdf

International Labour Organization (ILO) (2018). World Employment and Social Outlook. Greening with Jobs. Geneva.

______ (2020). ILO Monitor, COVID-19 and the World of Work. Geneva.

International Monetary Fund (IMF) (2020). World Economic Outlook Update. June. Washington, D.C.

International Trade Centre. INTRACEN (2019). Private sector has key role to play in realizing AfCFTA's promise. 18 December 2019. Available at www.intracen.org/news/Private-sector-has-key-role-to-play-in-realizing-AfCFTAs-promise

International Trade Centre (ITC). INTRACEN. (n.d.) Why Youth and Trade. Available at https://www.intracen.org/youth/why-youth-and-trade/

Mevel, S. and S. Karingi (2013). Towards a Continental Free Trade Area in Africa: A CGE Modeling Assessment with a Focus on Agriculture. Shared Harvests: Agriculture, Trade and Employment, UNCTAD and ILO.

Organisation for Economic Co-operation and Development (OECD) (2017). Aid for Trade at a Glance. www.oecd-ilibrary.org/development/aid-for-trade-at-a-glance-2017_aid_glance-2017-en

Rockefeller Foundation and ECA (2018). African Voices on the AfCFTA: A Call for Inclusive Trade. www.rockefellerfoundation.org/blog/africas-voices-afcfta-call-inclusive-trade

Sodipo, B. (2019). Governance for an Effective AfCFTA. In Inclusive Trade in Africa, the African Continental Free Trade Area in Comparative perspective. D. Luke and J. Macleod, eds. London: Routledge.

Songwe, V. (2020). Africa Needs Its Own 'Repo' Market. Financial Times. 25 June.

United Nations Conference on Trade and Development (UNCTAD). (2018). African Continental Free Trade Area: Challenges and Opportunities to Tariff Reductions.

______(2020). Economic Development in Africa Report. Tackling Illicit Financial Flows in Africa.

UNCTADStat. Available at https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx

United Nations University-Institute for Natural Resources in Africa (UNU-INR) Discussion Paper, Africa's Development in the Age of Stranded Assets.

United Nations Conference on Trade and Development (UNCTAD) and International Labour Organization (ILO). 2013. Shared Harvests: Agriculture, Trade and Employment, by David Cheong, Marion Jansen, and Ralf Peters. Available at https://unctad.org/system/files/official-document/ditctncd2013d2_en.pdf

United Nations Development Programme (UNDP) (2019). Africa challenged to redefine its development agenda beyond aid. 9 November 2019. Available at www.africa.undp.org/content/rba/en/home/presscenter/pressreleases/2019/africa-challenged-to-redefine-its-development-agenda-beyond-aid.html

World Bank (2019). The African Continental Free Trade Area: Economic and Distributional Effects. Available at www.africa.undp.org/content/rba/en/home/presscenter/pressreleases/2019/africa-challenged-to-redefine-its-development-agenda-beyond-aid.html

INTRODUCTION

Beatrice Chaytor
Senior Services Expert, African Union Commission

3

Unlocking and Scaling Innovation, Enterprise and Growth through the AfCFTA Protocol on Trade in Services

3.1. The AfCFTA Protocol on Trade in Services: The making of an African services market

'Transformational' is the word most used to refer to the African Continental Free Trade Area (AfCFTA). It connotes deep structural change—in this case, change in policy, regulations, mindset, business structures, livelihoods and whole societies. It speaks of a paradigm shift towards modernity, efficiency, productivity and inclusivity. This shift has been occurring gradually among African countries as their services sectors grow. On average, services contribute 55 percent real gross domestic product growth in African countries[44] and are the main drivers of investment and employment, playing an increasing role in manufacturing, mining and agriculture sectors. Services accounted for 22 percent of Africa's trade in 2016, nearing the global average of 24 percent.[45] While Africa's contribution to global trade in services still remains at approximately 2 percent, there is tremendous potential for future growth.[46]

Services are the soft or hard infrastructure that is necessary to grow any modern economy or they represent the value addition required to develop the actual products and services to be traded. Most services are the backbone to trade in goods and spawn additional economic growth in areas such as mining, agriculture or manufacturing. It is inconceivable to imagine modern society without the presence of information and communications technology (ICT) services, which enable companies to access knowledge and information, reduce transaction costs, facilitate supply to remote markets and improve decision-making across the value chain through better communication. They also improve companies' flexibility to respond to consumer demand, as represented by the strength of digital trade.

In recognition of the integral role that services play in the African economy, the first phase of AfCFTA negotiations included trade in services. When discussions began in 2012, African Union (AU) Heads of State and Government decided that services must be liberalized to boost Africa's economy. There was much excitement around the negotiations, which were backstopped by the AU Commission. As a Senior Expert in the Department of Trade and Industry, I was privileged to be involved in this important step to create the

African Economic Community, as set out in the Abuja Treaty. The result was the Protocol on Trade in Services, one of the instruments of the AfCFTA Agreement, which was signed into law in 2018 and entered into force over a year later, in May 2019.

The AfCFTA Protocol on Trade in Services

The Protocol seeks to expand intra-African trade by lowering barriers to trade in services and to the movement of people and capital across the continent, with a view to creating a single African services market and fostering investments in vital infrastructure services such as energy, ICT and transport. In negotiating the Protocol, AU member States were well aware of their momentous responsibility to craft a well-balanced agreement that would spur economic growth and cement the integration begun by regional economic communities. It seemed that they were mindful of the dismal statistics on intra-African trade and their record as traditional exporters of raw materials and other natural resources. Given the tone and urgency of negotiations, they understood that Africa desperately needed to diversify its trade away from extractive commodities and towards manufacturing, through the development of regional value chains. It was understood that investment could flow in a single market to establish infrastructure such as roads, bridges, air and seaports, ICT, transport and financial systems, energy and even accommodations for tourism. The Protocol is designed to set African countries on a path to industrialization, but the negotiators wondered how to develop value chains across a continent in which there had not been historic links in transport, logistics, education systems or other areas.

Much of the content of the Protocol on Trade in Services is drawn from the provisions of the General Agreement on Trade in Services (GATS) of the World Trade Organization. Nevertheless, AU member States recognized that they wanted to build something slightly different using this foundation. After all, the 25-year old GATS had not really helped them to fully develop their services industries or trade with one other. They opted for a hybrid approach, coupling specific commitments with a supporting regulatory cooperation framework that would help to drive the development and maturity of their services sectors, building on lessons learned from the various regional economic communities.

Trade was seen as a powerful engine for economic growth and development, given its significant impact on poverty levels through employment, consumer prices and government revenues and spending. While everyone may not benefit at once, there was much to gain in the subset of trade in services, in which some dynamism was visible even among least developed countries. As negotiations progressed, the perception shifted. Negotiators realized that the dynamics of negotiating with a large group of advanced industrialized countries were not a factor in the AfCFTA. The majority of AU member States being least developed, the strict line between developing and least developed States had to be nuanced to carefully craft the clauses on special and differential treatment. There was also a need for capacity-building to develop services industries. Ensuring a level playing field and avoiding freeriding were of primary concern. As a result, the sanctity of most favoured nation was tweaked to include the principle of reciprocity. It was most heartening to see the negotiators recognize that they were developing a long-term strategy and that the establishment of the AfCFTA and the progressive liberalization sustaining it would take place over decades, allowing for adjustments and a variable geometry approach.

Services as a driver of Africa's economic transformation

The ideal of inclusive trade, with opportunities for women and youth, is incorporated in the preamble and general objectives of the AfCFTA Agreement, which recognizes the importance of gender equality. Indeed, the Protocol on Trade in Services explicitly points to increasing the export capacity of women and youth. The demographic dividend was also in the forefront of negotiators' minds. The population of Africa is projected to reach 2.5 billion by 2050, at which point it will include 26 percent of the world's projected working age population. There was a strong imperative to create jobs for young people entering the continental labour market every year. Many of these young entrepreneurs and job seekers are entering ICT industries, which support the digital economy, so progressive liberalization of such services will drive stronger digital trade across the continent. While e-commerce in Africa is growing at 40 percent annually and is expected to grow to over US$300 billion by 2025,[47] this growth may be hampered if it is not sustained by robust intellectual property rights systems that can protect the creations of innovators, facilitate the research efforts of scientists and scholars, catalyse the productivity of farmers and support the production processes of manufacturers.

There is a strong political commitment at the highest levels to create the single market, which can help to conclude negotiations on specific commitments in the five priority services sectors.

First, AU member States must take a strategic approach to the development of regional value chains and make commitments in other services sectors that support them, such as energy, health and education. The focus should be on determining where the most efficient and productive resources, including investment funds, can be brought to bear and deliver effective results, without sentiment or sensitivity.

Second, there must be immediate efforts through investment in ICT services to bridge the digital divide and provide broadband internet services for all businesses and the general public across the continent. These efforts should also be linked to national commitments to open communication service markets to wider competition.

Third, national service policies must be improved and coordinated so that regional value chains can be sustained. These policies should be buttressed by the requisite legislation and regulations to support the liberalization of services. At the same time, there should be concerted efforts to raise awareness among the business community about opportunities under the Protocol on Services and how to turn them into real business gains, essentially raising the productive capacities of service suppliers. Small- and medium-sized enterprises in particular should be targeted, as they account for over 80 percent of African business.

Fourth, member States must urgently address the perennial problem of trade facilitation and remove administrative and other bottlenecks to trade in services, with the understanding that many of these measures involve services sectors like transport and logistics. Similarly, there must be investment in infrastructure for services that are vital to the economy, such as electricity, ICT and financial services.

Fifth, the development and enforcement of standards for tourism, ICT and professional services are also essential to maintaining a consistent supply and quality.

Lastly, building the capacity of both the private and public sectors for service delivery is vital for the development of competitive services sectors. The importance of building strong institutions to enable trade cannot be overemphasized.

Summary

Discussion has turned towards the 'new normal' in the wake of the coronavirus disease (COVID-19) pandemic. The fundamental changes to societies wrought by its economic and social impacts must be factored into plans for cross-border trade in services in Africa. With challenges come opportunities, and Africa must seize on every chance to pivot and create knowledge economies. Indeed, a considerable level of innovation and creativity has already been witnessed across the continent.[48] My vision is of a dynamic African services market with vibrant, creative industries linked to tourism and ICT, fuelled by a focus on science and technology. There will be a growth in art, music, fashion, sports and cultural services. [49] Because the digital economy can no longer be ignored, these services will all be backed by research and development, centres of excellence, design, science and technology, technical and vocational education and training, and soft skills for enterprise development. As governments acknowledge that traditional economics has been turned on its head, they will provide support to businesses to develop and sustain a competitive advantage, whether through stimulus packages, tax breaks or research grants for technological advancement. My vision of cross-border trade in services in Africa also involves reinforcing the foundations of the economy, which include traditional and infrastructure services that serve to facilitate trade. African businesses will note the changes in business models and adapt to take advantage of these opportunities and thrive. The African diaspora will take a significant interest and participate in the AfCFTA, contributing new skills, further innovation and needed capital.
In the AfCFTA services single market, services exports will become an important part of Africa's growth strategies, while services imports will significantly improve performance by providing greater competition, international best practices, better skills and technologies, and investment capital. The world is watching as Africa charts its own development course, and this is a welcome change.

This section highlights four young African entrepreneurs who are innovating and bringing the Protocol on Trade in Services to life. Gregory Rockson demonstrates how a service-oriented business in the pharmaceutical sector played a critical role in distributing essential medicines and reduced the impact of the COVID-19 pandemic. Godwin Benson creates meaningful work opportunities in the education sector through a digital platform. Tendaiishe Chitima reveals possibilities in storytelling through film and other entertainment. Francis Owusu deploys drone technologies in the health and agriculture sectors, while solving logistics issues Their stories show that the AfCFTA is essential to the mobility of people, ideas, resources, content, innovations and businesses, and it will unlock Africa's economic and social transformation.

Beatrice Chaytor is an international trade lawyer specializing in providing advice and support to African Governments in their engagement with regional and international trade policy processes. She is currently the Senior Expert on Trade in Services in the Department of Trade and Industry at the African Union Commission and works on negotiations to establish the AfCFTA. Prior to her current position, she ran her own law firm, Chariot Eight in Sierra Leone, providing legal services to local, regional and international clients on a range of corporate law matters. She is interested in research and analysis of legal and economic policy issues affecting Africa and has undertaken assignments for the Department for International Development, the European Union Commission and the Food and Agriculture Organization of the United Nations.

Footnotes

[44] World Bank, 2020.
[45] Author's analysis from data in Hollweg and Sáez, 2019.
[46] United Nations Conference on Trade and Development, 2020.
[47] Manyika and others, 2013.
[48] African Union Commission, 2015.
[49] Dihel and Goswami, 2016.

References

African Union Commission (2016). Services Exports for Growth and Development: Case Studies from Africa.

Dihel, Nora, and Arti Grover Goswami, eds. (2016). The Unexplored Potential of Trade in Services in Africa: From Hair Stylists and Teachers to Accountants and Doctors. Washington, D.C.: World Bank.

Hollweg, Claire H., and Sebastián Sáez, eds. (2019). Services for Trade Competitiveness: Country and Regional Assessments of Services Trade. International Development in Focus. Washington, D.C.: World Bank.

Manyika, James, and others (2013). Lions go digital: The Internet's transformative potential in Africa, 1 November.

United Nations Conference on Trade and Development (2020). UNCTADstat Data Platform. Available at https://unctadstat.unctad.org.

World Bank (2020). World Development Indicators Data Catalog. Available at https://datacatalog.worldbank.org/dataset/world-development-indicators.

CASE STORY

Gregory Rockson
Healthcare/Pharmaceutical Services

3.2. The AfCFTA: Creating a prosperous Africa in good health

As COVID-19 wreaked havoc elsewhere, the question on the minds of many people was, “How would Africa cope?” The scene was that of helplessness, prayers abounded, and the hope remained that perhaps African countries would be spared another setback. The continent's long-standing healthcare crisis is an open secret. The recent Ebola epidemic, HIV, hepatitis, malaria and cholera have all shown that healthcare systems in this part of the world can easily crumble. COVID-19 has further reinforced the worrying trend that African countries are not well poised to deal with novel public health emergencies. At mPharma, a healthcare technology company headquartered in Ghana, a major concern remained that any disruptions to global supply chains would erode gains made towards making medicines affordable to the million people we serve annually. Analogous to this was a deeply rooted fear that the healthcare of average people will worsen as governments channel resources to fight the coronavirus disease (COVID-19).

We saw an enormous challenge ahead. As a company, we are well aware that rising costs in logistics, and the hoarding of medicines to artificially engineer price increases are characteristic of such pandemics. Furthermore, it became evident that our model had to evolve to not only deal with the looming crisis of price changes to medication, but also the ongoing crisis of handling COVID-19. African governments struggled to procure polymerase chain reaction (PCR) equipment, test kits and ventilators to deal with the pandemic. Globally, the virus caused countries in the West to pit against each other for medical supplies. mPharma quickly developed a three-pronged strategy to deal with this issue:

1. **secure prices for essential medicines with suppliers to avoid future hikes;**
2. **leverage our network to procure PCR equipment and test kits; and**
3. **build the capacity of existing labs to test for COVID-19 and other viral infections.**

At the height of the COVID-19 crisis in China, mPharma negotiated with its core suppliers to ensure that COVID-19 did not trigger radical changes in the prices of medicines. We used our buying power to stock up on essential medicines needed by our customers and launched “Mutti[50] Keep My Price” to lock in prices for three to six months for those on chronic medication regardless of COVID-19-induced price fluctuations. This initiative complemented our interest-free phased payment plans for patients who cannot afford their medications amidst the widespread economic hardship.

Concurrently, mPharma developed a partnership with a Chinese firm, which created a steady flow of test kits and equipment to our warehouse in Ghana. This occurred at a time where they were in high demand by European countries who braced themselves for a full-scale battle with the virus. To date, more than 120 PCR equipment and over 700,000 test kits have been provided to African governments, private hospitals, and NGOs in countries including Ghana, Nigeria, Benin, Gabon, Kenya, Zambia, and Republic of the Congo. These partnerships have led to the establishment of private testing facilities in Ghana and Nigeria with capacity to test thousands of samples daily. Collectively, these laboratories have tested over 20,000 PCR tests since inception five months ago. Together with Standard Chartered Bank, we have launched a scheme to allow private labs to gain access to US$50,000 in loans to support their testing efforts. This has revealed that, going forward, we must decentralize molecular diagnostics by advancing point-of-care testing and treatment. mPharma has launched mLab to empower its network of 400 pharmacies spanning seven countries to develop molecular diagnostics capabilities. We are dedicated to creating a consortium of small and medium-sized facilities that would be at the forefront of testing and treatment across the continent.

Viral infections like COVID-19 are certainly not new to Africa, but the infrastructure to handle such outbreaks has been underdeveloped. This became clearer as we scoped to find partners to procure PCR equipment, test kits and personal protective equipment (PPEs). We had to turn to China for these supplies. But - what if we could produce everything needed for such pandemics? How can African countries build resilient supply chains to withstand the next outbreak? How can countries develop scalable molecular diagnostic solutions for the ongoing and future public health crisis? I hope that the euphoria around the launch of the African Continental Free Trade Area (AfCFTA) will translate into effective implementation to allow small- and medium-sized enterprises (SMEs) contribute to create a healthy Africa.

In reflecting on these questions and mPharma's vision of creating an Africa in good health, the AfCFTA offers numerous opportunities for Africa's path towards economic development and building strong healthcare systems. The benefits of the AfCFTA could transform the lives of all Africans, especially young people. I envisage these benefits under three areas: (i) deepening the role of SMEs in economic growth and healthcare delivery; (ii) developing regional centres of pharmaceutical production; and (iii) expanding opportunities for youth.

The role of SMEs in healthcare delivery

SMEs not only dominate Africa's economic landscape, but they also create almost 80 percent of employment;[51] their importance cuts across all sectors and industries. Analysts have argued that perhaps the biggest beneficiaries of the AfCFTA will be the continent's small and medium-sized enterprises. If the AfCFTA will enable the continent's SMEs to thrive, they will potentially absorb large numbers of young people entering the labour force annually, thus helping to reduce youth unemployment, a major ticking time bomb. Sceptics of the agreement point to the many challenges ahead as SMEs juggle increased pressure from foreign products and decreasing competitiveness. African leaders must pursue reaping the many benefits of reduced or no tariff trade and market access while subsequently working to mitigate the challenges posed by a free trade agreement.

SMEs play an important role in healthcare delivery in Africa. Small community pharmacies and dispensaries are often the first point of care for a wide range of infections including malaria and cholera. Yet, they face supply chain challenges that threaten their survival. According to a McKinsey & Company study of sub-Saharan Africa's pharmaceutical industry, 70 to 90 percent of drugs consumed were imported,[52] compared to 5 percent and 20 percent in China and India, respectively. Three lingering questions led to the formation of mPharma: What if each community had a pharmacy that was always well-stocked? What if the community pharmacy became a primary care centre? What if each patient could afford their medication? Over the last six years, as we have attempted to answer these questions, it has become more evident that increased local production of essential medicines will be critical to transforming the African healthcare landscape. Expanded local drug production and greater investment in local producers will improve public health by driving down cost, which remains a major hindrance to access. The AfCFTA and the industrialization and economic growth it promises will prove invaluable to these small community pharmacies who drive good health on the continent. For companies like mPharma, increased investment and market access will allow us to quickly move beyond the one million customers who rely on us for high-quality medication every year.

Regional centres of production

The spread of COVID-19 has shown that Africa needs its own regional centres of production based on the concept of comparative advantage. AfCFTA member countries should not focus on producing the same items for export. Regional economic communities must capitalize on their strengths and focus on product lines with a competitive edge over others from different parts of the world. For the healthcare industry, it is evident that the production of essential drugs and equipment will result from a concerted effort to build local capacity and ensure that a favourable investment climate offers ample opportunity for countries to focus their efforts. The post-COVID-19 era must be characterized by the creation of an enabling environment for African drug manufacturers such as Cosmos Pharmaceuticals in

Nairobi, Kenya and Danadams Pharmaceuticals in Accra, Ghana to scale production and contribute to prevent the over-reliance on foreign medicines. Developing these centres of production will allow us to a critical look at traditional medicine, expand research, and make it safe for the many Africans who continue to use them.

Opportunities for youth

It is projected that by 2050, the continent's current 1.2 billion population will double, maintaining a median age of 25.[53] This will put Africa's working-age population above that of China, India and the United States of America. Notwithstanding, unemployment disproportionately affects young people on the continent more than anywhere else. According to the World Bank, 72 percent of young people live on less than US$2 a day.[54] The International Labour Organization (ILO) estimates that they account for 23.5 of the 38.1 percent of the estimated total working poor in sub-Saharan Africa.[55] Most youth are either unemployed or underemployed with insecure and casual jobs within the informal sector. A recent analysis by the African Development Bank indicates that 10–11 million youth entering the job market across Africa compete for only three million formal jobs generated annually.[56] This trend pushes most of the youth into the informal sector where job stability is rare and lower wages are prevalent.

This continental free trade agreement must solve this deeply rooted issue. Africa's youth need to find meaningful and fulfilling jobs. A concerted industrialization drive will help absorb large numbers of youth into employment. African governments should invest heavily in education and entrepreneurship training for its young population with the goal of providing the tools they need to reap the benefits of cross-border trade. This education must be tailored to the needs of employers and the continent's economic aspirations. mPharma provides numerous opportunities for young people to gain exposure to the pharmaceutical industry. Since the company's inception, it has kept a youthful workforce and empowered its network of pharmacies to create formal sector jobs across its key markets.

To date, Africa has coped well with COVID-19, but the path towards overall good health lags. We find ourselves at a crossroad and must make important decisions about our shared future. If implemented well, the AfCFTA could be one of the agreements that reverses the trend of Africa's dependency problem. The AfCFTA must be the catalyst that transforms SMEs as engines of economic growth and employment creation. More importantly, it must create the building blocks for greater socio-economic mobility for all Africans and not just a few. The challenges ahead are consequential but so are the opportunities. The pharmaceutical industry can drive job creation and local production through greater support from African governments and private sector investment. Governments must leverage the AfCFTA to establish the right regulatory climate to allow companies like ours to have greater grassroots impact. At mPharma, we will continue to push for greater economic prosperity for Africans because we believe that it will be the foundation for building a healthy continent.

Gregory Rockson is the Co-founder and CEO of mPharma, a technology-driven, vendor-managed inventory and retail pharmacy operator. mPharma manages a network of over 400 pharmacies with operations across five African countries, serving millions of patients each year. He founded the Big Brother Big Sister programme in Denmark and the Six Days of Peace Project in the Middle East. He received his BS in political science from Westminster College in the United States of America. He was also a Public Policy and International Affairs Program Fellow at Princeton University in the United States and a Rotary Scholar at the University of Copenhagen in Denmark.

mPharma customers and team.
Credit: mPharma

mPharma warehouse.
Credit: mPharma

Footnotes

[50] Mutti is an mPharma's membership-based rewards programme used for accessing medicines and healthcare services with a focus on affordability, accessibility and availability.

[51] See WEF, 2015.

[52] McKinsey & Company, 2019.

[53] See African Development Bank, 2018a.

[54] World Bank, 2009.

[55] ILO, n.d.

[56] See AfDB, 2018a.

References

African Development Bank (AfDB) (2018a). Jobs for Youth in Africa. Available at www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Brochure_Job_Africa-En.pdf

______ (2018b). Jobs for Youth in Africa. Strategy for Creating 25 Million Jobs and Equipping 50 Million Youth2016-2025. Available at www.afdb.org/fileadmin/uploads/afdb/Documents/Boards-Documents/Bank_Group_Strategy_for_Jobs_for_Youth_in_Africa_2016-2025_Rev_2.pdf

International Finance Corporation (IFC) (n.d.). SME Initiative. Available at www.ifc.org/wps/wcm/connect/REGION__EXT_Content/Regions/Sub-Saharan+Africa/Advisory+Services/SustainableBusiness/SME_Initiatives/

International Labour Organization (ILO) (n.d.). Youth Employment in Africa. Available at www.ilo.org/africa/areas-of-work/youth-employment/lang--en/index.htm

McKinsey & Company (2019). Should sub-Saharan Africa make its own drugs? July 2019. Available at www.mckinsey.com/industries/public-and-social-sector/our-insights/should-sub-saharan-africa-make-its-own-drugs?cid=other-pso-twi-mps-mps-oth-1903#

World Bank (2009). Africa Development Indicators 2008-09. Youth Employment in Africa: The potential, the problem, the promise. Available at https://openknowledge.worldbank.org/handle/10986/12350

World Economic Forum (WEF) (2015). Why SMEs are key to growth in Africa. 4 August. Available at www.weforum.org/agenda/2015/08/why-smes-are-key-to-growth-in-africa

CASE STORY

Godwin Benson
Digital/Education Services

3.3. Flipping the board: Digital platforms for learning in the continental market

Against the backdrop of high rates of unemployment and recent loss of jobs due to COVID-19, we can make a major difference in the lives of brilliant young people and teachers by providing them with opportunities to teach and earn more money. Tuteria is an education business registered in Lagos, Nigeria with a vision to make quality personalized education accessible to many. We achieve this by providing an online platform (www.tuteria.com) that helps learners book private or group lessons with expert teachers in a wide range of subjects and skills while also providing an avenue for people to earn money from teaching what they love.

Tuteria started in 2015, and has grown mostly organically over the years. We currently have over 18,000 tutors registered, and have delivered more than 230,000 hours of learning to over 8,000 learners. Most learners are pupils in K-12 classes who need help with school subjects, but we also have adults using our service to prepare for exams or learn important skills needed to achieve their personal goals. We have a wide range of teachers in Tuteria: around 50 percent are currently teachers in various schools and learning institutions from primary to tertiary levels who work with Tuteria in addition to their current job; 20 percent are working professionals in non-teaching jobs who love to teach and have some spare time; 25 percent are brilliant, unemployed graduates or post-graduate students; and around 5 percent work with Tuteria full-time.

Opportunities in the consolidated African market for digitally enabled teaching and learning
We see a great deal of growth opportunities within the African market created by the African Continental Free Trade Area (AfCFTA), most of which stem from the current challenges and trends:

Customer growth: Good quality education in Africa is very expensive for most people, while mainstream education is fraught with challenges such as a high student-teacher ratio and little room for accommodating differences in children's learning style and abilities, which have led people to seek alternative avenues to get affordable, high-quality education. This is an opportunity for Tuteria to potentially impact millions of learners on the continent through supplementary education.

Job and value creation: According to Quartz, African countries are facing the world's worst shortage of teachers. We see an opportunity to help direct more teachers into the mainstream teaching profession. Also, while Tuteria's technology is built mostly in house by our engineering teams, parts of our application depend on other platforms for payment, server, banking services, payroll, Internet, which can be sourced in Nigeria and other African countries. Our expansion across Africa will create value and opportunity for all our service providers.

Improving payment infrastructure: Although problems with intra-Africa payments are still far from being solved, some companies like Flutterwave, Paystack and mPesa are paving the way to making this possible. This invariably presents an increasing opportunity for growth because we may be able to sell our services beyond Nigeria without needing a physical presence everywhere. If cross-border payment (and logistics) within Africa is solved, we can expect to see an exponential increase in intra-Africa trade, especially for young entrepreneurs who may not have the large capital and network required to move goods and services using current infrastructure.

To scale into the market created by the AfCFTA, we have identified two critical issues to guide our actions:

First, we need to understand the needs and nuances of other African markets: For instance, the educational system and needs in Nigeria are different from those in South Africa, which are different from that in Egypt. Understanding these differences will help create more contextually relevant products and services, for instance: the number and type of school subjects; the pivotal examinations taken in each country; the most in-demand learning needs; general information on household size and income levels; the proportion of children in private versus public schools; different curricula used in schools; level of Internet access; standard of living in different cities; and general policies on education that may affect our business. Usually, one would need to carry out market research to understand these differences – it would be helpful to already have research conducted to help inform development of products that are created to suit each market's needs.

Second, we need to form strategic partnerships for access to markets. Forming strategic partnerships generally entails finding partners in new markets who have the distribution pipeline that our product or service needs in order to reach the target customers faster. In our case, this could be a union of teachers or a platform that provides a service to many parents, among others. We once tried reaching out to Kenya's National Union of Teachers to explore a possible partnership when we scale into Kenya. We made some progress, but because they didn't have any technical infrastructure or database that we could connect to remotely, we had to defer the engagement until we have a physical presence in Kenya.

Additionally, there are other important elements that will inform our ability to scale across the continent:

Seamless, cross-border payments: It should be easy for customers in Egypt or Rwanda to pay a business in Nigeria. Recently, a customer from Cameroon wanted to pay us but could not carry out the transaction. Without seamless intra-African payments, businesses like Tuteria, especially those run by young entrepreneurs, may not be able to trade across the continent.

Ease of doing business in a new country: It should be easy and affordable for a Kenyan business to register and commence operations in Nigeria, and vice versa. It would be preferable if this process could be completed online.

Ease of getting entry/business visas: Many countries still maintain restrictions or cumbersome processes to obtain entry visas and residence permits. I remember a South African photographer friend had many difficulties obtaining an entry visa into Nigeria to cover a wedding he was hired for. Obtaining visas should be much easier within Africa.

Access to markets through communities, partnerships and collaboration. Incentives to encourage intra-Africa trade such as initial tax relief, a favourable business environment (e.g. affordable costs of utilities such as power, fuel, data and rent), adequate grants for young entrepreneurs, business-friendly laws (e.g. ease of incorporating business, ease of acquiring any required license), etc. Some countries in Europe and Asia offer grant incentives, easy visa access, office space and other incentives to entrepreneurs in other countries to come set up businesses in their countries.

I believe digitally driven education is the future of learning in Africa. Considering the enormous and probably unattainable number of teachers required in Africa for effective traditional education, new models such as self-learning or the "Flipped Classroom" help Africa achieve its basic education goal.

The flipped classroom model is dependent on the following complementary factors:

1. **Investment into affordable, accessible and stable Internet connection for all. Access to the internet could be made free for students and teachers, or to underserved communities. Children in the most remote communities can still learn from highly experienced teachers.**

2. **EdTech platforms like Tuteria should be empowered to administer some pivotal examinations such as entrance exams so as to reduce the burden of enrolling children in traditional schools before they can progress to higher learning.**

3. **Access to low-end, affordable smart phones customized for learning to enable more students benefit from digital education.**

With the coronavirus disease (COVID 19), we experienced an increase in the adoption of online learning, which I believe is a step in the right direction. This has created many remote learning solutions that were previously rejected by most learners due to high data costs and unstable internet connections. This supports the need for a flipped classroom model.

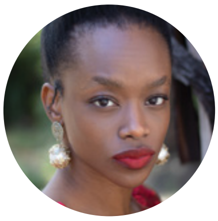
Starting from Q4 2021, we plan to scale Tuteria across Africa, beginning with key markets like South Africa, Kenya, Egypt, Ghana and Rwanda. This will enable us to provide quality learning to more students, create jobs for many more teachers and graduates on the continent, as well as exponentially increase our revenues while making a real impact on the continent.

Godwin Benson is the CEO of Tuteria, the foremost online learning platform in Nigeria. It connects students with competent teachers in any skill or subject nationwide. He is the first Nigerian to win the prestigious Africa Prize, awarded by the Royal Academy of Engineering in the United Kingdom. He has received numerous awards for his contributions to education in Africa, including the Facebook Internet.org Innovation Challenge Award. He is passionate about advancing education and entrepreneurship and attends numerous conferences to speak with students, young people and budding entrepreneurs. He holds a degree in systems engineering from the University of Lagos in Nigeria.

Footnotes

[57] African Regional Integration Index 2020.

CASE STORY



Tendaiishe Chitima
Creative Industries

3.4. Creatively connecting Africa

Distribution of African made content to African audiences

For the African film industry, trade among African countries should be prioritized, especially because Africans are the people who will relate the most to the content we produce. Being from Zimbabwe, where the market for the consumption of film is relatively small compared to other African countries like Nigeria, there is an enormous need for Zimbabwean filmmakers to reach wider audiences. The movement and distribution of content is therefore vital. I remember discussing with some colleagues in Johannesburg about how unfortunate it was that, at times, the films that African filmmakers make, with storylines inspired by ordinary African people, hardly reach these very people. Many well-made African films will travel to festivals around the world before they are shown in and around Africa, if ever. Distribution remains an issue that has stilted the growth of many film industries in Africa, especially in smaller populated countries with harsher economic climates.

In South Africa, there are various platforms that facilitate the trading and distribution of home-made content. The main avenues, DSTV, Showmax (watched across Africa) and around 800 cinema screens across a multicultural, metropolitan diverse population, are not always favourable options for the filmmakers who often have to be content with less than satisfactory deals which may include the forfeiture of rights to their creative and intellectual property. Yet, at the very least, their work gets shown, and because of this exposure, they can build a name for themselves over time. Annual film markets at DISCOP and at festivals in South Africa also assist in trade, not only within Africa, but also with foreign broadcasters and film agents.

In contrast, in Zimbabwe, due to economic turmoil, cinemas have been shut down over the years, with less than a handful remaining open in the entire country. As a result, not only does this make it hard for filmmakers in Zimbabwe to distribute locally, but also, other African films will be less likely to be shown. Consequently, issues around piracy threaten to become prevalent in such cases. Furthermore, before 2020, in order for an African filmmaker not residing in South Africa to attend a film market such as DISCOP, they would have to pay hefty registration, travel and accommodation fees for the duration of the film mart as well as ensure that they have glossy compelling marketing material to distribute their content to potential buyers. All this requires funds that filmmakers hardly have.

Technology is key

Due to the coronavirus disease (COVID-19), this year, DISCOP Africa was held virtually at the end of September through to the end of October with a virtual showroom of curated films and TV shows still available on the website. This meant that the film mart was longer than in previous years when the event was hosted face to face in Johannesburg. Not only does this event hosting model cut costs of attendance, but it also gives access to more filmmakers who previously would not have been able to meet buyers before. This highlights access to digital solutions and platforms. However, many artists from developing countries in Africa are struggling to adapt to online platforms, sometimes because they cannot afford data or WiFi. Lack of access to the Internet for a filmmaker results in lost opportunities and lack of access to webinars, masterclasses and workshops, which have brought many African filmmakers and creative talents together during the COVID-19 pandemic. Going virtual for a profession that mainly works onsite, with cast and crew working face to face, has been difficult, but it has also removed non-physical trade borders. For example, I am currently in dialogue with a Los Angeles-based director who cannot travel to South Africa but will direct me in her short film via virtual calls.

Collaboration and capacity building

Another personal example is how I have been mentored over the years, particularly from Zimbabwean actors living in the United States of America. I often left messages on Facebook, Instagram or emails after researching them online. Each time I got a response, I moved one step closer to realizing my full potential as an actor. This is in fact how I landed my first lead role in a feature film, Cook Off, which is on Netflix. I was hungry for work and without an agent in Zimbabwe to source work for me. I messaged two producers I knew through Facebook, asking them if they had any projects I could collaborate with them on. Collaboration and adaptability will yield the most promising results, which is why it would be important to consider trade not only in its physical form, but also from its virtual and digital potential. Creating functional online communities and digital applications that synergize talent and industries across Africa will be pertinent for future growth. With platforms such as Netflix taking a keen interest in African narratives, it is important that we prepare our filmmakers to adapt to creating content through access to information and opportunities online; then it will be equally important to ensure that our African audiences can access these African narratives online through easier access to WiFi or a cheaper mobile data costs.

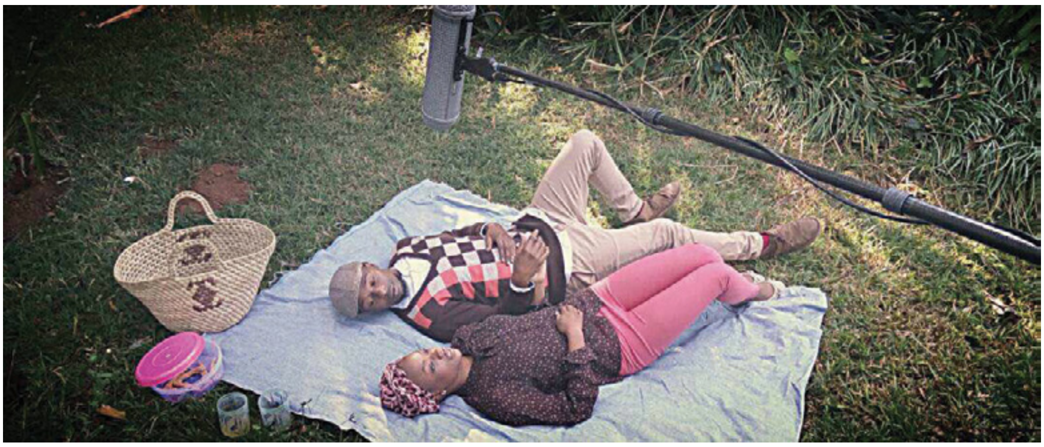
However, suppose Zimbabwean or Zambian filmmakers wanted to make use of the opportunity to distribute through the non-South African content channels on DSTV such as Zambesi Magic, would their content production quality meet the broadcasting giant's criteria? MultiChoice realized that there was a colossal skills gap in South Africa's neighbouring film industries and therefore initiated a film training programme called, Multichoice Talent Factory.

There is a skills gap in training film professionals of all departments. Film production is a collaboration among various artists: directors, actors, writers, musicians/sound designers, make-up artists, costume designers and editors, among others. Improving our training will result in higher standards of production, which in turn will attract funding, and drive growth and stability in our film industries, especially now when there is an increase in global demand for African content – companies like Netflix are streaming African films through their global platform. One of the biggest issues is professionalizing the arts industries by creating structures that develop, protect, monetize and grow the main players in the creative arts ecosystem.

Similarly, for filmmakers, without the access to big budget studios and film sets, they will not be able

Top left photo
Credit: Takunda Hove

Behind the scenes of Cook Off.
Credit: Tendaiishe Chitima



Behind the scenes – making movies in Africa.
Credit: Tendaiishe Chitima

"There may be no better time to use film as a strategy, to take control of Africa's narrative and image by creating cohesive visual art that can be shared across Africa."

to make films of high calibre. Having only a few highly equipped film studios limits scalability and growth. Film schools in Africa need to improve, not just in terms of equipment, but in a culture of innovation and with staff who have been exposed to the highest international standards of filmmaking to train film-makers. Also, there needs to be funding granted to promising African filmmakers to attend the best schools in the world. Additionally, easier access to developed industries and training facilities within Africa will allow filmmakers to rigorously work in a professional environment with some of the best lecturers, theatre practitioners and talent, ultimately refining their craft. If we want to compete at an international level, more of our industries need international standard training, experience and exposure.

Ease of movement and enabling regulation

The ease of movement of cast and crew within the film industries across Africa would be beneficial for productions by possibly opening a wider range of locations for films within our beautiful diverse landscapes. Aiding the movement of capital such as film equipment and gear would also ensure production quality in remote or developing industries in Africa and access to the best equipment for filmmaking. Tax and duty relief on professional film equipment imports will allow filmmakers to acquire the equipment needed for any African film from any African country at lower costs. Additionally, looking into co-production treaties with other countries, within Africa and with other regions, would give incentives for a higher number of international films to be filmed in and around Africa, thereby boosting revenues for other sectors, such as tourism and hospitality. For example, South Africa has a rebate system – The Foreign Film and Television Production and Post-Production Incentive.

Many actors and filmmakers in my local industry, including myself, often work on sets or stages in dire conditions and with shoe-string budgets, electricity cuts, water shortages, and at times, unskilled cast and crew. Moreover, there is a scarcity of managers and agents to represent actors and crew. Actors negotiate for themselves, and due to the lack of representation as well as unions if a production fails to pay you, then you most likely may never get your money. However, as mentioned, if there were systems in place that would allow for ease of movement for experts and professionals, equipment and resources, perhaps the gaps could be filled by those with skills working across the continent.

It is in this context that filmmakers seek to build sustainable careers. Some of the best professionals in Africa decide to leave the continent to live, study and work abroad. Although some return, and others do not, it is important that the film industries in Africa create an environment that is conducive to the growth and retention of filmmakers.

Financing for creative professionals

In order to realize sustainable and inclusive development in film, governments need to assist and collaborate on providing access to education/information, supporting structural organizations such as film commissions and funding bodies, as well as promoting legislation that protects the artist and his/her work. Although there are a few scholarships and fellowships that encourage movement of artists around Africa such as Art Moves Africa and ANT Mobility Fund, they are too few to give exposure to the large numbers of artists all over the continent. More initiatives should be made available. For example, when I studied at University of Cape Town, I looked for African scholarships to help fund my BA in film, media and drama – and there were none. The promising engineer and IT specialist will receive scholarships but who will fund the education of artists and filmmakers in Africa?

I spent most of my ten-year career dreaming of studying an M.F.A. in acting. There are not many institutions that offer such rigorous and globally competitive training across Africa. AFDA is a competitive private film school in South Africa; however, it is expensive, and many aspiring actors and filmmakers cannot afford to learn there. In fact, without much of this training, African actors are generally unable to compete at an international standard, or land some of the most lucrative and influential roles in international film.

Inadequacy of support structures, favourable legal policies and adequate funding has resulted in the “hustle on your own” mentality, which destabilizes standardized pricing of work in the industry, heightens the risks of exploitation of artists and leaves little capital for producing creative, quality films without worrying about bread and butter issues. Due to lack of funding, artists often subsidize their income by taking on other jobs, which restricts time to commit fully to their craft and become the best artists in their fields. Each type of artist needs to be wholly committed to their work in order to be competitive on a global stage.

There are many fellowships offered in the United States, such as Princeton’s Hodder Fellowship or Harvard’s Radcliffe Fellowship, which annually fund creative artists to take a year off from their ordinary work in order to solely focus on creating new, innovative work without the pressure of worrying about how they’ll pay rent each month. These kinds of programmes not only give relief and serenity to the most outstanding artists, but they also ensure that the best work is continuously being produced. Such initiatives would encourage filmmakers, visual artists and creative talents across Africa to apply themselves fully to creating work that pushes boundaries and innovation.

Summary

It is filmmaking, visual arts and storytelling that will help shape and influence not only our own perceptions of Africa, but the world’s perceptions, too. In a research article that I wrote for my MBA, I explored how national brands could be positively built using film and storytelling. With over 50 participants from 22 various countries, African and non-African, I discovered that people not only get their first impression of a place through word of mouth, but more easily on the Internet through the media, photographs, and films/videos. Kenya, Nigeria and South Africa have succeeded in using the creative arts to build positive brands.

I believe that our work, stories and talents are relevant internationally, and it is important that we tap into new spaces and places, especially on the African continent. The stigma around the arts as a professional career path has been slow to fade away. These perceptions often inform the value placed on the work we do as artists.

Often, limited organizational structures and access to skills for most artists working in African countries results in exploitative practices, the lack of standardized productions and low growth rates for the industry. Through the African Continental Free Trade Area, I hope that all of this will be eradicated and that I will be able to collaborate and interact more with filmmakers from north, east and west Africa. Although there is increasing access to content from other parts of the Africa, I am interested in seeing how various film industries throughout Africa can come together to create globally competitive films that can shape our future, enabled through the ease of travel, trade and work around the continent.

Tendaiishe Chitima is a conceptualizer, songwriter, director and actress. She has been involved in musical stage productions and written poems and radio scripts. She landed her first television role in 2016 and starred in the independent film, The Cook Off, for which she won Best Zimbabwean Actress at the 2018 Zimbabwe International Film Festival. She believes in leaving a legacy as well as making an impact in society. She has offered drama workshops for various youth initiatives and worked as a brand ambassador for a youth marketing firm that aims to educate, motivate and inspire young learners across South Africa. She holds an MBA from Wits Business School in South Africa and a BA in film, media, writing and drama from the University of Cape Town.

CASE STORY

Francis Owusu
Technology/Drones/Artificial Intelligence

3.5. Soaring high above the skies with remote sensing technology

Studies have shown that by 2050 around 2.2 billion people could be added to the global population and more than half of this growth will occur in Africa[58]; I am therefore very proud to lead a company that proposes solutions to many problems faced in Africa such as food insecurity and deforestation. SKT Aeroshutter is specialized in optimizing performance through aerial data collection and artificial intelligence for West Africa. We develop and re-design Unmanned Aerial Vehicles (UAVs) and applications dedicated to the African market and have long experience in building and providing drone services. Drones can be used to their full potential in the vast terrains of the African continent. There is a huge growing market demand to utilize drones for commercial applications in relevant industries for construction efficiencies, asset management, maintenance, agriculture, mapping, surveys and research, risk monitoring and claims assessment, safety and security.

With our partners, we aim to contribute to the reforestation of West Africa to restore degraded forests, recreate primary forests and thus to the socio-economic development of rural populations. We aim to further develop our database to obtain accurate information for farmers to make proactive decisions, and our services help to significantly reduce human contact with pesticides and achieve 90 percent of water saved in farming. SKT Aeroshutter has offices in Ghana, Senegal and Côte d'Ivoire, and projects across all West African countries. The African Continental Free Trade Area (AfCFTA) opportunity should enable SKT to easily trade knowledge, move drone equipment across countries without having to endure bureaucratic complexity at each border and the huge, unpredictable, current duty costs.

Challenges experienced trading across Africa's borders

Currently, SKT is facing numerous challenges in moving across different countries of West Africa, as follows:

Whenever we cross the Ghana or Senegal border with our drone material, the custom officers require us to pay duty even though we have the required papers to justify the temporal entry of these materials in the country.

The duty for drone products is often set so high that we are unable to enter countries to implement projects.

The custom officers in some cases behave as if they have won a lottery as soon as they see drone materials. They then do everything to take informal payments from us.

In Ghana, we have had to pay duty for the same drone twice – when we take the same drone out to another country, and back.

In Senegal, we are required to get permission from the Interior Minister before importing a drone; even if it is temporary entry, this process can take up to a year, which entails additional illicit payments to different people in the intermediary offices before having someone working on your file.

From our experience, what we find to be highly unfair and heart-breaking is the fact that many Western companies are being allowed to move across with drone materials more easily. Each SKT entity is locally incorporated, employing nationals, and with our office in France, we also have foreign employees. Very often we see that when our local staff is dealing with local authorities and customs, they encounter many more difficulties than when our foreign employees take over. In the same vein, many foreign companies are given easier access to doing business than our local companies that are striving to operate and employ locally.

When customers order the drone product from SKT Côte d'Ivoire to Cameroon or Nigeria, it is sometimes much costlier to sell the product due to custom duty rules of each local country than it is to sell it directly from Europe or China. For instance, we have been subjected to duty of up to 120 percent in Cameroon, about 48 percent in Ghana, 44 percent in Côte d'Ivoire, and 34 percent in Senegal. These duties are for parts already received and assembled locally for which we have already paid duty at the component level. All of this makes it very difficult to compete with Western companies who do not face the same cost structure.

In sum, it is almost like a business like ours is being encouraged not to follow the rules and procedures because of the complexities encountered each time the border is crossed, and we are discouraged from employing locally due to these complexities. In the case of SKT, many of our competitors are Europeans and mainly French and operating from France; sending people from France with drone materials to carry out projects in Africa is much smoother than doing so from our local entities. When speaking to our French colleagues, we often hear that they can operate due to good working relationships with high ranking officials in the government.

The AfCFTA as a solution to SKT's operational challenges

If the AfCFTA is successfully implemented, SKT and other small and medium-sized enterprises (SMEs) will benefit from:

- having access to cheaper imported products from other African countries;
- better mobility of resources (such as skills, cross-nation movement of expertise, demo equipment, etc.) and faster economic and trade growth in countries;
- increasing cooperation in technology transfer and innovation between our different entities in West Africa. Indeed, we do expect improved interactions between SKT Ghana, SKT Côte d'Ivoire and SKT Senegal with regard to technological transfers, as well as the movement of expert trainers in technical knowledge from Ghana to Senegal. For example, we could have head of research and development based in Côte d'Ivoire while producing or assembling in Ghana and placing the head of sales in Senegal. If moving across countries is made easier, then we will be able to move people and material across borders, and share experience and accelerate technology development. Indeed, we will be able to work across all African regions.
- eliminating the multiple overlapping trade agreements challenges in Africa – different terms and rules complicate trading across borders.

The AfCFTA Agreement will enable us to extend our experience across more borders through opportunities across sectors as follows:

- In the health sector, where we have used drone technology to map and identify all remote hospitals for medical delivery, and mapped all COVID-19 test centres to ensure the delivery of test samples.
- Agriculture is one of the biggest sectors where SKT intends to grow in market share. As a result of the AfCFTA opportunity, SKT will increase knowledge sharing across nations, gain access to cheaper raw material, increase our mission of providing more employment and provide access to youth and women to technology for precision agriculture. Introducing remote sensing and artificial intelligence technologies to the agriculture sector should provide opportunities to farmers to boost their competitiveness, and produce and export higher value-added products.

We have helped numerous small farm holders, particularly women and youth to increase production output and reduce chemical and save water through the use of drone imagery capture, plant health analysis, drone spraying and crop monitoring. We will also continue to provide drone flight trainings to many youth and women in agriculture. Through these trainings, we demonstrate the ease of using drones and remote sensing technology; we invite several women and young graduates to learn to fly drones for agricultural spraying and drones for capturing images free of charge. We also explain the benefit of using the technology in the sector. It has helped to keep youth closer to agriculture and helped them understand the danger of knapsack sprayers to their health.

- In the logistics sector, where we have been helping African industries to reduce millions of dollars lost using their current conventional method of transportation. Together with our partners we use drones to deliver essential parts to remote locations.

The benefits of the AfCFTA are plentiful, but some concerns still need to be addressed:

- There is a potential for theft of intellectual properties due to the lack of laws regulating this phenomenon. The AfCFTA should address this issue in order to protect SMEs that may other

SKG trainee ready to launch a drone!
Credit: Francis Owusu.

SKG drone training with youth.
Credit: Francis Owusu.

wise be reticent to invest in more creative ideas and research.

- Since the Agreement allows businesses from across Africa to enter national markets with low or no tariff barriers, local SMEs may lose some of the market when competitor businesses supply goods and services at lower rates than they do. Appropriate monitoring of trade and support for SMEs are critical to ensure the AfCFTA works for all businesses.

With regard to youth and women, it will be crucial to ensure that the AfCFTA is implemented in a way that translates the changes in trade into inclusive gains that can be felt on the ground. If some of the barriers to trade by small businesses in general, and youth and women in particular, are not addressed, business owners may continue to struggle to trade internationally. The benefits in terms of reducing barriers should not be only for formal trade, but rather, should also be for operators that will continue to trade in the informal space. Hence, the AfCFTA should specifically help to normalize the informal economy by reducing barriers to business that may be expensive for these informal traders.

Furthermore, specific attention should be paid to current inequalities that force women to be concentrated in subsistence farming and goods intended for local markets while men dominate the production of export cash crops.

All types of Aid for Trade programmes should account for the empowerment of women and youth. In particular, these programmes should aim to indirectly have a positive impact on women and youth by removing barriers to trade that affect them disproportionately, or by focusing on sectors or areas with a large concentration of women or youth.

Finally, to fully capitalize on the opportunity for SMEs, resources and support should be made available to help women and youth access a drone service in the agriculture sector across the region. This technology will help them reduce chemical inputs, save water and keep their health intact from the danger of the use of chemicals. SMEs should be encouraged to fully settle in the free trade area, recruit their employees and obtain customers, and deploy special campaigns at each border to raise awareness among, and inform, customs officers on this free trade, and ensure that the correct practices are put in action to avoid additional illicit payment requests by custom officers.

Francis Owusu has nearly 20 years of experience with quality management in the automotive, aerospace, oil and gas, construction machinery and heavy industries. He specializes in start-up, improvement and turnaround management. He is the CEO of SKT Aeroshutter, a licensed drone operator headquartered in Ghana that specializes in data acquisition for specialized industries in Africa. He is also the CEO of Quality Tracking, which provides quality management, quality engineering and project management services to businesses. He holds an MSc in mechanical engineering from Sheffield Hallam University, United Kingdom.

Footnotes

[58] AfDB, 2018.

References

African Development Bank (AfDB) (2018). Jobs for Youth in Africa. Available at www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Brochure_Job_Africa-En.pdf

INTRODUCTION

Silver Ojakol
former Chief Negotiator of Uganda and former Chair of the AfCFTA Negotiation Forum

4

Unlocking and Scaling Innovation, Enterprise and Growth through the AfCFTA Protocol on Trade in Goods

4.1. Unleashing Africa's productive capacities and structural economic transformation through the AfCFTA Protocol on Trade in Goods

The economic integration of Africa has always been imperative. The 55 countries that make up the continent are highly fragmented and have small and individually weak economies, with the exception of Algeria, Egypt, Nigeria and South Africa. Additionally, 34 of these countries are classified as least developed countries (LDCs) with low levels of income and lower scores on the human development index.

These small, fragmented and weak countries cannot support large-scale production on their own and therefore do not attract meaningful investment. Thus, the overarching objective of the Protocol on Trade in Goods of the African Continental Free Trade Area (AfCFTA) is to 'create a liberalized market' with the specific objective of boosting intra-African trade. States parties have agreed to eliminate tariffs on 90 percent of products over a 10-year period for LDCs and a 5-year period for non-LDCs. Tariffs will be reduced on 7 percent of 'sensitive' products and maintained on 3 percent of 'excluded' products. The Protocol is the culmination of aspirations for African integration dating back to 1963, in the founding of the Organization of African Unity (now the African Union), and will achieve the objectives set forth in the Abuja Treaty.

Concerns in the negotiations: Forging the AfCFTA Protocol on Trade in Goods
From the beginning of negotiations, there were a number of concerns, including the impact of liberalization on government revenue and domestic producers in the face of import surges and unfair trade practices such as dumping and subsidies. Governments also expressed concern about the vulnerability of African economies and the possible erosion of AfCFTA benefits resulting from the trans-shipment of non-originating products, to the detriment of African producers. In addition, there were fears of a possible increase in the use of non-tariff barriers (which may include standards and technical regulations) to curtail imports from State parties to the Agreement. With a multiplicity of currencies, payment systems were also a matter of concern, particularly for small and medium sized enterprises (SMEs).

These challenges impact businesses of varying levels of activity and size; however, negotiators were concerned that the impacts on SMEs would be magnified. SMEs involved in cross-border trade are usually led by women or youth, who are perpetually suspected of smuggling.

Nevertheless, many, if not all of these concerns were addressed in the Agreement and its Protocols or through other initiatives. For example, the Agreement includes a protection provision for infant industries. The African Export-Import Bank has created an adjustment facility and a Pan-African Payment and Settlement System. There is also a legal framework for trade remedies. It is now up to Governments to implement the relevant legal frameworks and initiatives.

Negotiators constantly recalled the need to exercise as much flexibility as possible in creating an environment in which the private sector could operate efficiently. Within the AfCFTA framework, there is room to develop or replicate some of the programmes and best practices from regional economic communities in order to boost intra-Africa trade.

One such area is the promotion of cross-border trade for SMEs. While usually classified as 'informal', this type of trade can constitute a significant portion of a country's cross-border trade and encompass a range of products, from agriculture to manufacturing and from wholly originating to re-exports. The products' destinations are not just border areas, but farther afield. For example, products of West African origin are being traded in the border areas of the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The contribution of cross-border trade by SMEs is significant and should be harnessed. In recognizing this fact, policymakers in COMESA and EAC developed and implemented a Simplified Trade Regime, which streamlines trade requirements for small cross-border traders. The Regime is highly successful and could be replicated across the continent.

Summary

Africa is on the verge of AfCFTA trading, set to begin in January 2021. State parties must urgently conclude the tariff schedules for trade in goods; harmonize customs and border procedures and processes; align standards, technical regulations and sanitary and phytosanitary measures; and adopt the non-tariff barriers reporting, monitoring and elimination mechanism.

The creation of a unified and liberalized African market brings predictability to the investment and trading environment. Large, accessible and predictable markets attract investment to support the production, value addition and trade of goods, services and assets. They also generate income, create jobs, encourage specialization and efficiency, and support the exploitation of economic gains along the value chain, all of which will bring about the structural transformation of African economies. In addition, peace and security will be improved throughout the continent by engaging people in gainful economic activities. As such, the AfCFTA will contribute to fulfilling public policy objectives and the aspirations contained in the Agenda 2063 of the African Union and the 2030 Agenda for Sustainable Development.

This section explores the transformational power and promise of the AfCFTA through three case stories. Ada Osakwe's business exemplifies the farm-to-table model for reducing food waste, adding value to agricultural produce and scaling businesses in the food sector. Iriya Jona demonstrates how biodiversity can reduce production costs in the agricultural and cosmetic industries, alongside Vidal Kenmoe who explains his sourcing and production processes in the leather value chain to craft custom-made shoes for the fashion industry.

Silver Ojakol is a trade policy adviser and trade economist who specializes in national, bilateral, regional and multilateral trade policy and development. He participated in the negotiations for the Treaty establishing the Common Market for Eastern and Southern Africa and has been active in ensuring the implementation of COMESA programmes in Uganda and in the region. He has been at the forefront of efforts in Uganda to eliminate non-tariff barriers to trade and establish the Electronic Single Window. During the AfCFTA negotiations, he served as Chief Technical Negotiator for Uganda and as Chairperson of the AfCFTA Negotiating Forum. He holds an MB in international trade from Victoria University in Australia.

Footnotes

[59] Economic Commission for Africa and African Union Commission, 2020, p. 4.

References

Economic Commission for Africa and African Union Commission (2020). African Continental Free Trade Area: Updated Questions and Answers.

CASE STORY

Ada Osakwe
Agriculture/Retail

4.2. Connecting Africa's food systems, from farm to table

Food and agriculture continues to be the heartbeat of Africa, employing approximately 53 percent of the workforce, of whom 70 percent are women.[60 61] And so it is unfortunate to see so many African farmers living in abject poverty. The low farm yields, limited value-addition to produce, dearth of technical expertise in farming and agro-processing, and the challenging market access opportunities all contribute to this dire reality, holding the continent back from a multi-trillion-dollar market potential. We can and must do things differently to ensure that we are food-sufficient and generate the wealth from our lands that our people deserve.

According to the African Development Bank, Africa's net food import bill from other continents is as high as US$35.4 billion.[62] Indeed, Africa's available market for the food and agriculture opportunity is undeniably large, given its average population growth rate of 2.5 percent between 2015 and 2020, which is more than double the global average of 1.1 percent[63]. Hence, the high import bill is money that should instead be going to domestic farmers and other operators across the continent's entire large food system.

In an interesting twist, the coronavirus disease (COVID 19) pandemic, by disrupting international supply chains, has created an opportunity for Africans to look inwards to ensure that the food they consume is actually grown, produced and sold on African soils – from farm to table, a model that guarantees that healthier, more nutritious foods are consumed. Indeed, this development is a silver lining that, if managed properly, is a solution that can contribute to ensuring the food security and wealth-creation desperately needed for millions of Africans.

Developing a taste for farm-to-table African agriculture

It is for this reason that I am particularly excited about the potential of the farm-to-table business model in providing sustainable benefits to agribusinesses across Africa, given the direct link between local farmers and final consumers. I have seen this potential realized first-hand, through the Nuli Juice Company ('Nuli'), a farm-to-table fruit and vegetable juice manufacturer and healthy café brand that I launched in Nigeria. Nuli was created out of my urge to demonstrate that creating a high-quality food brand from local agriculture was possible. After years in the private sector, in 2012 I joined the Nigerian Government as a Senior Investment Advisor to the Minister of Agriculture. During my three and a half years in this role, I learned that my country, Nigeria, was spending over US$12 billion on the importation of staple food crops such as rice and wheat, making us highly food-insecure. It was interesting to note that there was an opportunity to grow these crops right here, on our own lands. And so I dug deeper.

With my investor hat on, I began to understand the vast commercial opportunity of bringing this production to our own soil, and at top scale. Indeed, why should we be importing fruit juice concentrate from Europe when we were Africa's largest producer of juicy pineapples and the second largest of citrus fruits like oranges?

I recognized that government and development agencies had worked extensively to improve yields to increase farmers' agricultural output, but limited consideration was given to how they would sell what they harvest. Consequently, farmers ended up increasing yields and harvests, but not having anyone to sell to, resulting in significant food waste and a vicious cycle of poverty. Research shows that in sub-Saharan Africa, 30–50 percent of agricultural output is lost post-harvest in part due to limited access to markets by farmers.[64] Ultimately, post-harvest losses counteract the positive impact of these decades-old, yield-enhancement programmes.

Hence, through my work as an agribusiness and food entrepreneur, I have demonstrated that the key is not to just improve yields and expand production, but to ensure that there is a consistent, sustainable uptake for this in the domestic market, either through the local factories that process them into semi-finished raw-materials for large food product manufacturers, or through the retailers that sell them to household consumers, or even the restaurant chefs who use them for their recipes. I became obsessed with creating these commercially viable avenues for locally grown agriculture produce, investing in companies that were buying from Nigerian farmers to process and add value to agriculture, and in 2015, deciding to build a company to do this myself. As a result, we were directly contributing to creating a sustainable demand for farmers' fresh produce, and because we were staying local, this also ensured that we had a shorter supply chain, allowing for greater inclusion, sustainability and nutritional value in our food system. By adding value to this produce in the form of our products, we were building a local food brand, thereby creating a consistent, dependable market for local farm produce. My philosophy was simple: our success is a farmer's success, too. We are determined to turn poverty to wealth.

In 2019, my small, Lagos-based company purchased approximately 232,000 kg of raw fruits and vegetables from Nigerian farmers, using them to make all-natural fruit juices sold across the city's major supermarkets, and to produce the healthy foods it serves to consumers at its restaurants.

The African Continental Free Trade Area (AfCFTA): Opening up African agriculture markets in significant ways

There are three main advantages to Nuli's farm-to-table business model that make it compelling for the AfCFTA. First, we have stabilized the income and reduced the food waste of its supplying local farmers, directly contributing to creating sustainable demand for their fresh produce. Second, because we stay local, we have a shorter supply chain, allowing for greater inclusion, sustainability and healthier nutritional value in our company's food system. Third, we optimize our profits through domestic purchases of agriculture harvests that are cheaper than expensive imports.

Ultimately, for African nations, the benefit of buying the agricultural produce locally directly reduces our nations' food import bills. More importantly, in Africa, we will be able to utilize local agriculture inputs to produce food and beverage products that can begin to compete globally, ensuring that African economies obtain a share of the US$7.4 trillion global food industry.5 Imagine Ivorian chocolates sold in Italy's coffee-shops, or Nigerian cassava flour sold in Singaporean supermarkets. When this happens, incomes will rise, and wealth is created as our local food systems become integrated into a larger, more sophisticated, lucrative global opportunity.

This is why the AfCFTA is significant, as opening up Africa's markets is a start to realizing this audacious vision and will be a game-changer for value-added agribusinesses like ours. This can play out in the form of innovative cross-border partnership approaches, like franchises or joint venture agreements across the continent. Currently, South Africa leads the way with the number of its companies that franchise to other countries in Africa. By creating these scale opportunities for existing high-impact agribusiness models to be replicated in other African countries, lucrative business opportunities for more young Africans are guaranteed to emerge.

The AfCFTA: a potential for breaking down existing barriers to intra-African agri-food trade

The need for intra-African cross-border trade in food cannot be overemphasized. In the European Union, intra-EU trade of agri-food products represents 72.7 percent. In sharp contrast, trade of food products within African countries accounts for a meagre 13 percent of total trade, dominated by small-scale maize, tea, tobacco, palm oil and sugar traders, as opposed to large-scale food conglomerates. The African countries that lead the way are South Africa, the major exporter and importer in the inter-African trade segment, followed by Egypt, Uganda, Kenya and Libya.[65]

Some of the main reasons for the low cross-border trade in food and agriculture are a lack of adequate transport infrastructure such as highways and trains, high trade tariffs, restrictive non-tariff measures and a lack of technical expertise and skills. These challenges pose a significant obstacle to the achievement of an intra-African trade bloc since they limit the movement of goods. Improved road networks, increased storage facilities and fewer checkpoints on major transit routes could alleviate the infrastructural challenges faced, and reduce the travel delays and wastage of food products. Cross-border trade of value-added agricultural

Nuli store.
Credit: Ada Osakwe.

products is even lower than that of food products in Africa despite the growing focus on value addition by small and medium-sized enterprises (SMEs) across the continent. High costs of doing business, limited access to finance and restrictive regulations continue to limit the impact that SMEs have on value addition in the sector.[66]

The AfCFTA: A ripe opportunity to scale farm-to-table business models

It is my hope that the AfCFTA will play a role in improving intra-African trade of both primary agriculture produce and value-added food products. It should coordinate the activities of regional programmes to implement infrastructure projects, support the elimination of tariffs and non-tariff measures for intra-African trade, and provide technical assistance to traders. It should also encourage the development of cold-storage hubs at major air and road border points to facilitate the movement of agricultural products. I envisage the AfCFTA encouraging small-scale traders to formalize their practices, increasing their trade volumes and overall intra-African trade in agriculture. Working together with private sector agribusinesses across Africa to develop enabling policies could be beneficial to ensuring that measures put in place not only work, but are sustainable.

As mentioned above, the prospect of increased cross-border agricultural trade in Africa creates an avenue for the regional expansion of agri-businesses such as Nuli to massively scale their operational advantages. The AfCFTA's eased trading terms across African countries will pave the way for the relaxation of other restrictions that limit the movement of these businesses across borders, restrictions such as the high foreign investment fees that countries like Ghana charge. Expansion could then be achieved through partnerships with local agribusiness experts, local investors, local farmers, or farmers' associations to leverage their knowledge of the countries. For example, in 2019, Vivo Energy, the distributor of Shell and Engen petroleum products in Africa, entered a joint venture with Kuku Foods, an East African franchisee of KFC, to expand further in Kenya, Uganda and Rwanda.[66] Imagine if this were, instead, an indigenous African food brand that sources all of its produce from African farmers scaled across the continent in this way. Further incentives from the AfCFTA such as tax subsidies for sourcing products locally could encourage businesses to explore such expansion opportunities. The AfCFTA should lead to governments and other regulatory bodies across the continent developing such incentives for SMEs. Ultimately, increased revenue, wider brand recognition and an enabling business environment are all elements to motivate any agribusiness owner to expand into another country on the continent. The AfCFTA will make this possible.

It is my firm belief that the farm-to-table model for agro-processing in Africa has the potential to revolutionize the agricultural sector and facilitate a deeper, more impactful intra-African trade of agricultural products. Through the AfCFTA, we will be able to link millions of farmers to direct local consumers in several countries across the continent while empowering Africa's youth to build indigenous food businesses through lasting home-grown partnerships.

Ada Osakwe is an award-winning food entrepreneur, investor and passionate advocate for African development. She is the Founder of Agrolay Ventures, an investment firm focusing on early stage innovative food companies in Africa. She is also the Founder and Chief Executive of the Nuli Juice Company, a farm-to-table beverage producer in Nigeria. She is a Young Global Leader of the World Economic Forum and an African Leadership Institute Tutu Fellow. Ada is a renowned authority on private sector investing in Africa's agribusiness sector and holds a number of advisory roles in non-profit organizations and companies that support young African agripreneurs. She holds an MBA from Northwestern University in the United States of America and an MSc in economics and finance from the University of Warwick in the United Kingdom.

Footnotes

[60] Employment in agriculture (% of total employment) (modeled ILO estimate) – sub-Saharan Africa. Source: World Bank, 2019.
[61] AU NEPAD, 2017.
[62] The net food import bill was US$35.4 billion in 2015 and is expected to get to US$110 billion by 2025 (AfDB, n.d.).
[63] United Nations Department of Economic and Social Affairs, 2019.
[64] Deloitte, 2015.
[65] Deloitte, 2015.
[66] Statista, 2019.
[67] Statista, 2019.

References

African Development Bank (n.d.). Feed Africa. The High 5s for transforming Africa. Abidjan. Available at www.afdb.org/en/the-high-5/feed-africa

African Union New Partnership for Africa's Development (NEPAD) (2017). Agriculture in Africa: Transformation and outlook. Nairobi: NEPAD. Available at www.nepad.org/caadp/publication/agriculture-africa-transformation-and-outlook

Deloitte. (2015). Reducing Food Loss Along African Agricultural Value Chains. London. Available at www2.deloitte.com/content/dam/Deloitte/za/Documents/consumer-

United Nations Department of Economic and Social Affairs (2019). Population Dynamics. New York: World Population Prospects.

Statista (2019). Nigeria - Statistics & Facts. 14 February 2019 www.statista.com/topics/2386/nigeria/business/ZA_FL1_ReducingFoodLossAlongAfricanAgriculturalValueChains.pdf

Tralac (2018). Intra-Africa agricultural trade – An overview Annual Conference 2018. PP presentation by Willemien Viljoen.

Vivo Energy (2019). Formation of Joint Venture to Accelerate Growth of KFC Franchise Portfolio in East Africa,". Available at www.vivoenergy.com/Media-Centre/Press-Releases/Details/Formation-of-Joint-Venture-to-Accelerate-Growth-of-KFC-Franchise-Portfolio-in-East-Africa

World Bank (2019). Employment in agriculture (% of total employment) (modeled ILO estimate) - Sub-Saharan Africa. Washington D.C. Available at https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=ZG

CASE STORY

Iriya Jona
Agriculture, Production

4.3. Harnessing biodiversity for sustainable agro-processing

Namibia produces about 90,000 metric tonnes of kelp seaweed annually, because its marine environment is located within the Benguela Upwelling system, which is one of the most productive systems in the world. Currently, fishing and diamond mining activities dominate the marine sector in Namibia. While these are important, it is also critical that other marine resources are fully utilized. As many people start to venture into poultry farming in Namibia, the supply of feed is monopolized, which gives rise to market barriers for emerging farmers in the form of high production costs. Furthermore, harsh climatic conditions cause long drought spells and subsequently, due to an inability to farm with the necessary inputs on a large scale needed to produce chicken feed, there is a high dependency on imports. However, there is another resource which could be incorporated into feed, which are currently overlooked because they are considered litter. The resource in question is seaweed.

Nam-Oceanic Kelp Production Enterprise (Nam-Kelp) is focused on seaweed farming and processing. Currently, we strengthen the agriculture industry in Namibia by producing poultry feed and animal feed supplements from marine resources. The long-term plan is to supply seaweed as food, fertilizer and alginate extraction to supply the African market. We believe that this will help to reduce the market price of poultry feed as well as the amount of inputs currently imported. In alignment with the national industrialization policy's objective on import substitution, Nam-Kelp's goal is to reduce the import of poultry feed inputs by at least 40 percent in the next few years.

Similarly, we have dairy farms and companies like Namibia Dairies that manufacture cultured milk products and are always in need of thickening agents, which are currently imported from either Europe or Asia due to the limited production in Africa. Furthermore, seaweed contains the same properties that make phosphate a decent fertilizer but its extraction does not present the same environmental concerns as phosphate mining. It is possible to extract alginate, use the seaweed to produce biogas and supply 100 percent organic liquid fertilizer without harming our marine environment. Seaweed is the green option for sourcing fertilizer from Namibia's coastline.

Opportunity in the AfCFTA for Nam-Kelp Enterprise

Through the AfCFTA, Nam-Kelp will increase its ability to produce, and by extension, its ability to trade. Many countries in Africa are able to produce their own animal feed; however, dry, arid countries like Namibia are the exception. This presents an opportunity for intra-continental collaboration: we can source the protein ingredients (e.g. soybeans) from fertile regions within the continent and then combine them with the seaweed to produce animal feed at an affordable price. The seaweed we collect from the Namibian coast will be used to strengthen the African agricultural industries.

Nam-Kelp contributes to Namibia's industrialization Growth at Home strategy, as we will also be farming with seaweed to produce fertilizer and extract all the four alginates that are used as thickening agents in yoghurts, ice-cream and toothpaste. Since seaweed can also be used to strengthen the pharmaceuticals and cosmetics industry, it provides an opportunity for us to tap into the African market with these products, which are often imported from Asia and Europe. There is great opportunity, not only for our business, but also for other countries with coastlines that have not yet tapped into seaweed farming. I believe that seaweed has multiple uses, and many African countries can benefit.

This is also a great major opportunity for many businesses to collaborate towards a common

Iriya Jona harvesting seaweed.
Credit: Iriya Jona

Namkelp packaged seaweed as feed for animals.
Credit: Iriya Jona

> **"The starting point to succeed in the African market is a business model with a regional lens"**

goal: just as Nam-Kelp will need support with the supply of other ingredients for feed, many other businesses will benefit from our seaweed. Many Africans are venturing into the cosmetics industry, and according to the literature,[68] kelp seaweed has many good qualities for skin care. However, not all countries have access to kelp, especially landlocked countries, and Namibia lacks ingredients such as Moringa needed for cosmetics products, which some countries have. Therefore, we trade among each other and form beneficial business relationships.

We Africans are used to acting on our indigenous knowledge. I see this as an opportunity, therefore, for different people to come together, learn from one another and become better at what we do through knowledge sharing.

The AfCFTA: A boost for Africa's development

The AfCFTA creates a bigger market space through the opportunity to trade within the region. As a result, new business agreements will be formed, new technology will be shared in the region in faster and easier ways, and knowledge and skills will be exchanged between individuals from all over Africa.

As we start to farm with seaweed, all the coastal countries that are not farming seaweed can learn and start the venture as well. Seaweed is climate-resilient and has multiple uses. When other countries see how we harness seaweed, this can bring change, create jobs and generate income. This change can help to contribute towards the development of that nation. Currently, not many countries are seaweed farming on a large scale, and we would like that to change.

Countries like Namibia, whose population is too small to support different businesses, will have the opportunity to trade within the African continent. Thus, many businesses will have access to a much broader market, which will help to enhance sales and scale their businesses.

Maximizing opportunity in the AfCFTA

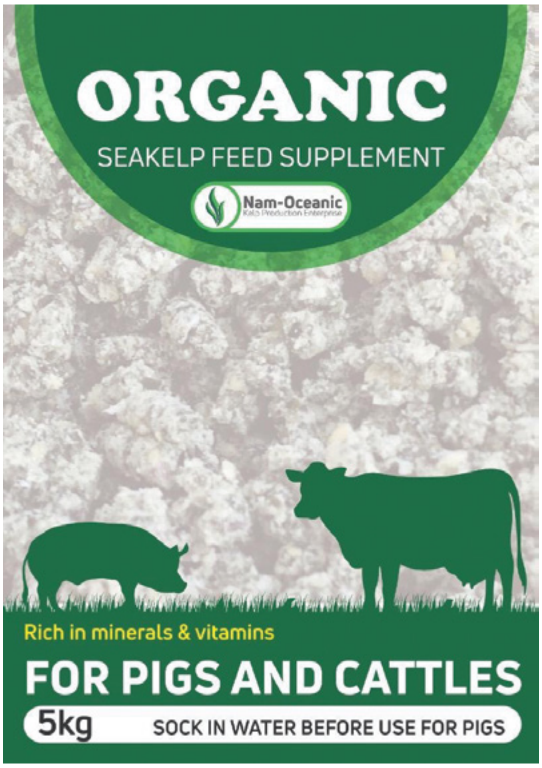
In my opinion, the starting point to succeed in the African market is a business model with a regional lens. Also needed are; knowledge of other markets, working through partners and adequate supply of goods to and within the region, understanding the laws and regulations in place within the target country, and production according to various market preferences. Furthermore, we are ready to compete with products from other businesses from different countries, and we make products of best quality.

However, small and medium-sized enterprises like Nam-Kelp Enterprise will need access to information. Platforms for cross-border trade need to be introduced, which will show the costs and rules involved in trading across the borders, and I believe that state institutions can assist to facilitate these platforms. This will support us as we endeavour to follow the packaging rules, for easy traceability and to meet the quality standards.

The AfCFTA: Creating Africa's future

I believe that the AfCFTA will be a wake-up call for most people in different countries. Operating within our national space has made people reluctant and not solution-oriented, but now, we will be forced to keep up with the trends and capitalize on own capacity. It is well known that competition enhances efficiency, which results in many positive impacts, such as lower prices, better quality of products and more variety for consumers. I believe we are going to unleash the goodness of competition when the AfCFTA market is operational. Africa is rich in resources, but we have to add value to them to avoid exporting them as raw resources. Value addition will help create jobs, promote innovation and boost our economies. We will become a self-sustainable region, and finally become United States of Africa. We can harness African resources to make African finished products, for Africa and the world.

Iriya Jona is an innovative agripreneur from Namibia. She is the Co-founder of Nam-Oceanic Kelp Production Enterprise, a company working to process seaweed into animal feed supplements. In her view, marine resources in Namibia, like seaweed, are abundant and abandoned, hence there is a need to add value to them and ensure that they contribute to the economy's revival. She plans to apply the leadership skills that she has acquired on her entrepreneurial journey to growing her seaweed production business and becoming well-established. She holds a bachelor's degree in fisheries and aquatic science.



Namkelp processed seaweed for pigs and cattle.
Credit: Iriya Jona

Namibian seaweed harvested, before processing.
Credit: Iriya Jona

Footnotes

[68] Hope, 2019; NANCi, n.d.

References

Hope, Christopher. (2019). Democracy Report. Growth at home Four years on: The need for better industrial policy implementation. Special Briefing Report No. 27. Available at https://ippr.org.na/wp-content/uploads/2019/06/GrowthAtHome_WEB.pdf

NANCi (n.d.). NANCi aims at developing and promoting an inclusive, diversified, profitable and vibrant health and beauty industry in Nambia. Available at https://nanci.biz

CASE STORY

Vidal Kenmoe
Leather/Fashion

4.4. Crafting the shoes, pounding these African streets

It was always my dream to make my own shoes and trainers. I undertook an initial three-month shoemaking course in 2013 as part of the British Army Resettlement Programme for Veterans which offers soldiers the opportunity to learn a civilian trade that they can practise after retirement from the ranks. Thereafter, I continued enhancing my skills and delving into the area of handmade, bespoke shoes.

I left the British Army after 4 years of service as a Combat Infantryman, and decided to move back to my home country of Cameroon in 2015. Working as an aircraft mechanic for the Cameroon Special Forces (the Air Squadron), I met many influential people who were fond of handmade shoes. I never hesitated to ask whether I could make shoes for them. Some of them said yes, and that's how Shoes by Vidal saw the light of day in September 2016 without a business plan or any idea of how it would turn out. I was doing it purely out of passion and love for shoes.

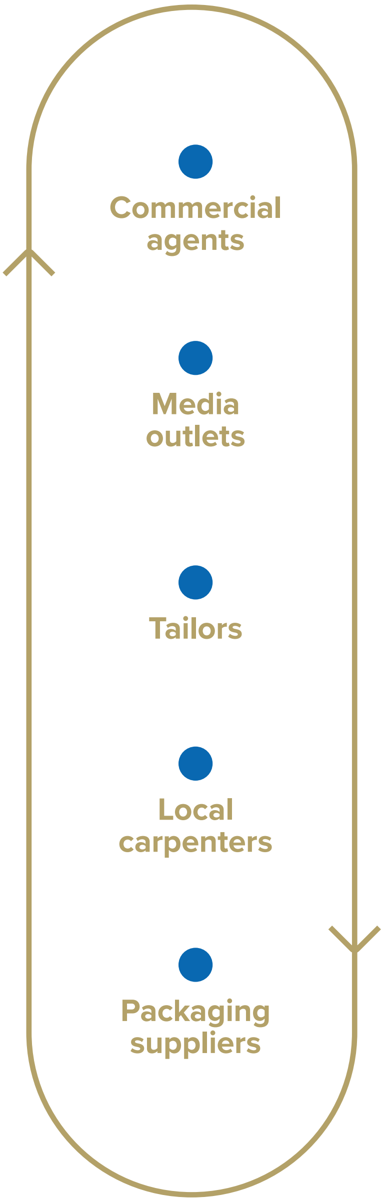
The word about my business spread very quickly and it became a renowned small and medium-sized enterprise (SME) in Cameroon. I started alone but I now employ nine staff on a full-time basis: a marketing and communication director, a shoes last manufacturer, a hand painter, a courier, four shoemakers and a designer. I have been fortunate to work with the very same team from the genesis of Shoes by Vidal (aged between 26 and 35).

At the beginning, we only made leather shoes (for both males and females), but by popular demand we started making leather sandals as well. Our business has been running smoothly since its start with sales tripling between 2016 and now (2020) although we still don't own a store. The sales are solely online. This year we're looking to open our very first store in a mall in Douala. It'll be a trial.

Producing custom-made shoes in Cameroon
We decided to base our production facility in Cameroon. Typically, we produce orders within a week. Customers contact us on social media (Instagram, Facebook, Twitter, WhatsApp or Email) and send us a picture of the shoes and/or sandals he/she needs. Most of my customers – around 70 percent are female, purchasing shoes for men (colleagues, husbands, boyfriends, fathers, brothers). Very few men buy shoes for themselves. The other 30 percent are male customers who are shoe lovers with some particular requests such as for patina, bespoke shoes, and shoes for elderly people with special needs such as disabilities and nerve issues.

The shoes produced are based on a design taken from our online store (www.shoesbyvidal.com) or custom-made. We confirm the feasibility of making the shoes based on the material and shoe lasts available. The customer then pays via OrangeMoney or PayPal (50% upfront and the rest at delivery). Once the payment is made (50%) the customer is invited to our workshop in the city centre of Douala for sizing and fittings. For those living abroad, we either request their ready-to-wear size or show them remotely how to take their own size, which is simple and fast.

All the materials for shoemaking from start to finish are purchased locally, although all of it comes from overseas (Nigeria, China and Germany), which is surprising considering the amount of cow skins available from slaughter houses. Indeed, it's about time that a tannery is opened in Cameroon, as there is a relatively large leather market in Douala, and the demand keeps increasing. Young entrepreneurs like myself use leather for shoemaking, leather goods (handbags) and sofas. These leather-based businesses interact with many third party partners such as packaging suppliers (for shoes boxes, wrapping papers), local carpenters (producing



Finished custom shoe by Shoes by Vidal.
Credit: Vidal Kenmoe

shoes horns for us), tailors (canvas shoes bags), media outlets (publicity) and commercial agents. We have a positive impact on the local economy.

The challenge of sourcing inputs
The biggest unresolved problem to date is the poor quality of the leather available here. Leather merchants bring the leftovers from other countries (Nigeria or Europe) from which we can choose. Therefore, when a pair of shoes isn't 100 percent good quality, customers complain about the material but not about faults in the production, and there's nothing we can do about it. The poor quality of the material dampens all our efforts to produce A+ grade type of shoes. I believe there is a great deal of potential for growth in Africa because of the tanneries in Morocco, Kenya, and Madagascar. They are many shoemakers in Cameroon and in the neighbouring countries, but sourcing of raw material is not always easy, which considerably limits quality and volume production, and affects growth of enterprises.

Also, since the raw leather that we source comes in small sheets, it is difficult to produce a proper collection of shoes. From a standard sized sheet of leather, we can produce four to five pairs of shoes and when people ask for more, we cannot satisfy them. Customers have been asking us to produce leather belts for years, which is difficult (not to say impossible) since the sheets of leather we buy at the local market are not wide, big or long enough to cut belt from. This limits our growth and expansion, and keeps us paces behind European and Asian markets.

Another serious issue is the lack of shoe lasts manufacturers here. I am unaware of any in the whole of Africa. While searching, the only ones I've found are either in Italy or China. Shoe lasts are the core of our job; there are no shoes without them. Shoe lasts are the most important in shoemaking. They can be made of wood or plastic. It would be good to find a solution to this major production issue.

Selling across borders in the African Continental Free Trade Area (AfCFTA)

With at least one sale per week to Europe (France mainly), compared to one a month across Africa, Europe has been dominating our cross-border sales since inception. Since last year, DHL has made is easier for young entrepreneurs with a new incentive they call ‘e-commerce partnership’, where SMEs benefit from a 50 percent discount on shipping. This opportunity has increased our sales to the world. It sometimes costs less to send a pair of shoes to France or elsewhere than to send the same pair inside Cameroon with local couriers. Businesses need more exposure to participate in the African market and lower cross-border charges (shipping and customs fees) within Africa in order to facilitate expansion.

I look forward to the AfCFTA as Shoes by Vidal already has customers in some African countries. The continental market will make it possible to have customers in many more countries. Shoes by Vidal will be delighted to expand not only sales, but even operations across Africa wherever we will be welcome. Kenya could be a good market since they have some tanneries. The ultimate goal is to have production lines in various countries wherever leather is available. The Democratic Republic of the Congo would be a good market to start with in the expansion-they are very fashion savvy.

The continental market is a huge opportunity. Businesses need good communication skills and branding in order to be more attractive to diverse customers. The AfCFTA market opportunity can definitely have an enormous economic impact on countries that will benefit from it, by creating jobs, giving a positive image of Africa to the world, and consequently drawing interest from other regions.

To successfully participate in the African market, businesses such as mine will need to create unique pieces of work, irrespective of the sector they operate in, that truly reflects the creativity of Africa, its landscape, history and background. African businesses should tell a story of Africa through their work instead of just duplicating others and labelling it "Made in Africa" simply because it was manufactured here.

My vision for the future is to see Shoes by Vidal increasingly grow and employ more youth, and to give back more to the country that has given me a lot. I could create, for example, a shoemaking school, especially because many customers have asked me to train them. Easy access to shoemaking tools and material (leather, gum, soles, heels, shoe lasts, machinery, etc.) is the pre-requisite for a larger market. Skilled labourers are essential to expansion, allowing to respond to the demand while keeping the same quality and standards of the craft.

Vidal Kenmoe is an entrepreneur and shoe designer. He enlisted in the army in the United Kingdom and was deployed to Cyprus, Northern Ireland and Afghanistan. He took advantage of the army’s reintegration programme for veterans and chose to pursue his lifelong passion for footwear. He trained as a bootmaker in Derby before returning to Cameroon, where he founded Shoes by Vidal in 2016. His custom, handmade shoes are lauded for their beauty and have redefined affordable luxury. He also holds a master's degree in aerospace engineering.


SUSTAINABLE DEVELOPMENT GOALS
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

INTRODUCTION

Cleopatra Phiri-Hurungo
UNDP

5

Realizing the Promise of the AfCFTA for Women and Youth

5.1. Gender equality and opportunities for youth in the AfCFTA

Beyond trade, the African Continental Free Trade Area (AfCFTA) Agreement explicitly seeks the development of Africa's people. The preamble of the Agreement underscores the importance of gender equality for the development of international trade and economic cooperation in the region. Under article 3(e), one of the general objectives aims to "promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation". Article 27.2(d) of the Protocol on Trade in Services also makes explicit reference to improving the export capacity of formal and informal service suppliers, with particular attention to micro-, small- and medium-sized operators and "women and youth service suppliers".[69] These provisions clearly demonstrate the commitment of African countries to gender equality, women empowerment and youth development. As a result, the AfCFTA is expected to create new trading and entrepreneurial opportunities for women in the formal and informal economy across various sectors, including agriculture, manufacturing and services sectors.

The benefits under the Agreement for women and youth are not automatic, and there must be a better understanding of what is required at the national and regional levels to enhance economic opportunities for women. Although trade can serve as a catalyst to promote greater gender equality, it is not gender neutral. Women and men are impacted differently due to differences in economic representation and various social inequalities. It has become more apparent that women and youth traders are less likely to be equipped with the appropriate skills, technology and resources that would enable them to benefit from trade and trade liberalization. They continue to suffer from invisibility, stigmatization, violence, harassment, poor working conditions and a lack of recognition for their economic contribution.[70]

The 2016 Africa Human Development Report highlights that gender inequality is costing sub-Saharan Africa on average US$95 billion annually.[71] Gender equality is therefore instrumental to achieving sustainable economic and social development and should be mainstreamed into Africa's trade agenda to achieve sustainable and inclusive economic growth.

With regard to youth, Africa has registered rapid and substantial population growth in recent years; people under the age of 25 years make up over 60 percent of the population. While this presents significant opportunities to harness the demographic dividend, young people continue to face multidimensional challenges that require collaborative, adaptive and innovative solutions. Africa's youth is disproportionately affected by high unemployment, low-quality jobs, labour market inequalities and barriers to cross-border trade. The AfCFTA Agreement is the principal catalytic framework through which Africa's youth will be able to effectively harness productive economic opportunities, businesses and new methods of service delivery. The inclusion of youth in the development and implementation of trade policy ensures the progressive eradication of barriers to participation in international trade for micro-, small- and medium-sized enterprises.

Member States are expected to develop national implementation strategies to operationalize the AfCFTA Agreement. Governments must mainstream gender and youth into these strategies, while gender- and youth-sensitive trade policies must be developed and implemented to ensure that these groups are able to leverage the transformative potential of trade expansion under the AfCFTA. It is also imperative for women and youth to be at the centre of trade policy analyses, deliberations and negotiations at the national and regional levels, which is critical to promoting their effective participation and meaningful engagement in trade processes.

The articles in this section provide insights into countries' efforts to promote the meaningful participation of women and youth in the AfCFTA, with examples from the Deputy Executive Director of the International Trade Centre, who highlights the actions necessary to enhance the capacity of women and youth traders in Africa. The African Youth Envoy collects perspectives from young people across the continent to put forward the policy interventions needed to make the AfCFTA work for youth. Concrete action to place women and youth in the centre of a national AfCFTA implementation strategy is provided by the Minister of Trade, Informal Sector, Consumer Affairs, Promotion of Local Products and small and medium sized enterprises, Senegal. Discussions on reforms led by senior female public officials in Nigeria and Kenya emphasize the importance of trade facilitation for cross-border trade.

Cleopatra Hurungo is a Programme Specialist for Gender with the UNDP Regional Service Center for Africa. She has 15 years of experience in development work, with a specialization in gender equality and women's empowerment. She holds a MSc in development studies from the National University of Science and Technology in Zimbabwe, a bachelor's degree in psychology from the University of Zimbabwe and a bachelor's degree in economics from Midlands State University, also in Zimbabwe.

Footnotes

[69] African Union, 2018, pp. 4 and 52.
[70] Maphanga, 2018.
[71] UNDP, 2016, p. 4.

References

African Union (2018). Agreement establishing the African Continental Free Trade Area.

Maphanga, Treasure (2018). Promoting women's participation in the AfCFTA, 29 August.

United Nations Development Programme (2016). Africa Human Development Report 2016: Accelerating Gender Equality and Women's Empowerment in Africa.

CASE STORY

Dorothy Tembo
Deputy Executive Director,
International Trade Centre

5.2. The power of the AfCFTA and the promise of women and youth

In a world where uncertainty and global tensions have become the new normal, the African Continental Free Trade Area (AfCFTA) represents a certainty that strongly affirms the value of the multilateral trading system. Africa has six major customs unions and free trade agreements, as well as dozens of preferential tariff arrangements and bilateral agreements, all of which still do not cover the full range of trading possibilities on the continent. This web of trading arrangements and the related costs of doing business are far from conducive to the success and growth of entrepreneurs seeking to trade beyond their national borders. With fewer resources available to them, women and youth-owned companies feel a greater impact and are often insufficiently equipped with financing or other tools to comply with overlapping trade rules.

The current coronavirus disease (COVID-19) pandemic illustrates just how vulnerable these businesses are. According to a Global COVID-19 Business Impact Survey conducted by the International Trade Centre (ITC), youth-led enterprises report a higher risk of closure. In addition, 64 percent of women-led enterprises have declared their business operations as ‘strongly affected’, compared with 52 percent of enterprises led by men.

Effective implementation of the AfCFTA has the power to open untapped trading opportunities in Africa and the world. Mercy Chewetu Mukupa is part of the SheTrades Zambia programme in partnership with the Enhanced Integrated Framework. Her story provides an example of what the AfCFTA can offer to enterprising women and young people. She has grown her fashion business, Queen of Chitenge, from a sewing machine in her home to a boutique store in Lusaka. Mercy employs 16 full- and part-time employees, 12 of whom are women. Behind each of these women is a family. Her next step is to sell Queen of Chitenge fashion internationally. “My dream is to have a factory in Zambia, where I can create employment for my fellow Zambians. As a company, we would like our brand to be sold in other African countries,” she says. Mercy, like millions of other entrepreneurs, is looking to the AfCFTA to make this happen. In fact, the success of the AfCFTA will be measured by its ability to enable enterprises like Mercy’s to join regional value chains and trade meaningfully and profitably within Africa and beyond.

While the AfCFTA will provide a comprehensive framework for businesses like Queen of Chitenge to buy materials and sell finished products across borders, other issues must still be considered. The success and recovery of small- and medium-sized enterprises (SMEs) will depend heavily on expanding access to capital, investment and buyer connections. “One of the biggest problems is finding markets within African countries,” Mercy says. “I believe the AfCFTA will help facilitate the easy movement of goods within the continent and make it easy to find markets where our goods can be sold to help increase exports.”

Breaking into new markets has also been one of the key issues facing Mawuko Fumey, managing director of Tumte Essentials, a growing personal care brand in Ghana. The company locally sources raw materials for its soaps and scrubs to provide sustainable livelihoods for rural women in the Upper West Region of Ghana. “The involvement of Tumte Essentials in capacity-building activities provided by the SheTrades Commonwealth Ghana programme has boosted the company’s business potential at international trade fairs by connecting the company with international buyers,” Mawuko says.

“Finding the right partners to work on product registration as well as getting the finance to support this is a challenge,” Mawuko says. “A

Tumte essentials advising a client.
Credit: ITC

harmonized regime—registration, standards and export regulations—will facilitate doing business across countries." Mawuko is already taking action in anticipation of the rollout of the AfCFTA. "We have increased our product lines from two to six, all registered with the Food and Drugs Authority of Ghana in preparation for opportunities that the upcoming AfCFTA will present," he says.

The need to boost intra-African trading volumes, on which the free trade area is predicated, will be central to countries' socio-economic recovery following the COVID-19 pandemic. This will serve as an engine to strengthen economic resilience, drive job creation and prioritize innovation, which are clear priorities for Africa's young people. Just ask David Matsiko, Founder and CEO of Bringo Fresh and a beneficiary of the ITC Netherlands Trust Fund IV programme. For years, this e-commerce retailer has been delivering boxes of fresh produce to customers' doorsteps across Uganda's major cities.

With a network of 40,000 farmers in Uganda, David sees new opportunities to build on his consumer success and increase demand by expanding beyond Uganda. "We are developing a franchise model, as we see several companies laying off staff due to the pandemic. This is a game changer for those passionate about food to invest in delivery services in their specific areas," he says. Investors have taken notice. Bringo Fresh is currently in negotiations with a Dubai-based investor to export to the United Arab Emirates as well as expand the franchise model to neighbouring Kenya.

Given David's great ambitions, the AfCFTA should help him to facilitate the expansion of his services. With downstream benefits for farmers and upstream benefits for consumers, young innovative wealth creators like David will have difficulty reaching their true potential without the AfCFTA. David says "The AfCFTA would be pivotal in securing Malawi, Nigeria, South Africa and Zambia as possible partner countries for expansion." Replicating business models across Africa requires the kind of policy alignment envisaged in the Agreement establishing the AfCFTA, where the movement of ideas across borders will be as important as the movement of goods and services.

Bringo Fresh quality control officer in warehouse.
Credit: ITC.

David Opio, CEO and Co-founder of GnuGrid Africa, has also worked with the ITC Netherlands Trust Fund IV programme. He has built a company in Uganda that uses artificial intelligence technology to streamline and automate the highly fragmented solar industry by collecting data on power usage for solar companies. David's business works with 20 solar companies in Uganda, and there are over 100 in the pipeline. He says that the AfCFTA will provide a framework to secure investments. "We are currently facing the challenge of consolidating pipeline investor interests," David says. Nevertheless, GnuGrid has signed a contract with MTN, the South African telecommunications company, to expand his business model to Liberia. The expansion of such infrastructure services is part of the broader vision of the AfCFTA and will help to achieve it.

The importance of developing regional value chains on the continent has become even more relevant in the face of the global COVID-19 pandemic. ITC is also working with the African Export-Import Bank on a training programme entitled 'How to Export within the AfCFTA'. It will fully equip business owners of microenterprises and SMEs with the necessary knowledge and skills to supply the African market with a wide range of articles that could help to address daily and emergency needs.

As a result of the pandemic, it was necessary to postpone the original date of start of trading under the terms of the AfCFTA, which was set for July 2020. Nevertheless, this delay can provide an opportunity to align its implementation with the increased health, social and developmental needs unfolding from the impact of COVID-19.

The new free trade area will be the result of coordinated policy actions across an astonishing array of economies that have long been disconnected. However, data will be indispensable for policy coherence. ITC is working with the African Union Commission, with funding from the European Union Commission, to gather trade intelligence in order to support pan-African trade policy. The African Trade Observatory project will operate a comprehensive and integrated portal that provides market intelligence data and critical information to policymakers, trade support institutions and the private sector.

Reliable data on the way in which Africans trade across borders, participate in value chains and nurture innovations will be crucial if policy decisions are to benefit entrepreneurs brimming with ideas, like Mercy Chewetu Mukupa, Mawuko Fumey, David Matsiko and David Opio. Their stories provide a glimpse of the bright young minds on the continent. As this sizeable demographic is expected to grow rapidly, their involvement in the development and implementation of the AfCFTA is more crucial than ever. Many of these proactive young Africans are amplifying their voices in established forums. Through consultations and dialogue with these networks, the perspectives of a key aggregate of the continent's economic drivers are sure to be included.

Along with targeted trade-related technical assistance to women- and youth-owned enterprises, the AfCFTA Agreement provides all the necessary ingredients for Africa's success. Governments, particularly at the national and regional levels, should capitalize on that success by fostering an enabling environment that allows entrepreneurs to take advantage of the Agreement's benefits.

While the creation of a single market will help overcome barriers to trade, as indicated in the cases presented here, the full potential of the AfCFTA is contingent upon making it work for all entrepreneurs. Among other measures, this will require raising awareness of the various standards and protocols to be implemented. There must also be favourable policies to promote sectors, such as agriculture and manufacturing, that are expected to provide opportunities for youth and women entrepreneurs. These measures will encourage and empower SMEs, particularly women- and youth-led enterprises, to take advantage of the opportunities presented by the AfCFTA and begin overcoming the challenges to intra-African trade.

Dorothy Tembo has been the Deputy Executive Director of the International Trade Centre since June 2014. Prior to that, she served as the Executive Director of the multi-donor-funded Enhanced Integrated Framework Programme at the World Trade Organization. She was the Chief Trade Negotiator and Director of Foreign Trade in the Ministry of Commerce, Trade and Industry of Zambia. She also served as a Trade and Investment Adviser on the USAID Zambia Trade and Investment Enhancement Project in Lusaka, providing support to the Ministry of Commerce, Trade and Industry and the private sector. She holds a degree in economics from the University of Zambia.

Footnotes

[72] ITC, 2020. p. xv.

[73] Quotations throughout this text are from interviews conducted by ITC.

References

International Trade Centre (2020). SME Competitiveness Outlook 2020: COVID-19: The Great Lockdown and its Impact on Small Business. United Nations publication.

CASE STORY

Aya Chebbi
African Youth Envoy

5.3. Maximizing the benefits of the AfCFTA for young people

What AfCFTA holds for African youth
Demographically, Africa is the youngest continent in the world. However, despite making up this significant percentage, youth participation is limited in the decision-making in the socio-economic arenas, especially cross-border trade and governance matters. Young people are central to the achievement of the African Union Agenda 2063 and are major stakeholders of the cardinal framework in the domestication and stepping down process.

Young people in Africa are adversely impacted by high levels of unemployment,[74] low quality jobs, and major obstacles to participation in cross-border trade.[75] Young entrepreneurs face a wide set of bottlenecks that hinder their willingness to engage in and benefit from international trade, such as steep taxes while trading across borders. Another major challenge faced by young entrepreneurs in Africa is financing; for instance, securing loans from banks and access to equities is particularly difficult for them.

Although the entry into force of the AfCFTA is a significant accomplishment, it must be followed up with practices to ensure that African businesses, citizens, young people and women truly benefit from it. The AfCFTA must be supported by appropriate national policies and programmes that allow youth to have access to the regional supply chains, trade opportunities in the public and private sectors. All of these will encourage them to play a pivotal role in the AfCFTA process.

In the implementation phase of the AfCFTA, youth must be taken into consideration, and have key opportunities to meet the growing requirements of industrialization and cross-border commerce. This requires comprehensive dialogue at both the national and regional level in order to highlight their role in continental integration towards building an inclusive implementation process, as well as to explore the real challenges faced by young entrepreneurs.

During the commemoration of Africa Integration Day on 8 July 2020, we organized with the African Union Department of Trade and Industry, a virtual Intergenerational Dialogue (IGD) under the theme, "The role of young people in accelerating Africa's integration through the AfCFTA". More than 600 youth participated, curious to find out about the AfCFTA and understand its current and potential benefits, and also contribute to the debate. The following recommendations were put forward by youth during the conversations.

Access to digital technology
Although it is agreed that digital transformation is an innovative force, it also a privilege in Africa; 70 percent of Africa's population is offline,[76] and the high cost of Internet data bundles and the digital divide remain a major challenge.[77] People who are not connected can be invisible and miss out on the opportunities of the digital revolution and the power of information. Therefore, urgent action and political will are needed for investment in digital infrastructure. Young people should not be just consumers of content and digital products but should also be creators. In addition, there is a need to ensure that digital services reach those vulnerable groups who are left behind due to lower costs for data and access.

Since digital trade is largely inevitable, we need to be ready for this change. The question remains, 'How exactly can it be handled so as to achieve development in Africa that empowers the most vulnerable, and with youth at the centre, rather than being limited to transactions'. Digital trade should not be an avenue for big companies to exploit our markets, making billions with little commitments or contribution to qualitative development, making youth more online consumers than digital traders. And in this inequality, young women will suffer the most because they are underrepresented in the tech industry such as information technology, sciences and engineering. Rather, it should be a space where young Africans are benefiting from as much as they are contributing to its growth.

Access to finance

A large number of small business owners are young people. This indicates the importance of giving them access to funding resources to help them grow and also to give them guidance in business planning. Not all young entrepreneurs are able to benefit from this. Providing them with financial support at lower interest rates would improve the capacity for these businesses owners to increase their trade activities. There is a need for more financial support and business development assistance for young entrepreneurs in growing their business and maintaining stability on the macro and micro level as well as a reduction in trade tariffs to promote productivity and enhance the growth of African companies.

Access to education and training

Although education alone is not enough, it remains a core component of influencing young people's livelihoods. Strengthening public education will provide youth with applicable learning opportunities that they need not only to be employable in today's changing world and will also generate jobs for the future.

The technological advancements that propel e-commerce and the growth of the digital economy also require skills and expertise that can only be provided by accelerated educational programmes, training and support.

Conclusion

In sum, it is essential that youth be provided with opportunities to participate in trade policymaking in order to highlight and propose recommendations on and best solutions for eliminating barriers they face in integrating their businesses into regional and global value chains.

The sustainability of the AfCFTA greatly depends on the capacity of African governments to harness the potential of their young population by guaranteeing that they are provided with the economic opportunities they deserve. Governments must protect youth's intellectual property rights, ensuring that they benefit from their own innovations and ideas. The AfCFTA agenda will be expanded to allow professional and educational mobility and to improve the skills of Africa's youth workers.

Although the impact of COVID-19 is dominating the attention of decision makers, regional integration remains essential for Africa. This is an opportune time for policymakers to not only listen to young people as beneficiaries of AfCFTA, but also to realize and implement structures for quality youth engagement and intergenerational co-leadership as a way to share responsibility in delivering on the Africa that we want.

Aya Chebbi is an award-winning pan-African feminist. She is the first African Union Special Envoy on Youth and the youngest diplomat in the Cabinet of the African Union Commission Chairperson. She rose to prominence as a voice for democracy during 2010–2011 Tunisian Revolution, which she covered as a political blogger. She has founded multiple platforms to promote youth empowerment and served on the board of directors for a number of non-profit organizations. Over the past decade, she has become an influential voice for rebranding Africa and promoting peacebuilding, gender equality and African integration. She has a bachelor's degree in international relations from the University of Tunis El Manar in Tunisia and a master's degree in African politics from SOAS University of London in the United Kingdom.

Footnotes

[74] African Development Bank, 2016.
[75] Global Africa Business, 2020.
[76] World Bank, 2016.
[77] Internet World Stats. Usage and Population Stats, n.d.

References

African Development Bank (2016). African Development Report 2015 - Chapter 5: Africa's youth in the labour market. Available at www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/ADR15_chapter_5.pdf

Global Africa Business Club (2020). The importance of Youth participation in trade and governance matters, September 2020. Available at www.globalafricabusinessclub.com/featured-article/the-importance-of-youth-participation-in-trade-and-governance-matters

Internet World Stats. Usage and Population statistics (n.d.) The Digital Divide, ICT, and Broadband Internet: ICT - Information Communications Technologies, Internet World Status Usage and Population Status. Available at www.internetworldstats.com/links10.htm

World Bank (2016). Digital Dividends Overview, World Development Report 2016. Available at http://documents1.worldbank.org/curated/en/961621467994698644/pdf/102724-WDR-WDR2016Overview-ENGLISH-WebResBox-394840B-OUO-9.pdf

CASE STORY

Aminata Assome Diatta
Minister for Trade and Small and Medium Enterprises, Senegal

5.4. The opportunities of the African Continental Free Trade Area (AfCFTA) and the strategy for creating access to new markets for women and youth

The impact of the African Continental Free Trade Area (AfCFTA) will largely be gauged through the capacity of Member States to ensure appropriate consideration of the socio-economic needs of certain categories of the population. Indeed, as a flagship project of the African Union's Agenda 2063, the AfCFTA raises hopes and doubts with respect to its capacity to achieve the legitimate aspirations of Africans, especially women and youth.

Senegal has put in place public policies and programmes for the advancement of women and youth. Considerable progress has been made with regard to the gender component as part of the implementation of the Stratégie nationale de l'équité et de l'égalité de genre (National Strategy for Equity and Gender Equality), which is entering its second phase. Indeed, the law on parity has contributed to significant progress in areas such as access to elementary education, and the empowerment of women and their participation in political life.

In terms of addressing issues related to youth, particularly employment, Senegal has initiated several policies and strategies through the creation of dedicated agencies, inter alia: the Agence Nationale pour la Promotion de l'Emploi des Jeunes (ANPEI, National Agency for the Promotion of Youth Employment) and the Délégation à l'Entreprenariat Rapide (DER, Rapid Entrepreneurship Delegation).

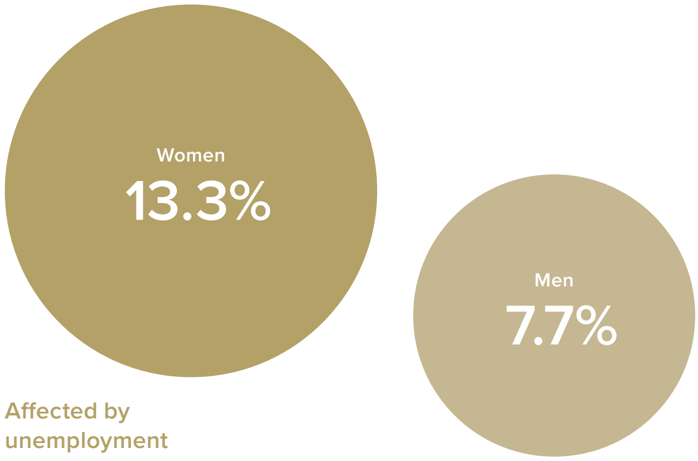
The implementation of the AfCFTA will therefore be an opportunity to test the commitments made by the State of Senegal through specific measures that address concerns such as the development of supply capacities and trade-related infrastructures, the removal of non-tariff barriers, including road harassment, and improvement of the export environment, among others.

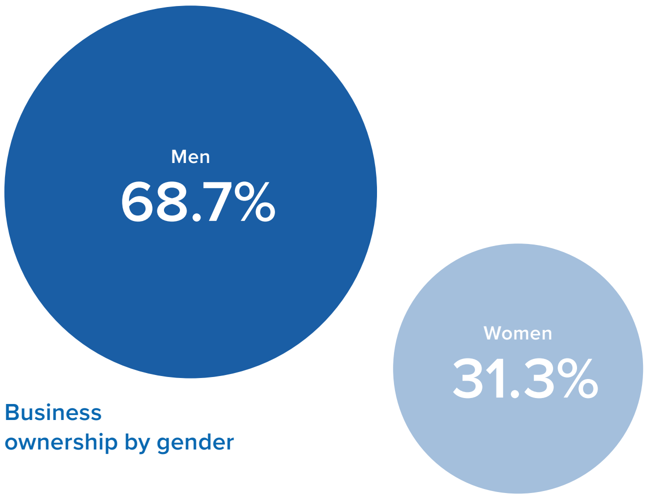
Some considerations concerning the situation of women and youth

In Senegal, according to the Rapport d'enquête sur le Genre carried out in 2016 by Agence nationale de la Statistique et de la Démographie (ANSD, Senegalese National Agency for Statistics and Demography), women, who represent 50.1 percent of the population, are more affected by unemployment than men (13.3% vs. 7.7%).

Most individual businesses in Senegal are owned by men (68.7%), while 31.3 percent are owned by women. Women entrepreneurs are more engaged in hotel, bar and restaurant services, retail and personal services.

According to ANSD, each year in Senegal there are more than 100,000 new job seekers between 15 and 34 years old. This demographic trend can considerably slow down development efforts just as it can become a lever for the creation of economic opportunities. It is up to decision-makers, through instruments such as the AfCFTA, to promote investment in high labour-intensive sectors. It is against this backdrop that Senegal aims to develop its export potential under the AfCFTA by promoting trade in services and e-commerce.





Africa will be the main destination for services just as it is for goods. A non-cumulative criteria is used to determine the list of services to provide a basis for Senegal's exportable offer under the AfCFTA, including; the role of the service sector in the Plan Sénégal Emergent (Plan for an Emerging Senegal); its contribution to GDP, employment and exports; its export potential; its composition according to the type of enterprises to be promoted; whether there is a regional trade preference; whether there are comparative advantages; and the sector's preferred modes of export.

The services that are mostly provided for export perfectly matches the priority service sectors of the AfCFTA[78]. Senegal plans to promote the following sectors in the AfCFTA: (i) teleservices: secretarial teleworking, remote data entry, remote translation, tele-management, tele-consulting; (ii) computer communications: engineering, software development, installation and maintenance, backup and archiving; tele-management and tele-surveillance of equipment or networks; (iii) distance education; and (iv) telemedicine: medical assistance, diagnosis, image transfer for treatment and simulation. Regarding teleservices in particular, Senegal's ambition is to become "the African leader in the IT/BPO sector".

Largely based on the same guidelines as the above-mentioned reference documents, the Stratégie Nationale de mise œuvre de l'Accord sur la ZLECAf (National Strategy for the Implementation of the AfCFTA Agreement, or NS-AfCFTA), which will be specifically highlighted in this article, is a perfect illustration of how public interventions can be aligned for economic and social development.

The NS-AfCFTA: Focus on gender and youth
The National Strategy for the Implementation of the AfCFTA Agreement (SN-AfCFTA), adopted in February 2020, was drafted in accordance with Axis 2 of the sectoral policy letter of the Ministry of Trade relating to the strengthening of the integration of Senegal in International Trade.

Also based on the relevant sectoral policies, the formulation process of the NS-AfCFTA provided the opportunity to better take into account cross-cutting issues such as gender and youth. Generally, the drafting of the NS-AfCFTA involved around 80 participants including representatives of ten government ministries, 16 private sector groups and four civil society organizations. Two thematic working groups bringing together all stakeholders have been set up under the aegis of the sectoral ministries responsible for gender and youth.

The priority action plan of the NS-AfCFTA, whose funding is estimated at **CFAF145,540,000,000,** or around US$250 million, includes targeted activities aimed at increasing the contribution of women and youth in the development of productive capacities, and creating new opportunities to access export markets for goods and services.

In this context, two types of actions are noted: those that specifically address women and youth, and those that, although they do not specifically address them, will have direct effects on them given their level of representation in the targeted sectors.

The first type of activities, estimated at an overall amount of **CFAF11,690,000,000** (or approximately US$20 million), focus on the following areas:

- **Capacity building and advocacy:** This in particular aims to strengthen the entrepreneurial capacities of women and youth, advocating for gender in trade; build the capacities of traders in business management, marketing and accounting, and conduct studies on gender and cross-border trade;

- **Support for the entrepreneurship of youth and businesswomen:** This in particular aims to: support the creation of incubators and start-ups created by youth; support women in developing businesses that export goods and services to the African market; label and protect the products of young Senegalese entrepreneurs; and facilitate access for women and youth.

The second type of actions estimated at an overall amount of **CFAF13,250,000,000** (around US$23 million) focus on specifically:

- the creation of small and medium-sized processing industries and service businesses in the regions, and the upgrading of enterprises;

- support for market diversification by making trade information available on Senegal's export markets and organizing exploratory missions in targeted markets.

In order to finance the Action Plan, resources will be mobilized by the various partners identified according to their area of intervention. Ultimately, the NS-AfCFTA aims to enable a significant contribution to the empowerment of young and female entrepreneurs by increasing their participation in intra-African trade, with a particular emphasis on the opportunities that trading in services can provide.

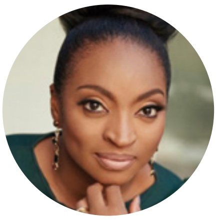
Assome Aminata Diatta is a business lawyer, economist and economic policy manager. She is the Minister of Trade, Informal Sector, Consumer Affairs, Promotion of Local Products and SMEs in Senegal. She has served as a technical adviser on trade and entrepreneurship for two prime ministers and led the Department of Trade in two different regions. She holds a master's degree in business law and an advanced degree in economic policy management from the Université Félix Houphouët-Boigny. She also studied economic research at the École Nationale d'Administration in Senegal.

Footnotes

[78] The five priority sectors are business/professional services, communications services, financial services, transport and tourism.

African Union Agenda 2063.
Credit: African Union

CASE STORY



Jumoke Oduwole
Special Adviser to the President on Ease of Doing Business, Nigeria

5.5. Maximizing AfCFTA private sector opportunities by creating enabling business environments

African regional trade integration will, undoubtedly, serve as a strong enabler of economic transformation and development across the continent. By all indicators, Africa's industrial and agricultural exports are forecast to benefit most from the African Continental Free Trade Area (AfCFTA). This has the added benefit of weaning many African economies away from overdependence on export earnings from volatile commodities, particularly from the extractive industries, towards more secure and sustainable foreign exchange revenue streams. Furthermore, businesses across Africa will be better placed to integrate into global value chains as a result of better coordination in international trade negotiations with the rest of the world.[79]

The AfCFTA stands to impact the Nigerian economy in several ways, as the objectives of the Agreement fundamentally align with the country's 2017–2020 Economic Growth Recovery Plan (EGRP). Both the AfCFTA and the EGRP focus on industrialization, export orientation and improved economic competitiveness. In building a globally competitive economy, the AfCFTA serves as a solid platform for cooperation on infrastructure, development, investment, technology transfer and innovation.

This piece outlines the country's reforms to improve the business environment and their critical importance in enhancing AfCFTA readiness. It also highlights recommendations for collective action across the continent after depicting a cross-section of Nigeria's most relevant reform efforts for supporting small- and medium-sized enterprises, many of which are women-owned businesses, as they navigate domestic and cross-border trade. This specific focus has become even more imperative in light of the ongoing coronavirus disease (COVID-19) global health pandemic and its effect on economic activity in general, as well as trade across Africa and the world at large.[80]

Implementing the AfCFTA in Nigeria

As the largest economy in sub-Saharan Africa, accounting for 16.5 percent of the continent's gross domestic product (GDP), Nigeria is poised to benefit significantly from the AfCFTA. The country's wholesale and retail trade is its second largest employer, after the agriculture sector, employing approximately 25 percent of the labour force and accounting for approximately 17 percent of GDP.[81]

Thus, there is a clear impetus for all branches and levels of the Nigerian Government to deliver concrete, ambitious and critical policy interventions in order to take full advantage of AfCFTA opportunities for the economy and, by extension, the entire continent. To that end, after extensive engagement, stakeholders and informed commentators identified a number of necessary structural adjustments, a need to align fiscal and monetary policy, and key infrastructure gaps that must be filled in order to foster a more favourable business environment and liberalize and facilitate export-led growth via trade in goods and services.

Soon after Nigeria signed the AfCFTA Agreement on 7 July 2019, a National Action Committee was established to implement a robust national strategy, which identified opportunities in export sectors and value chains that would benefit from access to the AfCFTA market, and the measures needed to exploit these opportunities. The Committee has created a new institutional structure for implementing the AfCFTA Agreement and is establishing the various mechanisms required to successfully operationalize its provisions through the work of its secretariat.

> "Wholesale and retail trade is its second largest employer, after the agriculture sector, employing approximately 25 percent of the labour force and accounting for approximately 17 percent of GDP."

Executive Approval to ratify the Agreement was given in November 2020. It is also important to note that **Nigeria has already incorporated gender mainstreaming into its AfCFTA National Implementation Strategy.**[82]

Ease of doing business reforms: Enabling domestic and cross-border trade

The AfCFTA presents the Nigerian Government with an important opportunity to accelerate the pace of much-needed structural, fiscal and monetary reforms. The Government is urgently working to close the infrastructure gap to make the economy more globally competitive. This requires deliberate steps such as enacting policies that translate into effective public services and align with national and regional priorities. Indeed, both domestic and cross-border exchanges are dependent on an enabling environment with clear rules, simple and cost-effective trade processes, protections for legal rights and responsive public sector institutions.

In this connection, the Government initiated an ambitious business climate reform agenda in 2015, under which it established the Presidential Enabling Business Environment Council (PEBEC) in July 2016. PEBEC was given the primary mandate of removing bureaucratic constraints to doing business.

The PEBEC Secretariat works closely with the National Assembly, the Judiciary, state governments and the private sector. At the federal level, PEBEC supports and tracks reform progress for over 50 ministries, departments and agencies. Collectively, over 160 business climate reforms have been implemented in the past four years, through the collaborative efforts of all stakeholders.

In the context of the continental market, Nigeria is building on these reforms in line with the EGRP. The Government is enhancing production capability through industrial policy in accordance with the National Industrial Revolution Plan. It is also implementing sector-specific policies, such as establishing special economic zones, in partnership with the private sector.

Infrastructure

With regard to infrastructure, the Government has largely partnered with the private sector to deliver much-needed public services through privatizations, concessions and public-private partnerships. Under the country's power sector reforms, a cost-reflective tariff policy was recently implemented for power distribution companies. There are several ongoing road and rail construction projects across the country, and a reduction in right-of-way charges has been agreed at the state level to foster broadband penetration across Nigeria.

Legal framework and policy environment

A business- and investment-friendly legal framework is also essential for the economy. The executive and legislative branches of Government have worked together in seamless partnership on this issue to pass important laws in the economic sphere, including the 2017 Credit Reporting Act, the 2017 Secure Transaction in Movable Assets Act, the 2018 Federal Competition and Consumer Protection Act, the 2019 Finance Act and, most recently, the 2020 Companies and Allied Matters Act. In order to boost domestic and foreign investment, the Nigerian Investment Promotion Commission released a joint publication with the Federal Inland Revenue Service detailing available incentives for businesses operating in Nigeria in November 2017. It also overhauled its one-stop investment centre in 2018.

In terms of fiscal and monetary policy, access to affordable credit has remained an area of concern for businesses operating in Nigeria. The Government has therefore prioritized achieving a single digit interest rate for export trade and the manufacturing sector through the Bank of Industry. Stakeholders have raised key issues, including the need for exchange rate alignment, lower tariffs and non-protectionism, which are central to boosting intra-African trade. Indeed, to fully benefit from the AfCFTA and the attendant increase in investment flows, Nigeria must have an efficient foreign exchange market priced by the Central Bank of Nigeria, in line with market fundamentals.[83] Furthermore, regional trade zones are usually complemented by an efficient payment and settlement system across geographic boundaries. The West African Monetary Zone is currently working towards a common currency for the region to be deployed in the coming years. While most Anglophone countries have flexible exchange rate regimes, Francophone countries have a common currency that is tied to the Euro at a fixed rate.

Priority actions for trade facilitation

Concerning trade in goods, Nigeria is focusing on agriculture and agribusiness, manufacturing, oil, gas and mining. As the Government enacts or revises legislation, key trade enablers include border enforcement and rules of origin policies. Work on trade and facilitation continues with regard to export markets, capacity development and the removal of non-tariff barriers. Revised processes and procedures are being implemented to facilitate the issuance of certificates of origin, reduce smuggling, limit government revenue loss and prevent an influx of substandard products. Efforts are also being undertaken to enhance product testing laboratories and streamline certification procedures.

The Government has prioritized improving technology and infrastructure at the borders to fast track cargo clearance at ports, detect forged certificates and duplicated free-trade zone codes, halt smuggling and prevent an influx of substandard products.

Complementary public services that assist, or will assist, companies with AfCFTA export compliance and cross-border transport logistics require seaport, airport and land border reforms. To foster greater efficiency and transparency in the trade facilitation process, the Nigerian Government is undertaking a number of reforms pertaining to trading across borders as well as within Nigeria.

A cross-section of these reforms includes:

- National Single Window: Under the Trade Facilitation Agreement of the World Trade Organization, countries commit to the development and implementation of a National Single Window trade portal. The Government has made significant progress towards the establishment of an electronic platform that allows both government and private stakeholders to submit and exchange standardized information and documents with a single entry point so as to fulfil all import-, export- and transit-related regulatory and business requirements. The National Single Window project is vital to improving efficiency at the country's ports. It will also significantly - reduce delays with applications, encourage user compliance, introduce a more sophisticated risk analysis system and enhance national security objectives.

- Scanners: The lack of scanners is one of the primary reasons for the long customs clearance time at the country's ports, as the physical examination of cargo is the only available alternative to conduct inspections. The Federal Executive Council has approved the procurement of new scanners to be installed at the ports, which would greatly reduce cargo clearance time, thereby facilitating trade.

- Port Community Portal: The Port Community Platform is an initiative of the Nigerian Ports Authority designed to connect multiple systems and agencies. The Platform is expected to im prove communication among various stakeholders and entrench greater operational efficiency at the ports.

- Rail access to the ports: In response to the challenges that stakeholders face in transporting goods into and out of the country's ports, the Nigerian Railway Corporation has restored the transport of containers by rail from the Lagos Port Complex in Apapa.

- Road construction: The Federal Ministry of Works and Housing is supervising the construction of vital access roads. Construction of the Apapa-Ojota access way in Lagos is also under way to ease traffic congestion and will improve access to the port when completed.

- Fewer documentation requirements: Ahead of the deployment of a National Single Window, the Federal Ministry of Finance conducted a rigorous review of the documentary requirements for export and import. In an effort to reduce the number of procedures and associated costs, the Ministry amended the Guidelines on Export and Import, reducing the number of required documents from 10 to 7 for exports and from 14 to 8 for imports.

- EO1 Single Interface: The Nigerian Government issued Executive Order No. 001 on 18 May 2017 to promote transparency and efficiency in the business environment in Nigeria. The Order contains far-reaching directives to be implemented by ministries, departments and agencies to improve public service delivery.

Conclusion

The reforms presented here will improve transparency and operational efficiency for all stakeholders. Nigeria has long been a champion of African economic integration and is fully prepared to support the implementation of the AfCFTA Agreement, which will not only benefit its traders and economies but consolidate Africa's strengths and drive economic development.

On 11 September 2020, the world passed the 6-month mark since COVID-19 was declared a global pandemic. During that period, many countries witnessed an unprecedented complete shutdown of movement, production and economic activity in all but essential services. Unsurprisingly, the GDP of Nigeria contracted by 6.1 percent in the second quarter of 2020 alone. This same story is repeated in varying degrees across Africa and the world. Despite the unparalleled challenges of the times, cross-border trade remains a powerful tool for surmounting the pandemic, both from a public health and economic perspective. African Governments' response to the COVID-19 pandemic must therefore ensure that trade policies and actions align with the spirit and objectives of the AfCFTA Agreement.

The Nigerian Government's economic response to COVID-19 has comprised a 12-month Economic Sustainability Plan, a 2.3 trillion-naira (US$5.2 billion) stimulus package and initiatives spanning several economic sectors to mitigate headwinds. Aspects of national AfCFTA and COVID-19 strategies that have proven to be effective could be coordinated across West Africa and other subregions for coherence. The AfCFTA Agreement could act as the umbrella framework under which respective subregions negotiate specific goods and services to be exchanged under a common list, as dictated by local COVID-19 conditions. Furthermore, adopting gender mainstreaming in these initiatives allows Governments to account for sector-specific impacts on women in the formal and informal economy.

Finally, as January 2021 rapidly approaches, an empirical impact assessment should be conducted to ascertain the implications and appropriate responses for small- and medium-sized enterprises, as well as women- and youth-owned businesses in post-COVID-19 Africa.

Jumoke Oduwole is Special Adviser to the President of Nigeria on Ease of Doing Business. Prior to her appointment, she was Senior Special Assistant to the President on Industry, Trade and Investment. She is also Secretary to the Presidential Enabling Business Environment Council. She is currently on a leave of absence from the Department of Jurisprudence and International Law of the University of Lagos, and her research interests include international economic law, development and human rights in Africa. She was the only African nominated to the World Economic Forum Global Future Council on Trade and Investment in 2016. She holds an LLB from the University of Lagos in Nigeria and an LLM from Cambridge University in the United Kingdom. She also holds a master's degree in international legal studies and a PhD in international trade and development from Stanford Law School in the United States of America.

Footnotes

[79] Economic Commission for Africa and African Union Commission, 2020.

[80] Economic Commission for Africa and Africa Trade Policy Centre, 2020.

[81] Financial Derivatives Company, 2019, p. 2.

[82] UN Women, 2019.

[83] Financial Derivatives Company, 2019, p. 3.1

References

Economic Commission for Africa and Africa Trade Policy Centre (2020). Trade Policies for Africa to Tackle COVID-19.

Economic Commission for Africa and African Union Commission (2020). African Continental Free Trade Area: Updated Questions and Answers.

Financial Derivatives Company (2019). White Paper on The African Continental Free Trade Area Agreement and the economic policy fallout.

United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) (2019). Opportunities for Women Entrepreneurs in the Context of the African Continental Free Trade Area.

CASE STORY

Rose Ronoh
Director Trade Facilitation,
KenTrade, Kenya

5.6. Trade-facilitating government entities: The key to successful implementation of the African Continental Free Trade Agreement

The success of the African Continental Free Trade Area (AfCFTA) greatly hinges on the effectiveness of government ministries, agencies and departments who are tasked with the national implementation of the Agreement and facilitating trade.

The AfCFTA envisions the progressive removal of up to 90 percent of tariffs lines, which would encourage intra-Africa trade, currently at 16 percent compared to 68 percent in the European Union (EU) and 60 percent in Asia (UNCTAD,[84] 2020). With tariffs out of the way, non-tariff barriers (NTBs) remain the next hurdle to realizing the benefits of the Agreement. Low levels of formal intra-African trade have mostly been attributed to NTBs, which discourage trade by driving up cost, taking up time, and making the export and import process cumbersome and unpredictable. Freund and Rocha (2011)[85] argue that every additional day that it takes in Africa to get a consignment to its destination equals to a 1.5 percent additional tax. Some of these NTBs include: customs clearance delays, corruption, restrictive licensing processes, uncoordinated transport-related regulations, and licensing and certification challenges, among others. Studies have shown that even a minimal reduction of NTBs can have sizable, positive effects on intra-African trade. Additionally, it has been observed that the reduction of NTBs greatly assists low-income and landlocked countries in improving tariff liberalization effectiveness. The architects of the AfCFTA anticipated this and ensured that the Agreement would contain provisions on NTBs, customs co-operation, mutual administrative assistance and trade facilitation.

With the stage set to implement the AfCFTA, it’s crucial that potential obstacles are anticipated and that appropriate measures taken to overcome them. The key obstacles here are NTBs. They are not unknown to African nations, since many of the latter are members of the World Trade Organization (WTO) and regional economic communities (RECs) where most agreements contain provisions for the reduction of NTBs. However, even with these provisions, there has been slow progress in the reduction of NTBs in Africa. It therefore begs the question, what can be done differently this time around? It is essential that African countries treat the matter of NTBs seriously if they are to reap maximum benefits from the Agreement. Recognizing this, I argue that the solution to NTBs lies in the commitment by trade-facilitating government ministries, agencies and departments to address the barriers.

" The solution to NTBs lies in the commitment by trade-facilitating government ministries, agencies and departments to address the barriers."

In many African countries, the private sector has been quick to embrace change, innovate, organize, and be entrepreneurial, which is leading to the economic growth of their countries. Even when countries have undergone political and economic instability, the private sector in most African nations have remained resilient. And yet, the public service does not always respond with the same gusto in supporting the efforts of the private sector through enabling regulations, favourable tax regimes, trade facilitation reforms and sector growth policies, among other enablers. In some countries, the private sector has abetted corruption in order to circumvent NTBs; some private sector enterprises give up altogether, while others form lobby associations to push for policy reforms from their governments. Most NTBs are the result of government policies, and the responsibility of enforcement and/or reduction of the NTBs falls squarely under trade-facilitating government ministries, agencies and departments. It is therefore vital that these government entities play their trade-facilitating role effectively and efficiently. It is against this backdrop that I propose the following trade facilitation initiatives to be implemented by African governments to address the problem of NTBs in the continent.

National harmonization of international trade processes

Many of the reported NTBs in African countries are the result of complex and lengthy processes on cargo at points of entry by trade-facilitating government entities. A good example is in Kenya where there are over 20 government agencies responsible for customs, standards, port health and agriculture involved in clearance for any cargo arriving at the port of Mombasa, the Kenyan borders and airports. These interventions have led to delays in the cargo clearance process, and traders incur demurrage costs, thereby encouraging corrupt practices. These complex and costly international trade processes discourage small and medium-sized enterprises (SMEs) and women-owned business from venturing into international trade, according to a 2015 survey by the International Trade Centre on unlocking markets for women to trade. The low level of participation in international trade by women has also be attributed to financial constraints, limited access to education and training, harassment from government officials, limited access to market contacts and trading networks, high transport costs, roadblocks and corruption according to the World Bank report on Women and Trade in Africa. The Government of Kenya is addressing the above challenges through a raft of trade facilitation reforms, some of which include:

- implementation of the WTO Trade Facilitation Agreement (TFA);
- implementation of One-Stop Border Posts (OSBPs);
- creation of multiagency task forces to address bottlenecks in international trade;
- automation of customs and customs-related systems including the implementation of single windows;
- introduction of trade information portal;
- use of risk-based cargo intervention on cargo;
- public and private sector partnerships.

Additionally, the Government of Kenya issued Circular op/cab 9/83a of 4 June 2019 aimed at reducing the number of government entities intervening on cargo clearance at the ports, airports and borders from over 20 government agencies to just three lead government entities, namely customs, standards and port authorities. This directive when fully implemented will utilize intelligent risk-based cargo intervention where trade-facilitating entities will rely on information, communications and technology (ICT) risk management information systems to select cargo for inspection, as opposed to 100 percent cargo verification, which takes time and costs traders in terms of demurrage. This combined with the use of scanners and

Ship at Kenyan Port. Credit: Rose Ronoh.

"Achieving this will be no mean feat since some of these regulations are anchored in legislation and Acts of Parliament that will need to be repealed. Trade-facilitating government entities have also grown accustomed to their budgets being funded from the fees they charge for these licences, and hence, exchequer budgetary support commitment will be required."

the above-mentioned trade facilitation reforms continue to improve the trading environment in Kenya.

On a positive note, 40 African countries have ratified the WTO TFA, which primarily aims at reduction of NTBs. This is a good indicator of the commitment to deal with challenges of NTBs by providing transparency, predictability, simplicity, harmonization and standardization of international trade processes. It would therefore be very important for the AfCFTA Secretariat to encourage and assist countries to not only ratify the agreement, but also to implement it.

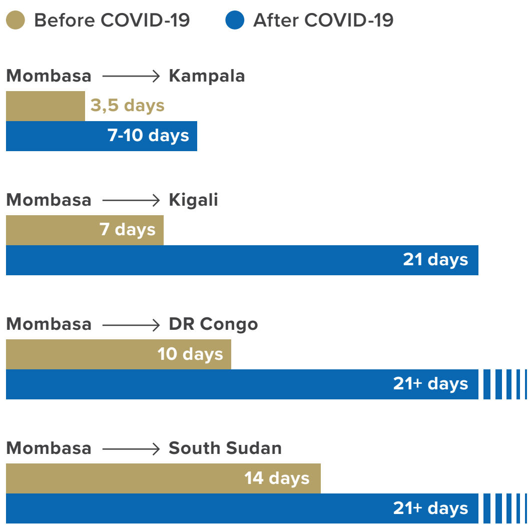
National harmonization of trade-facilitating government entities regulations

Additionally, there is need to re-examine the international trade regulatory framework, which for most part has not been facilitating trade. A good example in Kenya is that of trade-facilitating government entities having similar roles, issuing similar permits and licences, which subject the trading community to unnecessary costs and processes. In such instances, it is vital that governments examine their cargo intervention policies, laws and regulations with a view to removing any unnecessary, overlapping or duplicated mandates, which create NTBs. The simplification and harmonization of regulatory frameworks for international trade have the potential of increasing international trade by attracting small and micro enterprises, particularly women- and youth-owned ones, to the value chain. Achieving this will be no mean feat since some of these regulations are anchored in legislation and Acts of Parliament that will need to be repealed. Trade-facilitating government entities have also grown accustomed to their budgets being funded from the fees they charge for these licences, and hence, exchequer budgetary support commitment will be required. It is therefore crucial that these regulatory reforms be driven from the highest levels of government.

Regional harmonization of international trade processes

The AfCFTA recognizes RECs as the building blocks of the continental market; therefore, it would be essential to continue to aspire towards higher levels of integration in these RECs. It is the RECs that will develop regional value chains that will feed into the continental value chains. The AfCFTA is therefore very ambitious, and its success will largely depend on the full realization of the potential of the RECs. There is need to harmonize, inter alia, the international trade process, procedures, requirements, infrastructures, ICT systems, educational qualifications, sanitary and phytosanitary measures, and standards at regional levels in order to build sustainable regional value chains that will feed into the continental value chains and subsequently global value chains. The East African Community (EAC) in 2020 was ranked as the most integrated REC in Africa by the Africa

Regional Integration Index (ARII 2019), which is primarily due to higher levels of integrations in the free movement of people, trade integration, productive integration, infrastructural integration and macroeconomic integration. Concerning trade integration, efforts such as the customs unions, common markets, the regional One-Stop Border Posts Act, the elimination of the Non-Tariff Barriers Act and the latest efforts in integrating of customs-related ICT systems in the region were key to this achievement. Indeed, this is worthy of emulation by other RECs. The recent border closures by some EAC countries as a result of the COVID-19 pandemic has however casted a shadow of doubt on integration. The border closures have mostly affected informal traders, 75 percent of which are women. Overall, the pandemic has negatively affected trade in the EAC: before the pandemic, it took cargo around 3.5 days to be transported from Mombasa to Kampala, seven days to Kigali, ten days to the Democratic Republic of the Congo and 14 days to South Sudan. During the pandemic, the length of time needed to transport goods has increased: to 7–10 days to Kampala, 21 days to Kigali and far longer to the Democratic Republic of the Congo and South Sudan.



According to Gilbert Langat, the CEO of Shippers Council of Eastern Africa, these delays have increased costs of cargo transportation from US$2,000–2,200 before the pandemic, to US$3,200 during the pandemic. I believe, however, that regional economic integration is a gradual process that is not insulated from such unprecedented shocks like the COVID-19 pandemic. The EAC must draw lessons on how their Member States reacted to the pandemic and chart a strategy to mitigate against such occurrences in the future. This is also applicable to other RECs in Africa.

Staffing and capacity building of public sector institutions

In many African countries, the public sector is highly understaffed and the technical capacity of staff to handle the fast-changing economic and technological environment is wanting. Skills such as negotiation of agreements, trade policy analysis and in trade law are not adequate in many African countries, which has led to the proliferation of very costly foreign consultants. A country like Kenya has an aged civil service, many of whom will be retiring in the next few years, yet little has been done in succession planning. This, combined with a freeze on employment in the public sector due to budgetary constraints, portends a major problem. It is therefore imperative that African governments invest in proper staffing and capacity building of public institutions to keep up with the demands of their obligations such as the AfCFTA. Additionally, governments should strive to be competitive in their remuneration in order to attract highly skilled professionals who can transform public service delivery. The issue of gender and inclusivity in government recruitment cannot be over-emphasized. Most government entities are still largely dominated by male staff, especially at top levels of management. This is even more pronounced in trade-facilitating government entities, which have traditionally been viewed as technical and therefore male-dominated. Affirmative action to reduce the imbalances must be considered an option in such instances.

Creation of trade-enabling public sector institutions

In order to sufficiently comply with and benefit from agreements such as the AfCFTA, WTO agreements and regional economic agreements, it's vital that African governments create trade-enabling institutions that will support their implementation. Some of these important enabling institutions would be responsible for competition management, trade remedies, export promotion, investment promotion, and intellectual property rights authorities, standards authorities, and sanitary and phytosanitary monitoring entities, among others. These institutions would enable the proper implementation of these agreements in order to protect countries from unfair trade practices and ensure that they benefit from trade as a result of the Agreement. Investment in the set-up of such institutions should go hand in hand with investment in the capacity building of staff and the trading community, especially SMEs, women and youth, on how to take advantages of the services they offer. This public private partnership will ensure a fair trading environment devoid of illegal practices that result in NTBs.

Investment in automation and technology in public service

Since the world is now in the fourth Industrial Revolution, African countries cannot afford to be left behind. Technology presents an opportunity for them to develop their economies much faster than they would in its absence. The private sector has traditionally been early adopters of technology in African countries, whereas the public institutions have yet to catch up. In order to realize the benefits of agreements such as the AfCFTA, all African countries must now embrace the use of technology by: automating public service delivery processes; encouraging e-commerce; investing in access to Internet; encouraging innovation hubs; updating education curricula; and using online platforms to provide information on their export and import processes, such as Kenya's information for trade portal (www.infotrade.go.ke). All these can be achieved by benchmarking with world best practices that are readily available through collaboration with friendly developed countries, progressive African nations, and development partners. A major success story of government automation is the Kenya Single Window System (www.kentrade.go.ke), which was launched in 2013, and according to the World Bank Impact Survey of 2018, saved the Kenyan economy over US$20 billion in 2017.

Joint national and regional efforts to address non-tariff barriers

NTBs have been identified as the biggest impediment to intra-African trade and hence it is important that deliberate efforts at the national, regional and continental levels are put in place to address them. The EAC in 2015 passed the Elimination of Non-Tariff Barriers Act, which provides a framework for monitoring and addressing NTBs in the region. The Act contains three mechanisms for resolving NTBs: mutual agreement between concerned partner states to eliminate the NTB; implementation of the EAC Time-Bound Programme for the Elimination of Identified/Reported Non-Tariff Barriers; and regulations, directives, decisions or recommendations made by the EAC Council of Ministers. These three mechanisms have been effective, albeit with some challenges: long time needed to resolve some NTBs, which negatively impacts trade; the lack of skills by national NTB monitoring committees to investigate and evaluate the impact of NTBs and determine appropriate solutions; delay in the reporting of NTBs by the trading community; and the lack of enforceability of decisions on NTBs by the EAC Council. Technology has, however, bolstered the ease of reporting on NTBs within the trading community in the EAC through mobile text messaging and the online reporting platform (www.tradebarriers.org). The success of the AfCFTA largely depends on how NTBs will be addressed. Hence, it is imperative that we draw lessons learned from how RECs have addressed them with a view of improving the continental approach.

Sufficient funding of trade-enabling institutions

The above-proposed reforms will not be possible without sufficient funding of the public institutions that facilitate trade. It is important that African countries support the implementation of the AfCFTA by prioritizing the budget needs of these trade-facilitating government entities. Additionally, where development partners are concerned, there is need for a coordinated, national approach to accepting technical and financial assistance in order to avoid duplicated or uncoordinated initiatives, which lead to wastage. Moreover, assistance granted by developing partners must take into account the sustainability of the initiatives by ensuring a smooth takeover of projects, capacity building, and knowledge transfer. I am aware of instances in which development partners have funded public sector reforms that have failed after handover due to lack of capacity building, knowledge transfer or budgetary constraints to support the initiatives post-implementation. In other instances, lack of national coordination of development partners has led to the duplication of initiatives, where two development partners fund initiatives aimed at achieving the same outcome with different government entities, only to find out later. It is therefore key that development partners are centrally coordinated in the technical and financial assistance they offer. This can only be achieved if African governments have a coordinated approach to receiving development funding.

Conclusion

The success of the AfCFTA greatly depends on commitment by African countries to implement it. The countries that realize the benefits of the agreement faster will be quick to invest in the above-suggested areas for trade-facilitating government entities. Furthermore, in drafting the national implementation strategy of the AfCFTA, SMEs, women, youth, persons with disabilities and marginalized groups should be involved through stakeholder engagement. This involvement should being be right from negotiation of rules of origin, market access, intellectual property, competition, investment and other aspects of the Agreement to its implementation. Finally, national implementation strategies should consider the divergent realities of citizens resident in rural and urban areas to ensure that they are aware of how to take advantage of the Agreement.

Rose Ronoh is a passionate international trade professional with over 16 years of experience in the public and private sectors in Kenya. She is the Director of Trade Facilitation at the Kenya Trade Agency Network. She is an Afro-optimist who is enthusiastic about the AfCFTA and its ability to provide solutions to the challenges facing Africa. Rose played an active role in negotiating the AfCFTA, developing the implementation strategy for Kenya and building capacity for the business community. She is also the Chairperson of the Information and Transparency Subcommittee, under the National Trade Facilitation Committee. She holds an MBA and is a PhD candidate in business management at Moi University in Kenya.

Footnotes

[84] UNCTAD, 2020.

[85] Freund and Rocha, 2011.

References

Freund, C. and Nadia Rocha (2011). What Constrains Africa's Exports?

IFC/World Bank. Kenya Investment Climate Program II. Impact Evaluation of the Kenya National Electronic Single. Available at www.kentrade.go.ke/wp-content/uploads/2019/05/Impact-of-Kenya-TradeNet-System-2018.pdf

International Trade Centre (ITC). 2015. Unlocking Markets for Women to Trade. Available at www.intracen.org/uploadedFiles/intracenorg/Content/Publications/women_in_trade_web.pdf

United Nations Conference on Trade and Development (UNCTAD) (2020). Online tool to remove trade barriers in Africa goes live. 17 January 2020. Available at https://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=2273

World Bank. Women and Trade in Africa: Realizing the Potential.. Available at https://openknowledge.worldbank.org/bitstream/handle/10986/16629/825200WP0Women00Box379865B00PUBLIC0.pdf?sequence=1&isAllowed=y

World Bank Economic Review, Volume 25, Issue 3, 2011. pp. 361–386. 30 May 2011. Available at https://academic.oup.com/wber/article-abstract/25/3/361/1725807

Ify Ogo
UNDP

6

AfCFTA Policy Toolbox

6.1. The African Continental Free Trade Area as an instrument of Africa's transformation: A prospective retrospection

The African Continental Free Trade Area (AfCFTA) 'Futures Report' is a contradiction in terms, as it is difficult to report on something that has yet to occur. Despite this seeming impossibility, concrete and actionable policy proposals have been put forward through the preceding case stories and policy pieces, with a view to realizing the promise of the AfCFTA. In essence, this publication serves as a timestamp, capturing ambitions and efforts to begin trading under the terms of the AfCFTA Agreement, scheduled for January 2021.

Prospective retrospection

The anchor analytical piece, 'Implementing the African Continental Free Trade Area during the 2020s', highlights the critical issues and contexts that will impact progress towards a continental market. By 2030, there should be measurable and significant progress in gender equality, youth employment and resilience against health crises. Women and youth should have moved up in value chains and businesses, and their efforts should be better valued. The overarching vision of structural economic transformation and industrially powered economies will be positioned in the context of digitalization and environmental protection.

The coronavirus disease (COVID-19) pandemic has radically altered the circumstances in which the AfCFTA is being established. The macroeconomic context is dire. Countries' gross domestic products have contracted, and foreign investment has been reduced. Countries are struggling to make debt repayments, and overburdened health and education systems are feeling even more pressure.[86] Nevertheless, shortened global supply chains have created the space for African producers to respond to pressing needs in the health sector. In January 2020, most medicine and personal protection equipment was imported from other regions. By October 2020, gaps in supply closed significantly, revealing a latent and underexplored productive capacity on the continent.[87]

If we jump ahead to 2030 and reflect back on this coming decade, we might imagine that the implementation of the AfCFTA was shaped heavily by Governments' ability to respond to macroeconomic challenges. Policymakers and businesses considered how the AfCFTA could aid in the economic recovery and how 'made-in-Africa' medical products could be traded easily within the continent. They then took actionable steps; for example, the Africa Medical Supplies Platform pooled purchases of essential supplies by African Governments. These and other steps helped to unlock innovation and the production and trade of made-in-Africa goods and services in other sectors. We would also see the emergence of more successful businesses underpinned by various technologies, allowing for cross-border trade of physical and digital products. Implementation would also be greatly aided by accurate data and information to support analysis and decision-making by businesses and policymakers.

During the 2020s, trade policy would support the coherent and concurrent liberalization of goods and services. Manufactured goods and service providers would travel in tandem, without encountering tariffs or regulatory barriers. Trade formalities would be cost-effective, simple and digitized. There would be significant investment in businesses, research and development, products, services, infrastructure and trade facilitation mechanisms. The cost and time associated with moving goods and people would be drastically reduced. Small- and medium-sized enterprises (SMEs), especially those led by women and youth, would have grown into thriving multinational companies.

The question therefore is how will all of this be achieved?

Figure 1. Summary of perspectives and proposed policy and investment actions in the 2020 AfCFTA Futures Report

Credit: Ify Ogo

Taking a prospective view in 2020

According to the case stories and reflections of policy officials in this publication, Africa's women and youth in business can be described as energetic, creative and resilient. The AfCFTA provides an opportunity to harness and unleash their capabilities while better valuing their efforts. As discussed in preceding articles, many of the aforementioned challenges are already being addressed. Governments have signed on to trade facilitation agreements at the multilateral and regional levels, as in Kenya. Trade-related reforms are often included in efforts to improve the investment and business climate, as in Nigeria. Additionally, countries are investing in trade information and single window portals to facilitate compliance with trade formalities. There is ongoing investment in public infrastructure, including roads, railways and ports. Furthermore, the public and private sectors are pursuing aggressive investment promotion programmes, and businesses are being built every day. Multilateral agencies and development institutions continue to provide support to a number of initiatives. In fact, the AfCFTA Agreement itself provides for resolving most anticipated challenges through the relevant protocols, annexes and instruments. As illustrated by Senegal, some countries are strategically investing in women- and youth-owned enterprises to maximize their capacity to take full advantage of opportunities.

The AfCFTA Agreement is a trade instrument situated within the broader political, economic and social agenda of countries and the continent as a whole. Governments must resist the urge to treat it as a magic wand or golden child, as separate from other development instruments at the continental, regional and national levels. While trade is currently at the forefront of Africa's policy agenda, it should be integrated and embedded within the overarching policy and regulatory constructs in order to incentivize, enable and benefit from holistic development. Decision makers, whether investors, negotiators, regulators or officials in Governments or development agencies, must constantly reflect on how the AfCFTA relates to all issues in order to avoid diverting resources, attention and efforts away from other important concerns, which will undermine the Agreement's implementation in the long term.

Several factors should be considered in the run-up to the start of trading in January 2021. First, it is critical to emphasize and accelerate efforts to address all the aforementioned issues. Governments and businesses are aware of the opportunity and benefits related to the continental market, as well as the efforts needed to create it. The AfCFTA Agreement should spur actions across the board to invest in infrastructure, improve the business environment and simplify formalities in the public sector.

Second, in its inception, the AfCFTA will be driven by SMEs. Current investment promotion rules and specific services sector commitments by African countries reveal the implicit assumption that companies crossing borders are large and well-resourced. Investment thresholds generally remain high, formalities are cumbersome, and incentives are typically granted to investors meeting steep criteria.[88] The success of the AfCFTA will require conscious reflection, adjustments to reforms and the negotiation of additional protocols to ensure that the rules, processes and costs incorporate bands and thresholds that SMEs can satisfy and utilize. The ultimate goal is for many SMEs to grow into thriving African multinational companies through intra-African trade.

Third, the entrepreneurs featured in this publication do not see the AfCFTA primarily as a means of mobilizing investment in their businesses. On the contrary, these African business owners are willing and ready to maximize the opportunities under the AfCFTA on their own. Nevertheless, it will be necessary to invest in the creative, productive and export capacities of firms. In addition, investment and financing models will need to evolve to attract resources from all economic segments. Both the public and private sectors will have opportunities to invest directly in firms and in trade facilitation mechanisms. These investments, alongside robust investor protection mechanisms, are needed to develop products, firms and initiatives.

In this regard, the protocols still to be negotiated should be tailored to the needs of the continent, following the example of the Protocol on Trade in Services, which introduces continental regulatory frameworks to complement the liberalization of services sectors. The negotiators of the Protocol on Investment should consider addressing issues such as hard and soft infrastructure, partnerships and joint ventures across jurisdictions, and SME-driven cross-border investment. Similarly, the Protocol on Intellectual Property Rights should help to grow service-driven economic transformation, especially in creative and technology sectors. The Protocol on Competition Policy should include fostering fair and equitable competition, particularly accounting for the current dichotomy of large multinational firms and SMEs. In a similar vein, the Protocol on E-commerce could ensure preferential treatment for electronic goods and services originating within the continent. E-commerce is an important enabler of trade in physical goods and services, as well as trade facilitation services.

Fourth, the AfCFTA Agreement is a legal instrument for economic development; the proof will be in the application of rules towards tangible outcomes. Institutions, businesses and citizens will need to be able to interpret, apply and exercise the obligations, duties and rights under the Agreement, which will have a significant impact on realizing the promise of the AfCFTA. Public-private dialogue is crucial to formulating and implementing trade policy. Women and youth in particular should receive continuous targeted support to benefit from the opportunities in the continental market.

Fifth, the narrative of this Futures Report may seem to suggest that responsibility for the AfCFTA rests on a duopoly of Governments and the private business sector. However, implementation of the AfCFTA goes beyond these stakeholders to include civil society, workers, students, communities and others. It is important to note that regional economic communities are the building blocks of the continental market, as stated in the AfCFTA Agreement. This publication has highlighted their role in the coordination of initiatives, regional value chains and benchmarking of successful trade facilitation initiatives, which should be leveraged.

Lastly, some sectors, value chains and businesses will necessarily be negatively impacted by the changes expected from implementing the Agreement, including the emergence of firms and new business models, digitalization, increased levels of industrial production and service-driven economic growth. For others, the AfCFTA may not bear fruit immediately. Euphoria, ambition and expectation must be complemented by close and careful monitoring of outcomes alongside analysis and interventions by Governments, investors, businesses and all other stakeholders. Realizing this promise will depend upon the AfCFTA becoming a peoples' agenda.

Ify Ogo is a legal economist and trade specialist currently working as the Regional Coordination Specialist on the AfCFTA at UNDP. Prior to that, she worked at the African Trade Policy Centre of the United Nations Economic Commission for Africa, where she led the trade in services work stream and was a focal point for trade diversification covering digital economy, blue economy and green economy portfolios. She directly supported the AfCFTA negotiations and country-level implementation processes. She has also worked in the public and private sectors as an investment adviser. She holds a BA in law and politics and an LLM in law and development from the University of London in the United Kingdom and a PhD in law (economic development) from Maastricht University in the Netherlands.

Footnotes

[86] Economic Commission for Africa and Africa Trade Policy Centre, 2020; African Union, 2020; United Nations Conference on Trade and Development, 2020.

[87] See the UNDP Africa Innovates Magazine and the Africa Medical Supplies Platform (https://amsp.africa/).

[88] Author's analysis based on the Schedules of Specific Commitments of African countries under the General Agreement on Trade in Services, as well as legislation, regulation and literature for investment promotion. Examples include investment incentives offered to companies with capital outlays from US$1 million to $10 million, above the threshold typically associated with SME firms, as well as ministerial approvals to employ non-nationals in managerial roles in firms and complicated visa and residence procedures.

References

African Union (2020). Communique of the Bureau of the Assembly of the African Union (AU) Heads of State and Government teleconference on COVID-19, held on 26 March.

Economic Commission for Africa and Africa Trade Policy Centre (2020). Trade Policies for Africa to Tackle COVID-19.

United Nations Conference on Trade and Development (2020). World Investment Report 2020: International Production Beyond the Pandemic. United Nations publication.

Angela Lusigi
UNDP

6.2. Women, trade and COVID-19: Making the African Continental Free Trade Area work for women in trade in a post-COVID-19 world

A pathway to achieving development goals

If African countries enhance competitiveness through trade and create more efficient regional value chains and labour markets, as envisaged in the African Continental Free Trade Area (AfCFTA) Agreement, they would increase momentum towards implementing the 2030 Agenda for Sustainable Development. Poverty and inequality would be greatly reduced through sustainable structural transformation that prioritizes reaching those farthest behind. In addition, the expansion of choices and capabilities for women and youth through intra-Africa trade and interconnectivity would help to achieve several goals under the Agenda 2063 of the African Union, including Goal 4 on transformed economies through sustainable and inclusive economic growth, Goal 17 on full gender equality in all spheres of life and Goal 18 on engaged and empowered youth and children.

The AfCFTA as a driver of structural transformation and job creation

The AfCFTA could transform Africa's economic landscape and create productive opportunities. The potential increase in manufacturing jobs, commercial enterprises and agribusinesses could change the lives of millions of women and youth who often face higher levels of unemployment and are overrepresented in vulnerable jobs. According to the United Nations Economic Commission for Africa, the AfCFTA could become the largest regional free trade zone in the world, with a combined business and consumer spending of US$6.7 trillion by 2030. The Commission also estimates that intra-African trade would increase by 15 to 25 percent, or US$50 billion to US$70 billion, by 2040.[89] The United Nations Conference on Trade and Development has estimated an increase of up to 33 percent.[90]

The extreme vulnerability of women's enterprises

The coronavirus disease (COVID-19) has disrupted the movement of goods, services and people, which has most impacted the poorest and most vulnerable. Workers and entrepreneurs in the informal sector, comprising 85.8 percent of Africa's workforce, were particularly affected by social distancing and stay-at-home orders that saved lives but decimated livelihoods. In addition, 9 of 10 African working women are in the informal sector, and most are self-employed or contributing to a family business.[91]

Strengthening women's enterprises through stronger trade and value chains creates opportunities for wealth and empowerment that could lift millions out of poverty. These entrepreneurs are often engaged in services, agriculture and natural resource-based sectors, for which there is significant potential to increase productivity by enhancing skills, increasing investment and promoting innovation.

Women and youth in decision-making

Current estimates of intra-African trade undervalue the contribution of informal traders in border regions and small enterprises run primarily by women and youth. Estimates of intra-African trade are quite low—approximately 16 percent of imports and exports in 2018; however, between 50 and 60 percent of total intra-African trade is carried out by unregistered traders or firms.[92] Women are the face of informal cross-border trade in Africa and account for up to 70 percent of informal cross-border traders.[93]

And yet, women traders and their organizations are often excluded from programmes and

> "Workers and entrepreneurs in the informal sector, comprising 85.8 percent of Africa's workforce, were particularly affected by social distancing and stay-at-home orders that saved lives but decimated livelihoods."

decision-making on trade issues. Furthermore, research shows that women are not reached by development interventions to facilitate trade, increase productivity and improve competitiveness in export-oriented sectors.[94] Many women traders and entrepreneurs do not have access to the information and training opportunities available through trade networks. Their voices and needs, particularly those of women in the informal sector, are absent in AfCFTA negotiations, policymaking and decision-making.

Prioritizing women and youth for prosperity for all

Only resilient, prosperous and sustainable livelihoods can withstand future crises in a post-COVID-19 world. More equitable access to the opportunities arising from the implementation of AfCFTA could create shared prosperity and reduce vulnerability to future shocks. This includes increasing the participation of women- and youth-led enterprises in agricultural and food trade, which is expected to increase by 20 to 35 percent (US$10 billion to US$17 billion).[95]

These opportunities are not gender or scale neutral. Overlooking the specific challenges faced by women and youth in business may result in many being left behind. African women who work as informal traders often face harassment, violence, confiscation of goods and even imprisonment. The operationalization of the AfCFTA and the development of institutional mechanisms and support infrastructure must be guided by their potential impact on women and youth, as well as the potential contributions these groups can make.

In order to leverage Africa's rich human assets in the AfCFTA, the needs and priorities of women and youth must be reflected in the legal and technical frameworks currently being established. Including their voices will ensure more equitable and sustainable opportunities, which is critical to the effectiveness of the ongoing liberalization of the services trade. This includes facilitating cross-border investment, protecting intellectual property rights, collaborating on customs and taxation, and implementing trade facilitation measures. In particular, innovative solutions and new technologies must be applied to offset the uneven distribution of benefits from liberalization, which stems from differences in resource availability and levels of industrialization.

To maximize the opportunities available through the AfCFTA Agreement, stakeholders should draw upon lessons learned from ongoing efforts to address the challenges faced by informal traders and small entrepreneurs in terms of mobilizing investment and accessing markets across borders.

- Trade facilitation: Trade policy and regulatory reforms that simplify trading regimes, along with infrastructure that integrates a gender perspective, help to move trade from informal to formal channels and grow women's enterprises. Gender-sensitive one-stop border posts are reducing constraints on cross-border trade and increasing security for women traders. Evidence from Busia, one of the busiest border crossings between Kenya and Uganda, shows the positive impacts on the daily trading realities of women of simplified crossing procedures, improvements to infrastructure and services such as electronic payments, access to market-related information, temporary identification cards, storage facilities and security.[96]

- Dividends from investing in women's enterprises: Enhancing women trader's access to skills, financing and services increases the sustainability of women's enterprises, expands jobs and reduces poverty while generating returns for investors. Evidence from the Women Entrepreneurs Opportunity Facility of the International Finance Corporation demonstrates that expanding women's access to capital and expertise can improve the asset quality of small and medium enterprises loan portfolios, as women have fewer non-performing loans.[97]

Moving forward, women must drive the agenda

Women in business should be fully engaged in determining the agenda for the establishment and implementation of the AfCFTA in order to improve the distribution of benefits and accelerate the Agreement's impact on jobs, livelihoods and economies. Boosting productivity and closing the gap in resources between women and men in trade could change the trajectory of the AfCFTA, leading to faster implementation and shared prosperity. Governments, regional institutions and trade associations and networks must take three bold policy actions to ensure that micro and small enterprises owned primarily by women and youth are not left behind.

First, Governments should support real citizen engagement in the design and implementation of legislation and the development of hard and soft infrastructure for the free movement of goods and services. They must promote advocacy, raise awareness and create space for consultations. This includes engaging with empowered and capable women's business associations and networks.

Second, regional institutions should help countries to collect and share trade-related data that captures the informal sector. Real-time monitoring of the Agreement's impacts on economic, social and environmental indicators is essential for compensating losers and convincing late adopters. Mapping and connecting trade observatories across countries and employing digital technology could provide real-time, disaggregated data to aid in negotiations and dispute settlements, as well as promote transparency and accountability.

Third, more public and private partnerships are needed to support gender-sensitive financing and business development services. It is necessary to scale up and sustain investment in women's enterprises and provide skills business development services in order to grow viable women's businesses and value chains that transition from the informal sector and respond to opportunities emerging from the AfCFTA.

Angela Lusigi is the UNDP Resident Representative designate in Ghana. She has over 20 years of experience in socio-economic analysis, inclusive and sustainable national development policies, project and programme leadership, resource mobilization and United Nations coordination. She leads the production of the Regional Human Development Report for Africa and has contributed to the African Economic Outlook series. She also led the establishment of the African Young Women Leaders Fellowship Programme. She has worked for several additional United Nations agencies, including the United Nations Environment Programme, the International Fund for Agricultural Development and the Food and Agriculture Organization of the United Nations. She holds a master's and doctoral degree in agricultural economics from the University of Reading in the United Kingdom.

Footnotes

[89] Economic Commission for Africa, 2018, p. 3.
[90] United Nations Conference on Trade and Development, 2019, p. xiii.
[91] United Nations, 2020, p. 14.
[92] African Export-Import Bank, 2019, p. 5; Fundira, 2018, p. 2.
[93] Koroma and others, 2017, p. vi.
[94] Brenton, Gamberoni and Sear, 2013, p. 4.
[95] Economic Commission for Africa and African Union Commission, 2020, p. 2.
[96] Parshotam and Balongo, 2020, pp. 17–18.
[97] International Finance Corporation, 2019, p. 27.

References

African Export-Import Bank (2019). African Trade Report 2019: African Trade in a Digital World. Cairo.

Brenton, Paul, Elisa Gamberoni, and Catherine Sear, eds. (2013). Women and Trade in Africa: Realizing the Potential. Washington, D.C.: World Bank.

Economic Commission for Africa (2018). An Empirical Assessment of the African Continental Free Trade Area Modalities on Goods.

Economic Commission for Africa and African Union Commission (2020). African Continental Free Trade Area: Updated Questions and Answers.

Fundira, Taku (2018). Informal Cross-Border Trading: Review of the Simplified Trade Regimes in East and Southern Africa. tralac Trade Brief, No. US18TB03/2018.

International Finance Corporation (2019). IFC and Goldman Sachs 10,000 Women: Investing in Women's Business Growth. Washington, D.C.

Koroma, Suffyan, and others (2017). Formalization of Informal Trade in Africa: Trends, Experiences and Socio-Economic Impacts. Accra: Food and Agriculture Organization.

Parshotam, Asmita, and Samuel Balongo (2020). Women traders in East Africa: The case study of the Busia One Stop Border Post. Occasional Paper 305. South African Institute of International Affairs.

United Nations (2020). Policy Brief: Impact of COVID-19 in Africa.

United Nations Conference on Trade and Development (2019). Economic Development in Africa Report 2019: Made in Africa – Rules of Origin for Enhanced Intra-African Trade. United Nations publication.

Amadou Sow
UNDP

6.3. Unleashing the informal sector in the AfCFTA

The face of the informal sector in Africa

Tomorrow, at dawn, in the hour when the countryside becomes white,

I will leave. You see, I know that you are waiting for me.

I will go by the forest, I will go by the mountain.

I cannot stay far from you any longer.[98]

These lines remind me of the road that leads from downtown Kinshasa to N'djili International Airport and, above all, the hundreds of people you meet at dawn, walking along the asphalt or the tracks or taking crowded public transport.

These 'invisible' people, travelling in the early morning hours in this city of 10 million inhabitants, embody the informal sector. Despite the insecurity, the darkness and the many accidents that occur along their route, the majority wake up in the middle of the night to arrive before dawn in La Gombé, the economic and administrative centre of Kinshasa. They search for a small space to sell vegetables or other items, in hopes of bringing home one or two dollars at the end of the day to provide for their family's needs.

Along that same road, years ago, a colleague told me that the energy emanating from these 'anonymous' people we met simply needed to be harnessed to transform the country.

This piece discusses the critical importance and centrality of the informal sector to Africa's economies and the best practices observed in UNDP Labs, Governments and other institutions to collaborate with informal enterprises. It also outlines priority policy actions to ensure the informal sector is integrated into the implementation of the African Continental Free Trade Area (AfCFTA).

Defining the informal sector using data collected by 15 UNDP Accelerator Labs

The informal sector in Africa is often referred to as the underground, black, parallel, shadow or grey economy. Most often, this interpretation stems from a one-sided point of view—that of Governments, economists, policymakers or decision makers—which highlights its negative aspects. In fact, a 2019 employment report in South Africa was criticized for not taking into account activities such as traditional medicine, construction, plumbers and mechanics. Zimbabwe has the second largest informal economy in the world, after the Plurinational State of Bolivia. Urbanization being considered one of the root causes of this post-independence trend, the level of informality in the economy rose from less than 10 percent in 1980 to approximately 60.6 percent in 2019.[99]

Despite its negative reputation, the informal sector can sometimes put forward a united, organized front. In a 2020 survey, the United Nations Development Programme (UNDP) Accelerator Lab in Namibia found that the informal sector is more organically structured. Following the coronavirus disease (COVID-19) crisis, the Namibian Informal Sector Organisation initiated negotiations with the Government to allow street vendors to continue to operate, ensuring that they were made aware of barrier gestures rather than punished by the police.

In August 2020, UNDP Accelerator Labs in sub-Saharan Africa were asked to define the main characteristics of the informal sector in their respective countries.[100] Data collected from the 15 participating Labs suggest that the informal sector is generally unregulated, unstructured, unregistered and untaxed. It lacks clear policies and social protections and is spread across several countries. It often includes street vendors, market vendors and transporters. For more details, see Figure 1.

According to the data provided by the 15 Accelerator Lab teams, the diverse causes that foster the emergence of the informal sector can be grouped into six main categories: demography and inequality, poor governance systems, urbanization, the economy (i.e. taxation), corruption, and affiliation with networks or social groups. In over 80 percent of cases, the Lab teams reported that their countries had neither a clear policy nor a formal organization to support the informal sector.

These lacklustre characterizations notwithstanding, the informal sector is an important segment of the economy that must be taken into account. Many of the UNDP Accelerator Labs working on the production and promotion of personal protection equipment (PPE), such as Malawi, South Africa, Togo and Zambia, acknowledge the impact of the informal sector in terms of creating and maintaining jobs, as well as its role as a catalyst for innovation. The Accelerator Lab in Malawi is working with Engineers Without Borders to assess and improve the PPE production capacity of universities. In Togo, 750 tailors were trained to manufacture standard masks.

South Africa has focused its support as much on the informal sector as on formal businesses, as the country's economy has been very much affected by the crisis.[101] According to the June 2020 Statista report: "The International Monetary Fund predicts that the effects of the COVID-19 pandemic will be felt on South Africa's unemployment rates, rising from nearly 29 percent at the end of 2019 to more than 35 percent in 2020." In partnership with the South African Local Government Association, targeted financial assistance has been granted to small- and medium-sized enterprises (SMEs) operating in priority sectors, such as clothing and textiles, to help maintain their activity. They received grants to produce masks distributed in vulnerable communities. According to the Accelerator Lab in South Africa, this strategy also allows SMEs to become known among the population, which can attract potential customers once the crisis is over.

The Lab in Zambia is partnering with agencies such as the United Nations Children's Fund (UNICEF), the World Food Programme, the United Nations Population Fund and the Office of the United Nations High Commissioner for Refugees to empower women entrepreneurs in the country to produce reusable cloth masks for vulnerable populations. The project has three components: assessing the quality of hand-made masks, empowering women leading SMEs in the production of masks, and piloting model markets

Figure 1. Informal sector in Africa: Insights from 15 UNDP Accelerator Labs.

Employment (top 4 /7)
- Lack of official protection and recognition (100%)
- Predominance of own-account and self-employment work (93.3%)
- Low income and wages (93.3%)
- Little job security (93.3%)

Entreprise (top 4/7)
- Lack of access to institutional credit or other supports and protections (93.3%)
- Unregulated and competitive market (86.7%)
- Small scale operation with individual or family ownership (86.7%)
- Ease of entry (66.7%), Family ownership (66.7%)

Credit (top 4/7)
- Unregulated and non-subsidized (92.9%)
- Availability in very small size and for short terms (78.6%)
- Flexible interest rates (from very high to no interest at all (42.9%)
- Easy accessibility (35.7%)

Habitat (top 4/7)
- Illegal subdivision and/or rental of land (86.7%)
- Unauthorized use of vacant public or private land (80.0%)
- Non-availability of mortgage or any other subsidized finance (80.0%)
- Unauthorized construction of structures and buildings (73.3%)

Amadou Sow, UNDP Labs

Figure 2. Informal sector in Africa: Insights from 15 UNDP Accelerator Labs.

Characteristics

- Unregulated
- Unstructured
- Unregistered
- Untaxed
- Lack social protection
- Ignored and undocumented
- Spread across several sectors

1/15 Countries
With clear policy on informal sector

Values

- Main source of employment
- Significant share of GDP
- Innovation catalyst
- Factor in the sustainability of small-scale production
- Driver in the flow of money
- Preservation of the economy through consumption

Stimulus

- Demography & inequality (-)
- Governance (-)
- Urbanization (-)
- Economy (-)
- Corruption (-)
- Network (-)
- Youth (+)
- Enabling environnent (+)
- Heath system (+)
- New market & new skills (+)

Amadou Sow, UNDP Labs

in Lusaka. Existing markets are being adapted in partnership with the Lusaka City Council and the Ministry of Health.

Across the continent, the informal sector provides a significant share of employment. The International Labour Organization (ILO) estimates that it accounts for more than 66 percent of total employment in sub-Saharan Africa.[102] Its contribution to gross domestic product (GDP) and employment has been confirmed by several studies. The informal sector accounts for over 40 percent of overall GDP value added in low-income countries, over 80 percent of total employment.[103]

In the same vein, in his article 'Informal innovation: It's not a bug, it's a feature', Eric von Hippel invites the global community to recognize the informal sector for its new potential and not see it as a problem.[104] Similarly, in the UNDP Lab survey, Lab teams emphasized the role of the informal sector as a catalyst for innovation, a vehicle for the sustainability of small-scale production, a driver of cash flows and a means of preserving the economy through consumption. The informal economy also serves as a means to achieve gender equality. According to the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women), women make up a disproportionate percentage of workers in the informal sector, 74 percent in sub-Saharan Africa.

The AfCFTA and the informal sector

A successful transformation of the informal sector requires an enabling ecosystem, innovation and digitalization, as well as a multidimensional understanding. The one-size-fits-all approach will not work.

First, the AfCFTA provides an opportunity for informal sector operators to access larger markets and quality products and be recognized for their contributions. The real challenges facing the informal sector will have to be addressed upstream, by incorporating them into the discussion and not dismissing them as an unavoidable by-product.

Second, the AfCFTA should address the integration of the informal sector into the formal economy, while attempting to anticipate challenges and opportunities. For example, consideration should be given to supporting the informal sector as a driver of innovation, protecting its creations and incorporating it in policymaking processes.

Third, the impact of the AfCFTA on intra-African migration, particularly as work in the informal sector is crystallizing tensions between migrants and host populations in several countries. As countries liberalize sectors, particularly under the AfCFTA Protocol on Trade in Services, it will be necessary to anticipate these tensions and determine measures to pre-empt them. In this regard, raising awareness of the opportunities

" Discussions about the informal economy impact the majority of people in Africa.

"a government restriction in one area creates an informal market in another."

and benefits of the AfCFTA across all segments of society is crucial.

Lastly, criticism of the informal system from a non-systems perspective that does not value its potential would be extremely damaging to the establishment of the African market. Implementation of the AfCFTA in a manner that does not take into account the informal sector would also be detrimental.

In 2010, Roseline Nyakerario Misati highlighted some of the mistakes made in Africa and other parts of the world in the 1980s and 1990s when implementing structural adjustment programmes and liberalization policies, which were encouraged by the International Monetary Fund and the World Bank:

- In countries with rapidly growing demographics and a high proportion of young people, neither the public sector nor the formal private sector can guarantee full employment.

- Structural adjustment reforms in Africa further increased unemployment; many individuals used the severance packages they received to create activities in the informal sector.

- Liberalization policies have also exposed some sectors, such as agriculture, to competition. Formal private sector actors were not prepared to assume the roles performed by state-owned enterprises and were competing with the informal sector to produce commodities, which also led to significant job losses.

According to Misati, a government restriction in one area creates an informal market in another. She also drew attention to the fact that trade barriers (which are stipulated for 10 percent of products under the AfCFTA Agreement) create incentives for developing an informal market for barred products. Issues can also arise regarding intellectual property and piracy in the absence of appropriate laws and policies.

Making the AfCFTA work for informal sector operators

Given these concerns, policies that support SMEs should be reviewed, and emphasis should be placed on innovation and creativity. For example, the UNDP Accelerator Labs and the Ministry of Scientific Research and Technological Innovation of the Democratic Republic of the Congo are developing a policy that would recognize local innovations through a comprehensive approval and certification mechanism. Creating a national database of local solutions will help to promote local innovators, foster creativity and better understand the challenges being addressed.

Policies governing the informal sector should be explored by all stakeholders involved in analysing and implementing the AfCFTA Agreement. The varied environments, internal dynamics and income levels of African countries, as well as factors such as vulnerability and fragility, may require a country-specific policy approach. Moreover, circumstances may differ from one sector to another within a country.

The Reference Guide to the Outputs of a Research on the Informal Economy, published by the Research, Network and Support Facility, a project funded by the European Union, compares normative and empirical policymaking practices and provides a good place to begin.[105] To design informal sector policies, the Guide suggests leveraging the economic value of informal sector activities; improving living conditions for workers; regulating businesses in the sector; and adopting a multi-stakeholder agenda that involves Governments, institutions and development agencies in transitioning from the informal to the formal sector.

According to the Guide, a rights-based approach emphasizes the inclusion, protection and empowerment of people who depend on the informal economy, while a business-based approach emphasizes the importance of deregulation, free enterprise and an enabling environment. The Guide also describes policymakers' values. These elements should provide a better understanding of the specific contexts and type of support required for each country to avoid non-productive reforms.

Furthermore, the Guide suggests focusing on three general approaches and three sectoral approaches:

Figure 3. Informal sector in Africa: Insights from 15 UNDP Accelerator Labs.

Work of African labs on the informal sector

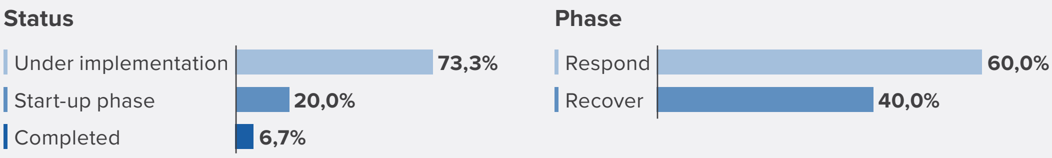
Digital
- Connecting informal traders to an e-commerce platform, online shopping, e-commerce | Burkina Faso, Eswatini, Namibia, Uganda
- Creation of a database on the informal sector | Lesotho
- Creation of a crowdfunding platform | Cabo Verde

Personal protection equipment
- Financial support, training, capacity assessment, video production for PPE production | Malawi, South Africa, Togo, Zambia

Food supply chain
- Building and operationalizing resilient food supply chains (secure market infrastructure) & building a resilient food supply chain for COVID-19 response | Zimbabwe

Social health insurance
- Increasing social health insurance coverage for informal sector workers | Kenya

Circular economy
- Engaging the informal sector in the conversation on the cricular economy



* Angola, Burkina Faso, Cape Verde, Côte d'Ivoire, Eswatini, Ghana, Kenya, Lesotho, Malawi, Namibia, South Africa, Togo, Uganda, Zambia, Zimbabwe

Amadou Sow, UNDP Labs

- General approaches: taxing informal activities, upgrading informal activities within the value chain and organizing populations dependent on the informal economy.

- Sectoral approaches: extending social protection, providing access to financing and enhancing skills through technical and vocational education and training.

ILO has also published a recommendation concerning the transition from the informal to the formal economy, which highlights the need for better coordination and coherence with existing policies.[106]

Africa has the highest proportion of informal employment in the world, at 85.8 percent. In addition, 89.7 percent of women are in the informal labor force, compared with 82.7 percent of men. Young people and the elderly also have high levels of informal employment; 94.9 percent of people aged 15 to 24 years and 96.0 percent of people aged 65 years and older are employed in the informal sector.[107] As these figures show, discussions about the informal economy impact the majority of people in Africa.

The AfCFTA is an opportunity to harness the full potential of the informal sector by giving voice to these invisible people, bringing them into the debate and implementing fair and transparent policies that benefit them. Failing to do so would deepen inequalities for vulnerable groups, including women, youth and the elderly. In February 2020, UNDP Administrator Achim Steiner pointed out that recent mass unrest around the world had different political expressions but ultimately had much to do with unfairness, inequality and uncertainty about the future.[108]

Amadou Sow joined UNDP in 2012. He is the Accelerator Lab Network Specialist and Regional Adviser for Africa. He has over 10 years of experience in innovation, knowledge and information management and has developed business solutions for promoting public administrations, the private sector and international organizations. His diverse experience includes work at the corporate, national and regional levels. He is a PhD candidate in business administration and holds a master's degree in international organization management from the SDA Bocconi School of Management in Italy. He also holds a master's degree in computer science from Gamal Abdel Nasser University in Guinea.

Footnotes

[98] From the poem 'Demain dès l'aube' by Victor Hugo, Chevalier-Karfis, 2020.

[99] Ndiweni and Verhoeven, 2013; Omodero, 2019.

[100] Lawrence and others, 2020. Participating Accelerator Labs: Angola, Burkina Faso, Cabo Verde, Côte d'Ivoire, Eswatini, Ghana, Kenya, Lesotho, Malawi, Namibia, South Africa, Togo, Uganda, Zambia and Zimbabwe.

[101] The country's economy will contract even in the best-case scenario, which suggests the enormity of the challenges ahead. In the event of a conservative 2.1 percent recession, the country stands to lose approximately $10 billion in GDP, some 40 percent of which could be caused by supply chain disruptions.

[102] ILO, 2015a.

[103] Medina, Jonelis and Cangul, 2016, p. 5; ILO, 2018, p. 67.

[104] von Hippel, 2020.

[105] Research, Network and Support Facility, 2018.

[106] ILO, 2015b.

[107] ILO, 2018.

[108] Worley, 2020.

References

Chevalier-Karfis, Camille (2020). Famous French Poem "Demain dès l'aube" by Victor Hugo, 21 August.

International Labour Organization (2015a). Five facts about informal economy in Africa, 18 June.

___________ (2015b). Recommendation 204: Recommendation concerning the transition from the informal to the formal economy. 12 June.

___________ (2018). Women and Men in the Informal Economy: A Statistical Picture. Geneva.

Lawrence, John, and others (2020). Strategy to Scale Social Innovation for Development: A Hands-on Report for UNDP Accelerator Labs to Enable Context-specific Scaling of Social Innovation to Achieve the SDGs. United Nations Development Programme.

Medina, Leandro, Andrew Jonelis, and Mehmet Cangul (2016). The informal economy in sub-Saharan Africa: Size and determinants. Working Paper, WP/17/156. International Monetary Fund.

Misati, Roseline Nyakerario (2010). The role of the informal sector in investment in Sub-Saharan Africa. International Entrepreneurship and Management Journal, vol. 6, No. 2, pp. 221–230.

Ndiweni, Esinath, and Helen Verhoeven (2013). The rise of informal entrepreneurs in Zimbabwe: Evidence of economic growth or failure of economic policies? African Journal of Accounting, Auditing and Finance, vol. 2, No. 3, pp. 260–276.

Omodero, Cordelia Onyinyechi (2019). The financial and economic implications of underground economy: The Nigerian perspective. Academic Journal of Interdisciplinary Studies, vol. 8, No. 2, pp. 155-167.

Research, Network and Support Facility (2018). The Reference Guide to the Outputs of a Research on the Informal Economy. European Union.

Statista (2020). Statista Country Report: South Africa. June.

von Hippel, Eric (2020). Informal innovation: It's not a bug, it's a feature, 6 August.

Worley, William (2020). These 4 trends will define the future of development, Achim Steiner says, 11 February.

6.4. UNDP Accelerator Labs supporting SMEs to produce goods for the African market

UNDP Accelerator Labs at the forefront of providing support to Africa's SMEs
UNDP works with thousands of entrepreneurs through its Accelerator Labs. In 2019, UNDP built the world's largest and fastest learning network on sustainable development challenges. There are currently 60 Lab teams covering 78 countries within the United Nations, creating actionable intelligence and testing solutions with national partners.

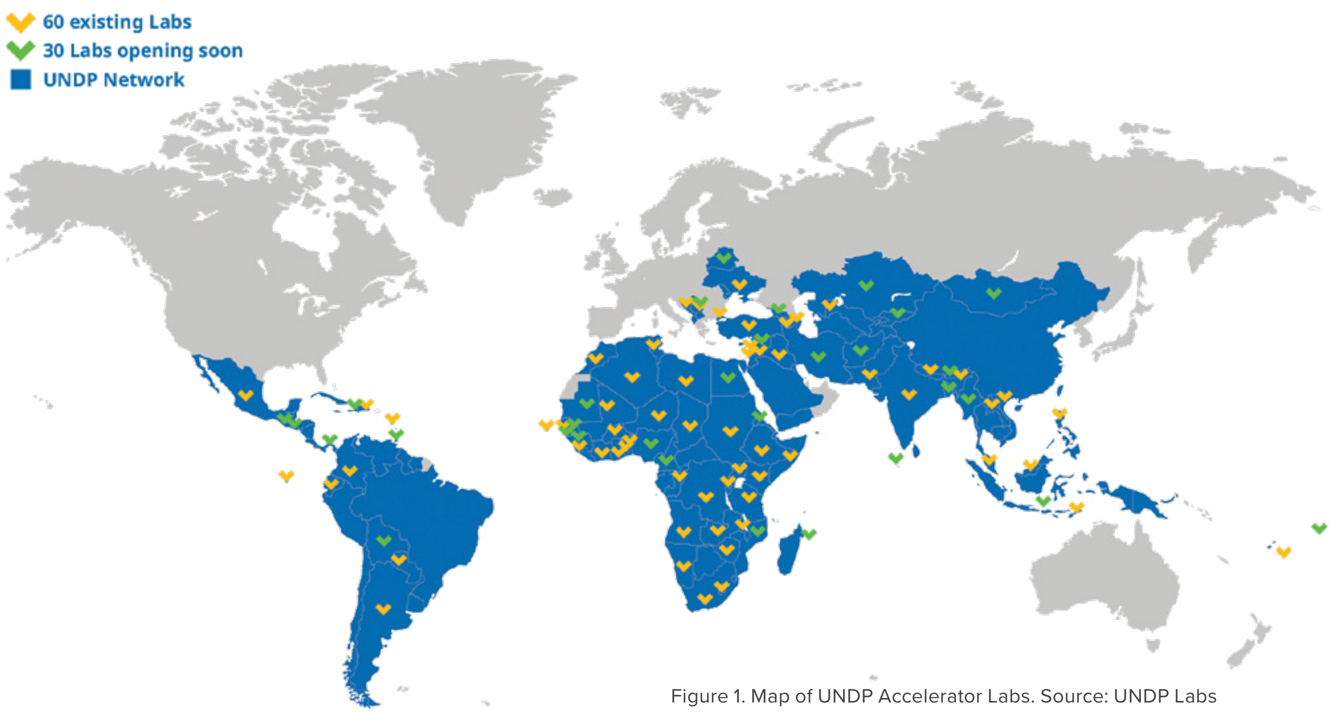


Figure 1. Map of UNDP Accelerator Labs. Source: UNDP Labs

Entrepreneurs are embedded within UNDP Accelerator Labs, which promote the use of local solutions to better respond to development challenges, as these innovators are directly exposed to the problems and understand the underlying causes. While they are motivated to create their own businesses to meet their direct needs, they can also more easily address individual, family and community problems.

For example, in Togo, an Accelerator Lab is currently supporting training for local tailors in manufacturing masks that meet current standards. These trainings are made available on social media to help disseminate information about the process. In fact, the Lab's project was established in light of several observations made at the beginning of the crisis, including a shortage of protective face masks, a rise in prices, a lack of safe alternatives to surgical masks, and criticism and doubts about the safety of locally made protective masks.

UNDP Labs like the one in Togo have adapted their methods to respond to these concerns, formulating hypotheses and establishing a portfolio of solutions to identify actions to be taken. The three basic assumptions are as follows:

- If videos about home-made masks are produced and shared online, then more tailors could make high-quality masks.
- If the public learns about the process of making home-made masks, actors in the informal sector could shift their activities and generate income.
- If there are enough quality face masks available, the price of surgical masks will decrease.

Testing hypotheses often requires a partnership with complementary roles. Three partners were onboarded: Nunya Lab, the National Health Insurance Institute of Togo (Institut National d'Assurance Maladie du Togo) and the University of Lomé.

Reflection session in UNDP Labs. Credit: UNDP Labs

A fourth partner, the AFNOR Group (a business/industry standards association), provided the technical expertise concerning all documentation, verification processes, materials, specifications and manufacturing conditions. The Institute chose to source materials from businesses selling locally made loincloths, which has helped to support this sector and provide employment during the crisis. Nunya Lab was tasked with producing training videos on mask manufacturing using AFNOR standards. Unfortunately, some of these videos could not be used because the technique had not been adapted or was not well explained.

The collective efforts to conduct experiments and establish a portfolio enabled 750 people to be trained in mask manufacturing. They have produced one million masks made with local materials that meet current standards. As the Lab team attests, surgical masks have given way to masks made locally in the streets of Lomé. These made-in-Togo masks are recognizable throughout the country; they are stamped with the word 'XOMAN', which means 'Save me' in the Ewe language.

UNDP Labs are also supporting the informal economy and involved in work related to personal protection equipment in other countries, including Eswatini, Malawi, South Africa and Zambia. In Kenya, they focus on increasing social health insurance coverage for informal sector workers. In Zimbabwe, they are building a resilient food supply chain for COVID-19 response and beyond. Labs are also working to find digital platform solutions to connect the informal sector with consumers in Burkina Faso, Cabo Verde, Eswatini, Lesotho, Namibia and Uganda.[109]

In a recent report entitled 'Africa's Digital Solutions to Tackle COVID-19', the European Investment Bank has documented, analysed and quantified this work in terms of investment so that it may be adapted and replicated.[110]

The UNDP Regional AfCFTA Lab

UNDP is establishing a Regional AfCFTA Lab to support the Agreement's implementation and collaborate with African countries and regional economic communities. This Lab will rely on collective intelligence in seeking to provide solutions based on experimentation, with a view to meeting the needs of African people for free, fair and inclusive trade.

The AfCFTA heralds a new era of trade as the driver of economic transformation. It is expected to trigger positive changes to economic structures and the practices employed by businesses and public trade institutions. These changes require proactivity, creativity, investment and boldness. Building on the Strategic Offer in Africa and partnerships with the African Union, the AfCFTA Secretariat, development and multilateral institutions and business associations, the UNDP Regional AfCFTA Lab will serve as a hub for innovation and the incubation and testing of ideas and solutions to advance the AfCFTA agenda.

Activities related to the Regional AfCFTA Lab have commenced in 2020, and the official launch will take place in early 2021. This Lab will work closely with traders and policymakers to formulate, test, create and scale solutions to realize the vision of the AfCFTA.

Footnotes

[109] Information on UNDP Accelerator Lab projects is available on the website: https://acceleratorlabs.undp.org/.

[110] European Investment Bank, 2020.

References

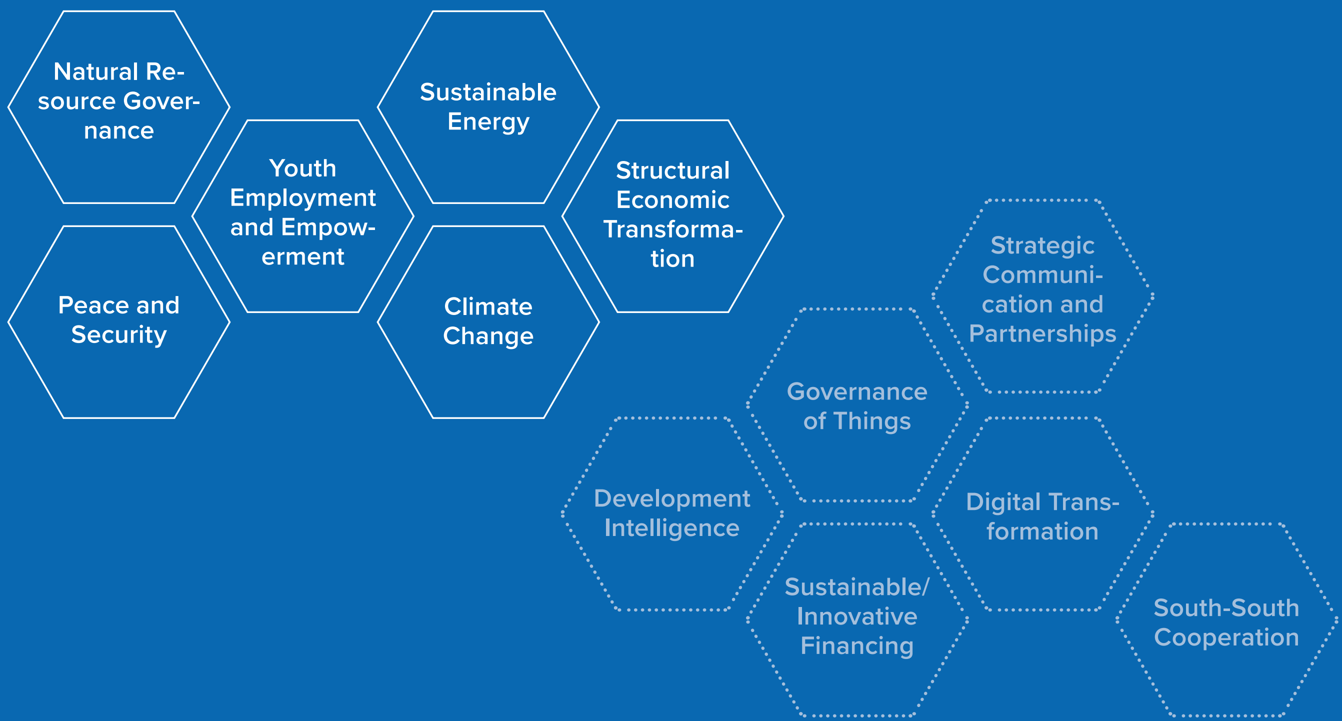
European Investment Bank (2020). Africa's Digital Solutions to Tackle COVID-19.

7

Conclusion: UNDP's Support to Implementation of the AfCFTA

The UNDP Renewed Strategic Offer in Africa is premised on Africa's promise and covers Six Impact Areas: Natural Resource Governance; Youth Employment and Empowerment; Structural Economic Transformation; Sustainable Energy; Climate Change; and Peace and Security. It is underpinned by Six Foundational Enablers: Governance of Things; Digital Transformation; Sustainable/Innovative Financing; Strategic Communication and Partnerships; South-South Cooperation; and Development Intelligence.

Boosting intra-African trade can unleash the potential of all the Six Impact Areas. As intra-African trade increases, incomes will rise from jobs in production of goods and services and from efficiency gains through trade facilitation. Reduced use of foreign currencies for trade through use of mechanisms such as the Pan-African Payments and Settlements System would reduce pressure on African currencies, thus freeing up resources to finance development.



Enhanced opportunities for intra-African trade will accelerate better returns from natural resource governance – by increasing opportunities for trade in value added product

This is a boon for Africa's commodity-based export profile – and a step forward on the much-needed industrialization, strengthening prospects for creating better skilled job opportunities. Women and youth especially will benefit from increased levels of intra-African trade in the five AfCFTA priority sectors of tourism, transport, information and communications technologies (ICT), finance, and business/professional services. Dismantling barriers to trade in energy will create a domino effect enhancing Africa's participation in the fourth industrial revolution (4IR). Furthermore, intra-African trade in renewable and adaptive technologies will spread good practice, opening the door for more progress on climate change mitigation and adaptation.

UNDP's Africa Regional Programme (2018–2021) provides dedicated support to the African Union and regional institutions to ensure, inter alia, that regional growth and structural transformation is inclusive, transformational and sustainable with reduced economic inequalities. The Regional Programme is anchored in a 'regional lens' that promotes a coordinated approach and coherence between regional and national level interventions that align to regional frameworks and policies across Africa. Through this Programme, UNDP has launched support to the implementation of the AfCFTA through collaboration with the AfCFTA Secretariat, and other development partners to strengthen institutional readiness for implementation. UNDP's integrator role is leveraged through multi-stakeholder engagement platforms to promote exchanges between small and medium-sized enterprises in different regions, enhance understanding of the opportunities in the AfCFTA for women and youth, and for sharing experiences in implementing the AfCFTA. This inaugural Futures Report is the flagship knowledge product of UNDP on the AfCFTA, and will continue to be the tool to capture progress – by building on the case story approach of how Africa's women and youth are seizing opportunities in the AfCFTA.

At the national level, and working in partnership with key institutions supporting trade on the ground, UNDP will engage, through evidence, policy support and programmatic interventions, to support women and youth-led enterprises; supporting their efforts to scale and create jobs, contributing to Africa's structural economic transformation, accelerating industrialization and prosperity towards sustainable economic and social empowerment.

The AfCFTA presents a narrow window of opportunity for Africa to accelerate development in the Decade of Action; and to stem the development set back from COVID 19. UNDP is seized with supporting attainment of both objectives, through support for realizing opportunities in the AfCFTA.

AfCFTA Secretariat

UNDP

UNDP is the leading United Nations organization fighting to end the injustice of poverty, inequality and climate change. Working with our broad network of experts and partners in 170 countries, we help nations to build integrated, lasting solutions for people and planet.

United Nations Development Programme | Regional Programme for Africa
www.africa.undp.org

An Organ of the African Union