

Opportunities for Youth Employment and Entrepreneurship

Understanding the African Continental Free Trade Area

About the paper

The African Continental Free Trade Area offers many opportunities to young Africans, who face challenges including high unemployment, lack of decent jobs, barriers to entrepreneurship and inadequate promotion of youth-led businesses. Tackling these challenges will help Africa's large and rapidly growing youth population realize its potential to generate significant economic benefits and contribute to the continent's development.

This paper examines how young Africans stand to benefit from the trade agreement. It presents recommendations – such as raising youth awareness, strengthening the digital economy and improving access to finance – to maximize the potential of one of the continent's greatest assets.

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Foreword by ITC

The African Continental Free Trade Area (AfCFTA) represents a monumental step towards realizing Africa's full potential. It provides a foundation to transform the continent from a state of commodity-dependence to self-reliance through African-made products and services. Promoting regional economic integration also presents a unique opportunity for African countries to compete the global economy, reduce poverty and increase inclusion.

The AfCFTA has the potential to improve substantially the livelihoods of all Africans. This historic agreement is well-positioned to capitalize on the continent's changing demographics by creating more employment and entrepreneurship opportunities for African youth.

Almost 60% of Africa's youth is under the age of 25 and the youth population will continue to increase dramatically over the coming decades. Given their significant number, it is clear that Africa's growth and development rests in the hands of current and future generations of youth. This is why it is so important to nurture the talent of young people and ensure they have decent jobs and the right opportunities to realize their entrepreneurial hopes and dreams. The continent is brimming with incredibly bright young entrepreneurs who have drive and determination, but they face numerous obstacles when starting or expanding their businesses.

ITC's Youth and Trade Programme conducted a survey of African young entrepreneurs in spring 2021. It revealed that 47% of the respondents' businesses are struggling financially, and 91% of them are seeking funding. More than half of the respondents would use additional funding to expand into new markets and to increase digitalization. Investing in youth will be vital for Africa's future.

As the only international development agency fully dedicated to supporting the internationalization of micro, small and medium-sized enterprises, the International Trade Centre is familiar with their unique needs, including those of vulnerable groups such as women and youth. To help these firms take advantage of the AfCFTA, ITC has launched the One Trade Africa programme. One Trade Africa will strengthen the competitiveness and business ecosystems of small businesses – especially those led by women and youth – to provide more effective and inclusive implementation of the AfCFTA.

It works closely with the ITC Youth and Trade Programme, which takes a strategic, market-led approach to building youth entrepreneurship and employability, especially in agribusiness.

ITC is committed to helping youth take advantage of the market opportunities from the AfCFTA. Nevertheless, political will and a commitment to reform will be necessary to tap into the potential of Africa's young labour force and ensure that the gains from economic integration are distributed fairly across the continent.



Pamela Coke-Hamilton
Executive Director
International Trade Centre

Foreword by YALDA

The strength of the African continent lies in the gifts, talents and capacity of our youth. Any progress towards the ideals of cooperation, trade and innovation between African nation-states hinges on the diverse and inclusive participation of youth in the social, economic and political spheres of Africa's development.

At the Youth Alliance for Leadership and Development in Africa (YALDA), we equip, empower and support African's youth to become principled and capable leaders in all spheres of the continent's development journey. We can effect change through our strong partnerships with diverse organizations in the international, national and local spheres, including ITC.

This review provides an excellent resource on the various opportunities provided by the AfCFTA. The primary aim of this report is to share the ideas that might help to transform the continent by creating what could be the largest free trade area in the world. As such, raising awareness of the AfCFTA, highlighting the resources needed to empower local youth-driven businesses, and encouraging participation and involvement in digital trade are the primary objectives.

This report is significant and timely, because it raises key questions about the challenges facing most of the African youth population. These far-reaching problems include unemployment, lack of access to finance and financial aid, barriers to scale for small businesses, and tensions arising from intraregional and international migration.

The review goes a step further and responds to these fundamental questions. It provides critical insight into the AfCFTA and the sectors with the most potential to provide opportunities for young Africans. A huge proportion of youth are involved in entrepreneurship in diverse areas, and this report offer an in-depth insight into youth entrepreneurship and, particularly, involvement in intra-African trade on the African continent. Various strategies are provided on how to mitigate the obstacles encountered on a daily basis.

This moment is a critical turning point for African youth, and it is important that we understand the opportunities available despite the challenges, so we are able to work together to achieve the common goal of moving Africa forward. This report helps to encourage youth to see themselves not only as beneficiaries of intra-African trade, but also as playing a central role in re-imagining, shaping and driving its advancement.



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Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

AfCFTA	African Continental Free Trade Area
AU	African Union
GDP	Gross domestic product
ITC	International Trade Centre
NTB	Non-tariff barrier
SMEs	Small and medium-sized enterprises
MSMEs	Micro, small and medium-sized enterprises
YALDA	Youth Alliance for Leadership and Development in Africa

Executive summary

The AfCFTA is a milestone for Africa's journey towards prosperity. The agreement is poised to transform the continent's economic landscape, creating a single market for goods and services, business and investment. The AfCFTA promises significant gains, including economic diversification, structural transformation, technological development and job creation.

Realizing the full potential of the AfCFTA depends on the development and promotion of policies and interventions that provide inclusive measures enabling disadvantaged groups – such as MSMEs, women and youth – to take advantage of the opportunities the agreement offers.

Given their substantial and rapidly increasing numbers, African youth play a key role in shaping the continent's future development. Africa is brimming with a vibrant young workforce. Moreover, the energy and ingenuity of African youth are evident as a new generation of empowered young Africans is spearheading innovative solutions that not only underpin the continent's growth but, in many cases, help address societal and development issues.

Despite being recognized as Africa's 'greatest asset', young people face major challenges that greatly affect their current and future livelihoods. Youth are more vulnerable than other demographics as they must contend with high unemployment rates, fewer opportunities for decent jobs and other labour market inequalities. It is therefore imperative to assess the implications of Africa's bulging youth population, particularly in light of the AfCFTA.

This report explores the intersection between Africa's teeming youth population and the prospects the AfCFTA presents for the continent's young labour force. The agreement is expected to provide employment and entrepreneurship opportunities for youth, particularly through the creation of a 'liberalized market' and the expansion of key sectors, such as manufacturing, agriculture and services. In doing so, the agreement can meaningfully contribute to the gradual reduction of the vulnerabilities they face.

The inclusion and participation of youth under the AfCFTA is essential, as this demographic is a key driver of economic growth and stability across the continent. Therefore, to address the challenges youth face and leverage their full potential under the agreement, the paper makes the following recommendations for international organizations and policymakers:

- Provide advocacy and raise awareness on youth issues and seek greater participation of youth in the development and implementation of the AfCFTA and relevant policies and programmes;
- Sensitize youth to the opportunities offered by the trade agreement;
- Strengthen digital trade by investing in the continent's digital infrastructure and solutions;
- Increase access to finance for youth-led businesses and entrepreneurs;
- Improve complementary measures for young Africans to take advantage of the AfCFTA by strengthening youth networks and business support organizations and increasing investments in education and skills development.

Chapter 1 Africa's Youth: Prospects and Challenges

A catalyst for growth

Africa's youth population can contribute to sustainable growth and development. Africa is the youngest continent in the world, with a median age of 19.8 years and 65% of the population under age 25.¹ By the middle of the current century, a third of the world's youth population is expected to live on the continent.² While ageing populations are expanding in many parts of the world, Africa's large and rapidly growing young labour force is a valuable asset that has the potential to generate a demographic dividend and yield economic and social gains.

In Kenya, Nairobi's booming youth population plays an increasing role in the service industry, including the technology ecosystem. Services contributed 43.2% to Kenyan GDP in 2019 through innovations, such as Ushahidi and iHub.³ Meanwhile, in Morocco, a significant number of young people are driving the technology ecosystem in Casablanca.

These examples highlight the talent of young Africans and their potential as drivers of transformational change. The continent's youth bulge offers a comparative advantage by providing a productive and dynamic labour force full of energy, ideas and willingness to innovate.

Strong political will and investments are crucial to harnessing Africa's youth dividend. If left untapped, the continent's growing youth population can lead to more pervasive and severe consequences.

Box 1 Youth definition

The United Nations defines youth as people between the ages of 15 and 24 years.

As ITC works with start-ups and businesses that are managed by young adults, and with young adults directly to help them realize economic opportunities through entrepreneurship, it applies an additional extended definition of youth that refers to youth entrepreneurship. This definition covers people below 35 years of age, depending on their professional status.

¹ Mo Ibrahim Foundation, 'Africa's Youth: Jobs or Migration? Demography, Economic Prospects and Mobility', Ibrahim Forum Report, 2019 https://mo.ibrahim.foundation/sites/default/files/2020-05/2019-forum-report_0.pdf.

² Mariama Sow, 'Figures of the week: Africa's growing youth population and human capital investments', Brookings, 3 September 2020. <https://www.brookings.edu/blog/africa-in-focus/2018/09/20/figures-of-the-week-africas-growing-youth-population-and-human-capital-investments/>.

³ Tomiwa Onaleye, 'Kenya Leads Africa's Mobile Money Revolution with M-PESA Dominating over 98% of its Market'. Technext July, 2020. <https://technext.ng/2020/07/06/kenya-leads-africas-mobile-money-revolution-with-m-pesa-dominating-over-98-of-its-market/>. See also, Mutsa Chironga, Hilary De Grandis and Yassir Zouaoui, 'Mobile financial services in Africa: Winning the battle for the customer', McKinsey & Company, 1 September 2017. <https://www.mckinsey.com/industries/financial-services/our-insights/mobile-financial-services-in-africa-winning-the-battle-for-the-customer>.

Pressing challenges

High unemployment

A vibrant labour market is needed to absorb the 10 million to 12 million African youth entering the workforce each year. However, the reality is the opposite, as only 3 million formal jobs are created annually, resulting in high youth unemployment across the continent.

About 13.4% of Africa's youth (ages 15–24) were unemployed in 2019, more than double the rate of Africans aged 25 years and older.⁴ Furthermore, one-third of African youth aged 15–35 are unemployed, highlighting the serious gaps in the labour market for this demographic.⁵

At the regional and national level, youth unemployment rates in certain areas are even bleaker. For instance, the youth unemployment rate in North Africa exceeds 30%.⁶ Countries such as Eswatini and South Africa have some of the highest jobless rates on the continent. The economic repercussions of the COVID-19 pandemic will only exacerbate this ongoing issue.

Table 1 More than half of young South Africans are jobless

Country	Youth unemployment rate
Morocco	21.93% (2020) ⁷
Lesotho	32.8% (2020) ⁸
Eswatini	47.37% (2020) ⁹
South Africa	55.75% (2020) ¹⁰

Source: Statista.

Several issues contribute to the high level of youth unemployment across the continent. One key factor is Africa's current development paradigm, which is characterized by high dependence on primary production and exports of raw materials, such as minerals or natural resources. Research shows that productive gains from these sectors have a negative effect on youth employment as they are capital intensive and offer limited scope for increased employment, compared to trade in services or manufactured products.¹¹

Furthermore, these sectors are sensitive to commodity price shocks and volatility, which can create economic instability during downturns and lead to higher unemployment rates for youth.

⁴ Mo Ibrahim Foundation, Ibrahim Forum Report, *op. cit.*

⁵ United Nations Economic Commission for Africa. (2019). 'African youths, an asset for their countries.' UNECA. <https://uneca.org/stories/african-youths-asset-their-countries>.

⁶ International Labour Organization. (2019). *Advancing Social Justice: Shaping the future of work in Africa*. https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_728052.pdf

⁷ Plecher, H. 'Morocco: Youth unemployment rate from 1999 to 2020,' Statista 27 October 2020. <https://www.statista.com/statistics/812261/youth-unemployment-rate-in-morocco/#:~:text=Youth%20unemployment%20rate%20in%20Morocco%20in%202020&text=In%202020%2C%20the%20estimated%20youth,Morocco%20was%20at%2021.93%20percent>.

⁸ Plecher, H. 'Lesotho: Youth unemployment rate from 1999 to 2020,' Statista 21 October 2020. <https://www.statista.com/statistics/812179/youth-unemployment-rate-in-lesotho/>.

⁹ Plecher, H. 'Swaziland: Youth unemployment rate from 1999 to 2020,' Statista 13 October 2020. <https://www.statista.com/statistics/813070/youth-unemployment-rate-in-swaziland/>.

¹⁰ Plecher, H. 'South Africa: Youth unemployment rate from 1999 to 2020,' Statista 3 November 2020. <https://www.statista.com/statistics/813010/youth-unemployment-rate-in-south-africa/>.

¹¹ Lungu, Ioana (2019). 'A Fresh Chance for Africa's Youth: Labour Market Effects of the African Continental Free Trade Area (AfCFTA),' GIZ-AU Briefing Paper.

Lack of decent jobs

In addition to high unemployment, African youth have limited opportunities for decent jobs. According to the Organisation for Economic Co-operation and Development, three intrinsic factors measure a quality job:

- **Earning quality** refers to the extent to which the pay received by workers in their jobs contributes to their well-being;
- **Labour market security** captures the aspects of economic security that are related to the probability of job loss and its economic cost for workers; and
- **Quality of the working environment** involves non-economic aspects of job quality and includes factors that relate to the nature and content of work performed, working-time arrangement and workplace relationships.¹²

An overwhelming number of African youths do not have access to jobs that offer a decent work environment, earnings or security. In fact, one-third of African youth aged 15–35 are vulnerably employed.¹³ With an insufficient level of formal job opportunities created annually, a sizable proportion of African youth are pushed into the informal sector, which is characterized by low wages, unsafe or exploitative work conditions, low productivity and less stable employment.

Jobs in the informal sector also offer limited opportunities for skills development and upward mobility. Such jobs reduce the ability of young people to gain better livelihoods and, in many cases, trap them in a cycle of poverty.

Skills gap

Despite increases in school enrollment at the primary and tertiary level, Africa's youth development still lags behind other regions. Young people face a range of constraints in terms of access, quality and relevance of education. According to the 2018 Ibrahim Index for African Governance, education outcomes worsened for more than half of Africa's citizens in 2013–2017.¹⁴

Higher enrolment rates have not corresponded with a commensurate level of funding in education and infrastructure to keep pace with the accelerated demand. This has resulted in shortages of trained trainers and overburdened facilities, among other issues.

The gradual increases in public spending on education across the continent are often not enough to provide a decent education for young people and meet key education targets.¹⁵ Therefore, access to quality education remains a challenge in Africa and one of the many barriers limiting access to decent jobs.

Young people with advanced educations are still disadvantaged in many African countries as they must grapple with limited opportunities in the labour market. Furthermore, the skills gap also stems from the fact that, in some cases, youth are not employable, because they lack the required skills, knowledge or personal attributes employers seek.

¹² Organisation for Economic Co-operation and Development. 'How Good is Your Job? Measuring and Assessing Job Quality,' OECD <http://www.oecd.org/sdd/labour-stats/Job-quality-OECD.pdf>.

¹³ United Nations Economic Commission for Africa. (2019). 'African youths, an asset for their countries.' *op. cit.*

¹⁴ Mo Ibrahim Foundation, 'Africa's Youth: Jobs or Migration? Demography, Economic Prospects and Mobility', *op. cit.*

¹⁵ AUC Directorate of Information and Communication. (2017). 'Harnessing the Demographic Dividend Through Investments in Youth.' AU ECHO <https://au.int/sites/default/files/documents/32665-doc-au-echo-magazine-2017-23june17-1.pdf>

Smaller firms struggle

SMEs are the backbone of African economies. Nigeria alone is home to more than 17.4 million small firms accounting for more than 50% of industrial jobs and nearly 90% in the manufacturing sector, while also contributing about 48% to the country's GDP.¹⁶ Across the continent, SMEs represent more than 90% of businesses and employ around 60% of workers, most of whom are women or youth.¹⁷ Although they play a crucial role in Africa's growth and create jobs for young people, these enterprises often struggle to survive and grow.

One of the fundamental issues that SMEs face is access to finance. The substantial financing gap for small companies in Africa exceeds \$136 billion annually¹⁸ and hinders their ability to operate at full capacity and expand their business.

This issue is even more severe for youth-led enterprises. Their smaller size, level of organization and lack of financial literacy, combined with the fact that many operate in the informal sector, limit their options for investment and financing by banks and other institutions. Access to finance is also a major bottleneck for young entrepreneurs, which makes it difficult for them to develop new ventures.

In addition to capital constraints, young people often lack essential skills such as business development know-how, access to business networks and information on different markets and regulatory frameworks. This puts youth-led enterprises and entrepreneurs at a disadvantage, as these are key factors to starting up and expanding their businesses.

Increased migration

With limited prospects in their home countries, millions of African youth migrate in search of a better life. The 2019 Ibrahim Forum Report identifies high levels of unemployment as a driver of youth migration. Among the estimated 36.5 million migrants originating from Africa, almost 80% are people who chose to migrate, primarily in search of better economic and social prospects.¹⁹ Economic motives for migration include finding a job or better work opportunities and fleeing economic hardship, poverty or destitution.

In 2017, about 53% of African migrants moved within the continent.²⁰ According to the United Nations International Organization for Migration, intra-African migration has increased in recent years. More than 21 million Africans now live in another African country, up from 18.5 million in 2015.²¹

Intra-continental migration can have a positive impact on both origin and destination countries. Gains include a higher level of consumption and a bigger tax base for the destination country and remittances for the origin country, among others.

On the other hand, irregular migration, which involves moving to a different country through unofficial channels, remains an important issue. This form of migration poses several risks. For instance, many African migrants undertake unauthorized migration to Europe through dangerous routes across the Maghreb borders. As border controls have intensified, these migrants are taking more complex and precarious journeys to enter Europe.

¹⁶ PricewaterhouseCooper, 'Assessing current market conditions and business growth prospects', PwC Nigeria SME Survey. [Nigeria SME survey \(pwc.com\)](#).

¹⁷ International Trade Centre. (2018). 'Promoting SME Competitiveness in Africa – Data for de-risking investment.' https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Africa_SME%20web.pdf.

¹⁸ *Ibid.*

¹⁹ Mo Ibrahim Foundation, Ibrahim Forum Report, *op. cit.*

²⁰ *Ibid.*

²¹ United Nations International Organization for Migration. (2020). 'World Migration Report 2020.' https://www.un.org/sites/un2.un.org/files/wmr_2020.pdf

In addition to land routes, many migrants attempt to reach European soil by crossing the Mediterranean Sea. Irregular migration using this method peaked in 2015, with 1.8 million migrants taking this route. The trend of irregular migration to Europe by sea has declined over time, with fewer than 200,000 crossings in 2018, as a result of stricter immigration laws by the European Union. Although the rate has decreased, it has come at a significant human cost, with half of missing/dead migrants recorded on the Mediterranean Sea originating from Africa.

Irregular migrants to Europe mainly consist of young men in their late 20s with limited education and who have predominately held low-skilled jobs in the informal sector.²² As Africa's youth population climbs in the coming decades, irregular migration can potentially intensify if this demographic remains underserved and lacks economic opportunities.

²² Idemudia, E. and Boehnke, K. (2020). 'Patterns and Current Trends in African Migration to Europe. In *Psychosocial Experiences of African Migrants in Six European Countries: A Mixed Method Study*.' Social Indicators Research Series, vol. 81. Springer, Cham. https://doi.org/10.1007/978-3-030-48347-0_2

Chapter 2 What is the AfCFTA?

The AfCFTA seeks to create a single African market, bringing together 55 countries with a total population of 1.2 billion people and a combined GDP of \$2.5 trillion. The agreement establishes the largest free trade area in the world, measured by the number of member countries.²³ The AfCFTA became a reality in January 2021, when the agreement entered into force.

AfCFTA: Aims and objectives

The agreement has eight main objectives:

- Establish a single market for goods and services, facilitated by the movement of people to deepen the economic integration of the continent and in accordance with the pan-African vision of an 'integrated, prosperous and peaceful Africa' enshrined in Agenda 2063.²⁴
- Create a liberalized market for goods and services through multiple rounds of negotiations.
- Aid the movement of capital and people and facilitate investments building on the initiatives and developments in the state parties and Africa's Regional Economic Communities.
- Lay the foundation for the eventual establishment of a continental customs union.
- Promote and attain sustainable and inclusive socioeconomic development, gender equality and structural transformations of member states.
- Enhance the competitiveness of member states in Africa and globally.
- Encourage industrial development by diversifying and developing the regional value chain, improving agriculture and ensuring food security.
- Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.²⁵

As of February 2021, 54 AU members had signed the agreement, which has been ratified by 35 of the organization's 55 member states. By design, the provisions of the AfCFTA will be developed and formalized through a multistage process. Therefore, the agreement will evolve over time through various rounds of negotiations.

The first phase of negotiations focused on liberalizing Trade in Goods and Services. Provisions included Protocols on Trade in Goods and Services, Dispute Settlement, Rules of Origin and the free movement of people. Negotiations to finalize provisions for tariff schedules and rules of origin are ongoing and will be completed in 2021.

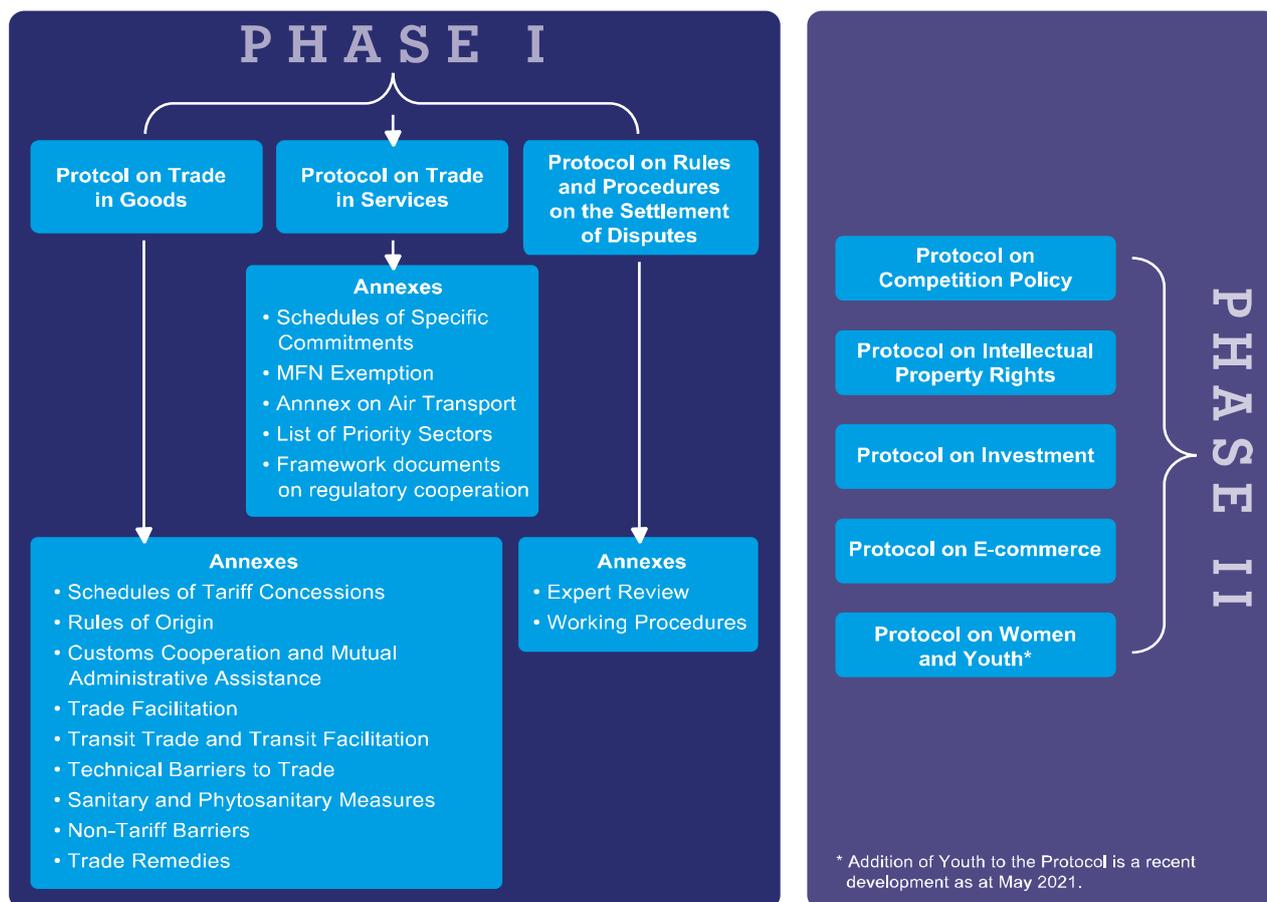
Phase 2 of the negotiations, which aims to develop Protocols on areas such as Intellectual Property Rights, Investment, Competition Policy and E-commerce, is already under way. Furthermore, a Protocol on Women in trade was recently added to promote opportunities for women under the agreement.

²³ World Bank. (2020). 'The African Continental Free Trade Area: Economic and Distribution Effects.' Washington, DC: World Bank Group. <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

²⁴ The AU describes Agenda 2063 as 'Africa's blueprint and master plan for transforming Africa into the global powerhouse of the future'. See <https://au.int/en/agenda2063/overview>

²⁵ African Union. (2018). 'Agreement Establishing the African Continental Free Trade Area.' https://au.int/sites/default/files/treaties/36437-treaty-consolidated_text_on_cfta_-_en.pdf

Figure 1 Negotiations will take place in two phases



Source: ITC 2021

Expected impact

Deeper integration among African countries could lead to numerous benefits, including:

- Creating a bigger and integrated regional market for African products;
- Permitting producers to benefit from economies of scale and to access cheaper raw materials and intermediate inputs;
- Improving conditions for forming regional value chains and integrating into global value chains;
- Giving consumers access to cheaper imports from other African countries;
- Better allocation of resources and faster economic and trade growth;
- Catalysing the structural transformation of countries from resource- and low-technology-based economies to more diversified, knowledge-based economies;
- Eliminating some challenges associated with multiple and overlapping trade agreements in Africa (the so-called spaghetti bowl);
- Encouraging both intra-African and external direct capital flows to African countries;
- Stimulating cooperation in other areas such as technology transfer, innovation, investment and continent-wide infrastructure development.²⁶

²⁶ Saygili, M., Peters, R., and C Knebel. (2018). 'African Continental Free Trade Area: Challenges and opportunities of tariff.' Reductions. United Nations Conference on Trade and Development Research Paper No. 15.

In addition, full implementation will also reduce poverty and broaden economic inclusion. The World Bank estimates that the AfCFTA could lift 1.5% of the continent's population from extreme poverty while boosting the incomes of nearly 68 million people who live on less than \$5.50 a day.²⁷

The AfCFTA recognizes the importance of women in trade in Africa and their integral role in leveraging the full potential of the agreement. Along with the Protocol for Women, the agreement explicitly outlines gender equality as an objective as part of its framework, thereby highlighting the AfCFTA's commitment to empowering African women.

Implementation of the agreement is expected to boost wages for women by 10.5% – a larger gain compared to men.²⁸ The growth in wages for women will stem from the expansion of output in female labour-intensive industries, such as textiles and apparel. This will be accompanied by an increase in female employment in agriculture and agri-food processing, where women make up about half the labour force. Furthermore, the establishment of a single market will provide vast opportunities for cross-border traders, most of whom tend to be women in the informal sector.²⁹

²⁷ World Bank (2020). 'The African Continental Free Trade Area: Economic and Distribution Effects.' World Bank Group. See <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

²⁸ *Ibid.*

²⁹ United Nations Development Programme. 'The Futures Report: Making the AfCFTA Work for Women and Youth.' *op. cit.*

Chapter 3 Opportunities for Youth

By increasing intra-African trade, the AfCFTA will promote industrialization and investment and improve the competitiveness of African firms, among other gains. The transformational benefits will also provide economic opportunities for youth, primarily through job creation and entrepreneurship, helping to address some of the challenges they face today.

The following sections identify areas that have the potential to offer the best opportunities for youth under the agreement.

Boosting trade in goods

The AfCFTA aims to increase continent-wide trade, which has historically been low, by creating a single market for goods and services. The volume of intra-African exports represented 16.6% of total exports in 2017. This is substantially less than exports within other regions, such as Europe and Asia, which amounted to 68.1% and 59.4%, respectively.

The United Nations Conference on Trade and Development has identified three major obstacles to intra-African trade:³⁰

- Weak productive capacities and limited economic diversification;
- Tariff-related trade costs;
- High non-tariff-related trade costs.

Box 2 Tariff and non-tariff barriers

Tariff barriers are mainly government-driven customs duties and tariffs applied to goods to stimulate local production (by imposing high tariffs on imports), raise revenue or encourage imports of strategic goods.

Non-tariff barriers are institutionalized processes that prevent market access. They include price controls, red tape, the high cost of doing business, lengthy goods clearance time, volatile foreign exchange markets, a lack of clear macroeconomic policies and unreliable market data.

Limited productive capacity and lack of economic diversification in many African countries hinder their ability to produce value-added goods that can be traded at the continental and global level – such as intermediate and final products – as well as the development of regional value chains.

On the other hand, tariff and non-tariff barriers increase costs and hamper the competitiveness of companies on the continent.³¹ Many African businesses also struggle with high operating costs due to inadequate infrastructure, such as limited electricity.

³⁰ United Nations Conference on Trade and Development. (2019). 'Made in Africa: Rules of origin for enhanced intra African trade.' UNCTAD Economic Development in Africa Report 2019.

³¹ Broll Property Group. (2017). 'Barriers to Entry in African Retail Markets', Broll <https://www.broll.com/news/barriers-to-entry-in-african-retail-markets/>

The AfCFTA's Protocol on Trade in Goods aims to address these bottlenecks by progressively eliminating tariff and non-tariff barriers, strengthening customs procedures, facilitating trade and improving transit. Member states have agreed to scrap tariffs on 90% of goods traded under the agreement, which will increase the continent's income by 0.2%. Meanwhile, improvements in trade facilitation will lead to greater rewards, adding \$292 billion of the expected \$450 billion in income gains from the AfCFTA.³²

The Protocol also includes objectives to promote regional and continental value chains and enhance diversification and industrialization, which will help boost intra-African trade. These measures are expected to support the development of production networks and drive the continent's structural transformation, which is vital as natural resources continue to dominate African exports.³³ The agreement aims to pivot Africa from its current trade paradigm, as it encourages countries to diversify their exports and transition to value-added products, hence reducing dependence on extractive exports.

As a catalyst for industrialization and export diversification, the AfCFTA will stimulate trade in more labour-intensive sectors, particularly manufacturing and agricultural goods. The following section examines the impact of the agreement on these sectors and the potential opportunities they present for African youth.

Manufacturing to benefit the most

Manufacturing stands to gain the most from the agreement. The World Bank predicts that by 2035 the volume of total exports of manufactured goods will increase 29%, while intra-Africa manufacturing trade climbs 110% and manufacturing exports to the rest of the world rise 46%.³⁴ Manufacturing growth will lead to expansion in key areas and the development of new industries, including machinery and equipment and clothing.

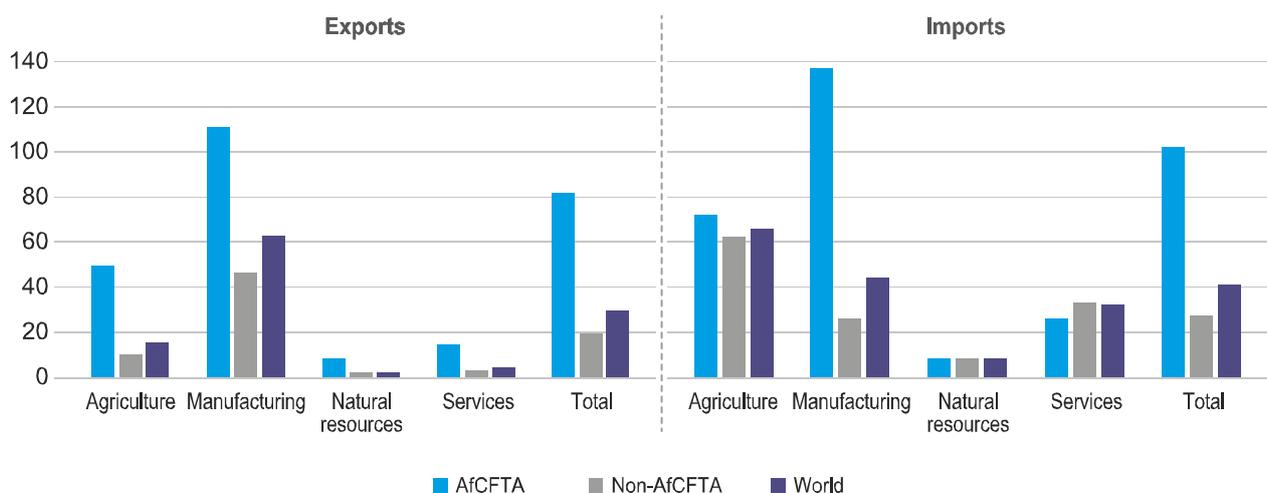
In doing so, the agreement will stimulate the production and trade of 'Made in Africa' goods. Expanding this sector will create much-needed employment opportunities. According to Brookings Institution, the AfCFTA has the potential to create 13 million to 16 million new jobs.³⁵ Young Africans stand to benefit from the expected manufacturing boost, as growth in this sector will help bridge the youth employment gap.

³² World Bank (2020). 'The African Continental Free Trade Area: Economic and Distribution Effects.' World Bank Group. <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

³³ United Nations Conference on Trade and Development. (2018). 'AFRICAN CONTINENTAL FREE TRADE AREA: Policy and Negotiation Options for Trade in Goods.' UNCTAD

³⁴ European Centre for Development Policy Management. (2020). 'The African Continental Free Trade Area: From agreement to impact.' ECDPM Great Insights Vol. 9, Issue 1 (2020).

³⁵ Oxford Business Group. (2020). 'Benefits of the African Continental Free Trade Area agreement.' The Report: Côte d'Ivoire 2020. <https://oxfordbusinessgroup.com/analysis/game-changer-new-trade-deal-lays-groundwork-acceleration-integration-and-intra-0>

Figure 2 Biggest impact will be on the manufacturing sector

Note: Figure shows the impact of the AfCFTA on trade, by sector (deviation from the baseline for 2035).

Source: World Bank (2020). *The African Continental Free Trade Area: Economic and Distributional Effects*. Washington, DC: World Bank.

New opportunities in agriculture

Export of primary agricultural production is high in Africa compared to other regions. Yet the continent remains a net food importer and one of the most food-insecure regions in the world. The African Development Bank says Africa spent \$64.5 billion on imported foods in 2017; this figure will exceed \$110 billion by 2025 if the current pace continues.³⁶ Although the agricultural sector employs more than 60% of the African workforce and accounts for roughly a third of the continent's GDP, farming activities are not productive enough to feed its current and growing population.³⁷

The sector is underexploited due to regional trade barriers – including high import tariffs – and other factors such as poor agricultural infrastructure. Africa's potential for farm production is enormous, and the AfCFTA will open new opportunities by promoting agricultural value chains and improving market access.

Reducing tariff and non-tariff barriers to trade will boost agricultural productivity and encourage the production of value-added goods. Increasing intraregional trade will also lead to more stable and resilient markets and food supplies, which is particularly important given the continent's growing population.³⁸

The World Bank estimates that implementing the AfCFTA will result in major gains in agricultural trade by 2035, representing 49% for intra-African trade.³⁹ As a key driver of economic growth under the agreement, the sector will provide greater opportunities for African youth. Expanding agricultural trade and developing and promoting intra-regional trade in agri-food products can help address vulnerability in employment through large-scale job creation and entrepreneurship. Therefore, African youth will benefit from increased employment opportunities and greater prospects to leverage the growth of this sector to create new or develop existing businesses.

³⁶ Ntirenganya, Emmanuel (2020). 'How Africa can move from net food importer to exporter,' *The New Times*, 15 September 2020. <https://www.newtimes.co.rw/news/how-africa-can-move-net-food-importer-exporter>.

³⁷ Goedde, Lutz, Ooko-Ombaka, Amandla, and Gillian Pais (2019). 'Winning in Africa's agricultural market,' McKinsey & Company, 15 February 2019. <https://www.mckinsey.com/industries/agriculture/our-insights/winning-in-africas-agricultural-market#>.

³⁸ Badiane, O., Odjo, P.S., and Collins, J. (2018). *Africa Agriculture Trade Monitor Report 2018*, International Food Policy Research Institute. Washington, DC.

³⁹ European Centre for Development Policy Management, *op cit*.

Service trade to be liberalized

Services can be defined as 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’.⁴⁰ On average, the sector accounts for 55% of real GDP growth in African nations and serves as an important and growing source of employment, particularly in countries such as South Africa and Mauritius.⁴¹

Furthermore, the sector provides vital inputs through various business services that underpin growth in other sectors, including agriculture, mining and manufacturing. That means services spur economic gains by promoting trade in goods, along with cross-border exchange of information.⁴²

Yet the service sector accounts for just 22% of African trade, and only 2% of global services exports.⁴³

Recognizing the central role that services play in African economic development and the sector’s huge growth potential, AU member states included a Protocol on Trade in Services under the AfCFTA. The Protocol seeks to boost Africa’s economy by liberalizing intra-African trade in services, particularly across 12 sectors. The first phase of negotiations prioritized five sectors: business/professional services, communication technologies, finance, transport and tourism services.

Figure 3 AfCFTA prioritizes trade in 12 key service sectors



Source: UNDP. (2020). ‘The Futures Report: Making the AfCFTA Work for Women and Youth.’ New York: UNDP.

⁴⁰ UNDP. ‘The Futures Report: Making the AfCFTA Work for Women and Youth.’ *op. cit.*

⁴¹ *Ibid.*

⁴² Lungu, Ioana (2019). ‘A Fresh Chance for Africa’s Youth: Labour Market Effects of the African Continental Free Trade Area (AfCFTA),’ GIZ-AU Briefing Paper, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Bonn, Germany.

⁴³ *Ibid.*

Research from the African Growth Initiative and the United Nations University World Institute for Development Economics Research identifies many areas in the services sector – including business services, transit trade and various information and communication technology-based services – as ‘industries without smokestacks’. These industries:

share key firm characteristics with manufacturing, such as being tradable, employing low and moderately skilled labour, having higher-than-average value-added per worker, exhibiting capacity for technological change and productivity growth, and displaying evidence of agglomeration economies [and] can serve as a strong alternative to manufacturing in boosting growth and creating good jobs.⁴⁴

Therefore, the promotion of services under the AfCFTA has the potential to create more opportunities for African youth in the sector. This is important, as about 20% of new entrants to the labour market work in the sector.⁴⁵

The Protocol on Trade in Services specifically seeks to increase the export capacity of young Africans. Article 27(d) of the protocol ‘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’.⁴⁶ The provision highlights the commitment of AU member states to youth development and, as a result, is expected to create new trading and entrepreneurial opportunities.

Nurturing a nascent digital economy

The digital revolution has radically changed the way people connect and how business can be conducted, especially the trade of goods and services across international markets. E-commerce and the digital economy can boost African trade by enlarging the marketplace for consumers and producers on the continent.

E-commerce start-ups have popped up across Africa in the last few years. In 2020, ITC identified 630 business-to-consumer e-commerce marketplaces operating on the continent.⁴⁷ E-commerce has brought developmental benefits by stimulating growth in connectivity and financial access among women, youth and the poor in rural areas. It has also helped African SMEs scale up their businesses across borders and reach other parts of the continent, thus boosting intra-African trade.⁴⁸

Businesses using technology for financial services, known as fintech, are on the rise, offering services such as mobile money. Fintech services make it easier for SMEs to access finance through innovative business models that leverage technology to facilitate trade.⁴⁹ While the digital economy is still nascent in many countries, it has the potential to transform African economies.

Recognizing the rise and importance of the digital economy and e-commerce, AU heads of state decided in February 2020 to include an AfCFTA Protocol on E-commerce. Continent-wide collaboration will help prevent fragmentation and coordinate initiatives to harmonize the governance and promotion of e-commerce and the digital economy.

⁴⁴ Coulibaly, Brahim Sangafowa, Gandhi, Dhruv, and Mbaye, Ahmadou Aly. (2019). ‘Job creation for youth in Africa: Assessing the employment intensity of industries without smokestacks.’ Brookings Institution. <https://www.brookings.edu/blog/africa-in-focus/2019/12/16/job-creation-for-youth-in-africa-assessing-the-employment-intensity-of-industries-without-smokestacks/>

⁴⁵ Brookings Institution. (2019). ‘Harnessing Africa’s Youth Dividend: A new approach for large scale job creation.’ Brookings Institution. https://www.brookings.edu/wp-content/uploads/2019/01/BLS18234_BRO_book_007_CH3.pdf

⁴⁶ European Centre for Development Policy Management, *op. cit.*

⁴⁷ Ify Ogo (2020). ‘An Agenda for the AfCFTA Protocol on E-Commerce,’ Tralac. <https://www.tralac.org/blog/article/14692-an-agenda-for-the-afcfta-protocol-on-e-commerce.html>

⁴⁸ Yasmin Ismail. (2020). ‘Mobilising E-Commerce for Development in Africa through AfCFTA’, CUTS International, Geneva. http://www.cuts-geneva.org/pdf/eAfCFTA-Study-E-Commerce_in_the_AfCFTA.pdf

⁴⁹ Hope, A. (2019). Improving Access to Finance through Fintech. Tralac. <https://www.tralac.org/documents/events/tralac/2743-tralac-brief-improving-access-to-finance-through-fintech-march-2019/file.html>

The COVID-19 crisis has further highlighted the importance of this sector, causing consumers to rely on e-commerce and other digital solutions more than ever.

Young people tend to be more inclined to innovate than older people. They are more willing to explore the opportunities that technology presents to disrupt existing industries and create new ones. Many young people have entered the growing tech ecosystems in Africa in the last decade, driven by the desire to develop innovative goods and services.

Nairobi's tech ecosystem leads innovations across the continent, and many of its start-ups have attracted sizable investments. Some of these are Cellulant (\$55 million), CarePay (\$45 million), Twiga Foods (\$44 million), Powerhive (\$41.3 million), M-Kopa (\$38 million) and WeFarm (\$19.6 million).⁵⁰

The relationship that youth have with new technology opens possibilities for their broader inclusion and participation in the labour market and the economy.

Opportunities for youth-led SMEs and entrepreneurs

The slow pace of formal job creation and high youth unemployment rates across the continent have pushed many young Africans into the informal sector and entrepreneurship.⁵¹ For many youth, entrepreneurship is the only viable path to a sustainable livelihood, typically through some form of informal and self-run small-scale initiative.

Entrepreneurship is a key driver of economic growth as it allows young people to participate in the labour market and stimulates job creation. Research shows that new businesses that entrepreneurs create have the potential to drive and shape innovation, speed up structural changes in the economy and introduce new competition – thereby contributing to productivity.

Furthermore, the International Development Research Centre has found that a major upside of youth entrepreneurship is its potential to create job opportunities for other youth. Youth are also responsive to new market opportunities created by technology, which makes them more inclined to take advantage of innovations within this growing sector.⁵²

The AfCFTA can generate many opportunities for youth entrepreneurs on the continent, as removing tariff and non-tariff barriers will give them access to a much larger market. The agreement also supports the creation of a conducive business environment by improving the African trade landscape and boosting industrialization, technological development and investment opportunities.

⁵⁰ Digest Africa. (2019). 'These Are the 12 Most Funded Startups in Kenya,' <https://digestafrica.com/most-funded-startups-kenya>

⁵¹ International Labour Organization, 2020.

⁵² United Nations Development Programme, Africa. 'Potential Solution: Youth Entrepreneurship for Africa's Developmental Challenge.' <https://www.africa.undp.org/content/rba/en/home/about-us/AFIM/youth-portal-open-innovation-challenge/potential-solution.html>

Chapter 4 The Way Forward

The African youth bulge can be harnessed to support the continent's sustainable development. While the growing youth population presents many opportunities, young people also face disproportionate challenges. The AfCFTA provides a framework that will produce more jobs, help stimulate the expansion and creation of youth enterprises, and provide other market opportunities for young Africans.

Undoubtedly, the future prosperity of the continent and the successful implementation of the AfCFTA will depend, to a large extent, on the ability and willingness of policymakers to harness their transformative potential. The following recommendations should be taken into consideration to facilitate opportunities for youth under the AfCFTA.

Provide advocacy and raise awareness

Promoting and raising awareness about youth issues and working to involve more young Africans in the implementation of the AfCFTA are fundamental for youth inclusiveness. To this end, the AfCFTA secretariat, policymakers and development institutions must work together to empower and meaningfully engage with youth associations – at the continental, regional and country levels. This will strengthen dialogue with African youth and help inform more inclusive policies and programmes.

Encouraging youth to participate in the development and implementation of the agreement and national strategies will help to tackle barriers to youth employability, entrepreneurship and trade. The needs of youth must be addressed, as they are a key determinant for Africa's growth and realization of the agreement's objectives. Therefore, young men and women must be involved in decision-making processes to highlight gaps in current practice and directly propose solutions to deal with the challenges they face.

Ensure that youth know about opportunities

Greater awareness is one way to ensure that young Africans benefit from the development of the single market. Youth – including those from rural areas and those who are less educated – must understand the provisions of the AfCFTA and the market opportunities it offers to ensure broad-based participation.

Sensitization efforts should include or be accompanied by capacity-building programmes to boost technical, trade and business knowledge. Upskilling and empowering youth from all backgrounds will increase their engagement in intraregional trade and promote entrepreneurship.

Strengthen the digital economy

In many respects, Africa's digital economy has expanded exponentially. For instance, the African mobile phone industry, which has seen subscriptions soar to 760 million in 2017 from 87 million in 2005, is one of the fastest-growing markets in the world.⁵³ Despite innovations in the African technology sector, the digital divide remains a serious challenge, as about 66% of Africans are still offline.⁵⁴

Digital trade, supported by digital tools and platforms, stands to benefit the most from better market access in Africa and has the potential to become the next frontier in intra-African commerce.⁵⁵

⁵³African Development Bank. (2019). 'Africa's Digital Economy poised to explode as regional integration opens new markets.' <https://www.afdb.org/fr/news-and-events/africas-digital-economy-poised-to-explode-as-regional-integration-opens-new-markets-19272>.

⁵⁴ *Ibid.*

⁵⁵ Kingsley Ighobor. (2020). 'Digital Trade in the Next Big Thing in Africa,' *Africa Renewal*. <https://www.un.org/africarenewal/magazine/july-2020/digital-trade-next-big-thing-africa>.

For this opportunity to become a reality, however, substantial investments are needed to bridge the digital divide.⁵⁶ African governments must invest strategically and systematically to develop digital infrastructure, services and solutions. For instance, internet costs must come down as consumers in African countries pay some of the highest rates in the world for internet access as a proportion of income.⁵⁷

The disruptions caused by COVID-19 have underscored the importance of digitalization as a tool for growth and for building more resilient economies. Investing in infrastructure and developing supportive policy frameworks will facilitate better access to many underserved segments of the population, such as youth, and help maximize the potential dividends of the AfCFTA.

Improve access to finance

Access to finance is one of the biggest challenge for SMEs in Africa, particularly youth led enterprises and entrepreneurs. Addressing this challenge requires dedicated, youth-sensitive interventions from a range of actors, including banks and other types of financiers, government, trade and business support organizations, and development institutions. Adopting customized financial inclusion initiatives for youth, such as grants, low-interest loans and innovative trade-finance solutions, will enable young entrepreneurs and enterprises to take advantage of the AfCFTA's business and trade opportunities.

Create an enabling environment

In addition to the above recommendations, it is important to foster an enabling environment to maximize the benefits of the AfCFTA for youth. This involves developing and strengthening the following complementary measures to build a supportive ecosystem for young people.

Strengthen youth networks

Young professionals and entrepreneurs are spearheading youth associations and networks in Africa at the continental, regional, country and local levels. These organizations provide a platform to advocate for better solutions to address the challenges that they face.

Policymakers and development institutions should support these associations by providing resources to help facilitate their mission and disseminate information on the AfCFTA. It is also important to increase their participation in the AfCFTA negotiation processes and national strategies to promote youth-inclusive measures and effective implementation of the agreement.

Support business support organizations

Business support organizations, such as accelerators, hubs and incubators, are a vital lifeline for young entrepreneurs and enterprises in Africa. These organizations enable and underpin entrepreneurship and innovation by developing the skills of youth-led enterprises and providing access to essential resources and networks. For instance, initiatives to build capacity through business development, financial, trade and investment-readiness trainings give young entrepreneurs the knowledge and expertise they need to start and expand their businesses.

Supporting these organizations will encourage entrepreneurship among African youth and the development of burgeoning business ecosystems under the AfCFTA. It will also expand the capacity of existing youth-owned businesses, leading to greater job creation and reducing unemployment in Africa.

⁵⁶ Internet Users for Africa. World Internet Stats, 31 March 2020. <https://internetworldstats.com/stats1.htm>.

⁵⁷ Alliance for Affordable Internet. 'Regional Snapshot: Africa' Affordability Report 2019. https://1e8q3q16vyc81q8l3h3md6q5f5e-wpengine.netdna-ssl.com/wp-content/uploads/2019/12/AR2019_Africa-Regional_Screen_AW.pdf

Improve education and skills development

Access to education and skills development are essential to build the knowledge and productivity of African youth. Yet the continent faces a skills gap, as opportunities for general education as well as technical and vocational education and training are limited.

Barriers and gaps in African education systems make it difficult for young men and women to access primary and secondary schooling – and where it is provided, the quality is often low. Improving educational systems through investments in better curriculums and resources is key to developing a stronger workforce. It is also important to ensure that vulnerable populations, such as girls and rural youth, have access to education.

In addition to formal schooling, technical and vocational education and training programmes are critical tools for economic growth and development. These programmes provide young people with a broad range of essential skills and decent work opportunities, particularly for those in the informal sector.

The current skills gap significantly hinders African youth from maximizing their full potential. Increasing and enhancing educational, technical and vocational offerings will empower youth to contribute meaningfully to their societies.

Case studies – Young African entrepreneurs

Case study: South Africa – agripreneur

Nicollate Matuku is a 31-year-old South African entrepreneur. Her first venture started in May 2020, with a social enterprise that offered services she believed could help youth propel themselves in businesses. It grew from a firm that simply helped people with entrepreneurial skills and services into a trader of agricultural products. The company was initially self-funded with capital of \$1 200, until Matuku started to attract investors.

The business now earns about \$2 300 monthly and manufactures and distributes traditional foods such as Maheu (a maize drink). It also specializes in livestock farming, mainly piggery, and runs a little college on the farm where it trains people on how to become pig farmers. The business mainly targets abattoir owners who buy the pigs for slaughter and resell them, as they buy in bulk.

Matuku plans to start exporting processed pork products such as sausage and hotdogs to Zimbabwe and Botswana. She says the process to get export papers was long and difficult due to the legal and legislative processes and requirements of both countries. For example, her company needed clearance from the food boards, ministries of agriculture and departments of livestock in both Zimbabwe and Botswana.

The South African Ministry of Agriculture also had to inspect her farm to ensure that the business was following to proper regulatory practices – a process that took a long time because of delays at the ministry. The company also faced financing challenges, as each stage of the process required money.

The pandemic has affected the business. Traders cut prices for their goods in the hope of clearing stock that remained because of low sales due to COVID-19 restrictions. Matuku has also reduced prices to remain competitive and is just breaking even.

As a youth entrepreneur, Matuku faces considerable competition from more established businesses that have advanced value chains and have created monopolies in the market. People often tend to choose long-established companies over youth-owned start-ups. That makes it difficult for Matuku to make reasonable profit, get support for agricultural goods or access banking services. 'For them to recognize you and to take you seriously, you need to have been in the business for at least three to five years,' she says.

Matuku wants policymakers to develop support systems for youth, not only to help them obtain finance, but also to make the start-up process easier.

Case study: Kenya – creative industry

Jermaine Ojwang is a 30-year-old Kenyan chief executive and founder of Silver Monkey Motion Pictures, a cinematography and videography company. The former musician started his business in August 2018 because he had a hard time getting high-quality videos to accompany his music. The lack of videographers and cinematographers who would produce music videos at the level of quality he wanted motivated Ojwang to start his own customer-centric company with personalized services. He set up the company with capital of \$2,000, and the most profit he has made so far is about \$350 in a month.

His biggest challenge has been accessing capital. Ojwang had tried to get into the business for years, but could not get funding. He says only a few financiers are willing to take the risk to invest in youth ventures and SMEs. For example, banks often require financial statements before granting a loan. However, few start-ups will be able to provide these documents, even if the business idea is solid.

Ojwang also struggles with competition from videographers who have been in the market for longer and have large market shares. Most competitors are from South Africa, the United Republic of Tanzania, Ghana and Nigeria, where most of the big names in the industry come from. Getting customers in a saturated market is difficult, he says, as most musicians already have companies for their media productions.

Silver Monkey Motion Pictures is not breaking even due to low sales and limited expertise and capacity. Ojwang says he hopes the company will have 10% of the market in the next 12 months.

Government policies are largely not favourable for start-ups and SMEs, Ojwang says. For example, taxation laws on new ventures are quite stringent. He would like the Kenyan Government to remove national security restrictions on locations for shooting music videos, which he says harms the local creative industry. The restrictions often lead Kenyan musicians to shoot their videos outside the country or continent, therefore not giving business to local producers. Ojwang says Kenya could be well-marketed and advertised through music videos, which would help attract investment.

Most start-ups fail because there is no readily available information about the local business environment, according to Ojwang. Youth-led businesses could better prepare for the market in terms of skills, procedures and what to expect with access to this information. He would also like policymakers to change the education curriculum so lessons are more relevant and practical.

Case study: South Africa – digital entrepreneur

Nwabisa Mayeng, 34, is the co-founder of a wellness and fitness company called Trove. She set up the company in 2019, when she was seeking holistic health options and solutions other than costly medical help to deal with her own considerable weight gain as a result of mental health issues. Trove focuses on fitness, wellness events and an e-commerce store for fitness products.

Mayeng started the venture with about \$700 and notes that she faced many challenges when trying to establish her business. Access to quality mentorship was one problem. 'It is hard to get mentorship from someone that actually has experience in the same field. Most available mentors are usually generalists, who are not very helpful,' she said.

Finding start-up capital was also tough. People usually think that running online businesses is easy and does not require financing, she says, but this is far from the reality. A company with an online presence must ensure visibility through regular content creation. That means it needs money to finance its digital marketing strategy and hire someone with the right skill set to handle the operations of its online store. This is often difficult for start-ups, which typically lack the resources to recruit highly skilled professionals.

Many youth entrepreneurs struggle with costly unlimited data plans, Mayeng says. Access to affordable data plans is critical for digital entrepreneurs as they rely on digital tools and skills for success, especially with regards to e-commerce, she says.

Trove hopes to expand to other African countries, though such a move is challenging. For example, some countries require foreign companies to have a local partner, and cross-border costs can be high.

Mayeng would like more youth collaboration and capacity development, and for young people to get the right mentorship and education about the kind of industries they would like to enter.

Key insights from the case studies

It is evident from the three case studies that youth-led enterprises face various challenges that make it difficult for them to scale up and/or expand to bigger markets. The most common challenges identified from the case studies are lengthy and costly registration and clearance processes; restrictive government measures; lack of access to funding; inadequate market information and competition from bigger businesses.

Most of the challenges these three young entrepreneurs face are classified as non-tariff barriers (NTBs). The question then is: how will the AfCFTA eliminate or resolve NTBs?

The agreement provides a legal framework with specific undertakings for trade facilitation and the elimination of non-tariff barriers that hinder trade. Annex 5 of the Protocol on Trade in Goods provides a mechanism to identify, categorize and progressively eliminate NTBs. It presents general categories of possible sources of NTBs, including technical barriers to trade; sanitary and phytosanitary measures; government participation in trade and restrictive practices tolerated by governments; customs and administrative entry procedures; specific limitations; charges on imports; and transport, clearing and forwarding.

According to Article 13 of Annex 5, governments must prepare a national time-bound matrix detailing their strategies for removing NTBs described in the annex. The annex also provides for the creation of institutional structures to implement and enforce the AfCFTA legal framework for the elimination of NTBs. Article 12 of Annex 5 establishes the AfCFTA NTB online mechanism for identifying, reporting and monitoring non-tariff barriers to facilitate their elimination under the agreement.

The AfCFTA does contain provisions for resolving the challenges identified in the case studies. However, for youth-led companies to be able to participate fairly in intra-Africa trade under the AfCFTA, these trade facilitation measures should be implemented and non-tariff barriers should be removed.

AfCFTA member states have a crucial role to play to ensure the success of the process. To ensure that the AfCFTA is a win-win for all players, governments must put in place some flexibilities for groups of traders with weaker competitive advantages, such as youth and women.

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