



# Pre i-Boot Camp Virtual Summit

WORKSHOP

## What exactly is the AfCFTA and how can youth benefit from its operationalisation?

'Beyond COVID-19: Leveraging the Benefits of the AfCFTA to Spur Africa's Growth'

Thursday 12 November 2020

Youth Alliance for Leadership and Development in Africa

[www.ibootcamp.yalda.org](http://www.ibootcamp.yalda.org) yaldafrica yaldafrica





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# Overview of the African Continental Free Trade Area

**Presented by:**

**Aissatou Diallo - Regional Portfolio Manager, ITC**



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## AfCFTA Economic Snapshot

- 55 Member States – 1.3 billion people to reach 1.7 by 2030
- 70% of the population below 35 years old
- Intra-African trade is only 18% in 2020 (against 54% trade with Europe)
- A growing middle class
- But still 20 million people out of extreme poverty and 60 million people out of moderate poverty in 2035
- 60% of MSMEs are still operating in the informal sector
- High potential for development for all sectors: agriculture, industry, ICT and the blue economy





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## AfCFTA Objective and State of Play

Creation a **Single market for goods, services** facilitated by **free movement of persons** (art. 3).

### How?

- **Liberalized market for goods and services** through successive rounds of negotiations (Phases 1 and 2)
- **5 protocols** : Protocol on goods, on services, on Rules and Procedures on the settlement of disputes, on competition policy and on Intellectual Property





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# AfCFTA Objective and State of Play

## Where are we now?

- 54 signatures and 30 ratifications
- AfCFTA is in force but not implemented since trading will start as of **1<sup>st</sup> January 2021**
- AfCFTA **Secretariat in Accra, Ghana** – August 2020 – Wamkele Mene
- AfCFTA **negotiations** are handled by the **AUC in Addis**
- AfCFTA implementation is coordinated through Accra





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## Expected Impact of AfCFTA

Deeper integration among African countries could lead to numerous benefits. These include:

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



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## ITC's Approach

- AfCFTA ultimate beneficiary is the private sector mainly **MSMEs (80% of the enterprises to which 60% are still in the informal sector)**
- ITC **DNA** is to **increase the competitiveness of MSMEs** and connect them with more lucrative, predictable and sustainable market opportunities for more decent jobs for youth and women
- ITC has a wide experience supporting **the regional integration process**
- ITC delivers AfCFTA related activities with other UN agencies (UNECA, UNIDO) and commercial banks (partnership with African Export Import Bank / Afreximbank)



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## Partnership for One Trade Africa

- ITC is fully engaged in helping the African private sector to convert opportunities offered by the AfCFTA into concrete business transactions.
- ITC **recently launched the ONE TRADE AFRICA programme** to unlock the full business potential of the AfCFTA, targeted at micro, small and medium-sized enterprises (MSMEs). The programme will support MSMEs, with a special focus **on women and youth-led enterprises**, at three levels:
  - At the **macro level** the programme will enable connectivity and ease of business operations for AfCFTA
  - At the **meso level** the programme focuses on strengthening institutions to support the AfCFTA
  - At the **micro level** the programme will increase the competitiveness of African MSMEs to trade under the AfCFTA, with an emphasis on utilising green solutions





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# The AfCFTA and Youth: Initial Findings from ITC and YALDA White Paper

**Presented by:**

**David Cordobes - Head of the Youth and Trade Programme, ITC**

**Chuks Okoriekwe - YALDA**

**Abinaidah Chaseba - YALDA**



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## Global facts on youth employment

- 64 million young people are currently unemployed
- 145 million young people are trapped in working poverty
- 40 million people, mostly youth, enter the workforce every year

## Sub-Saharan Africa

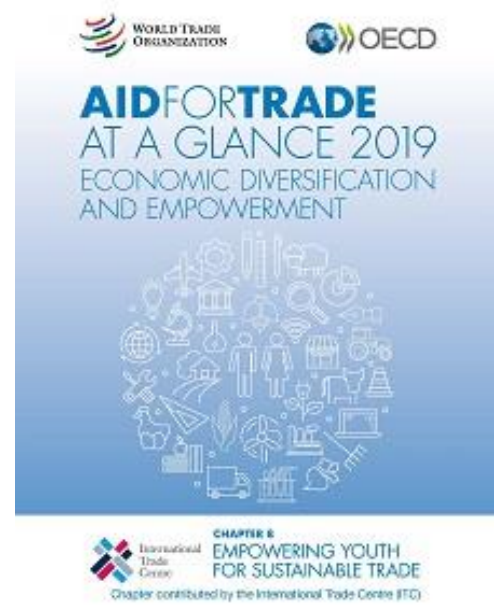
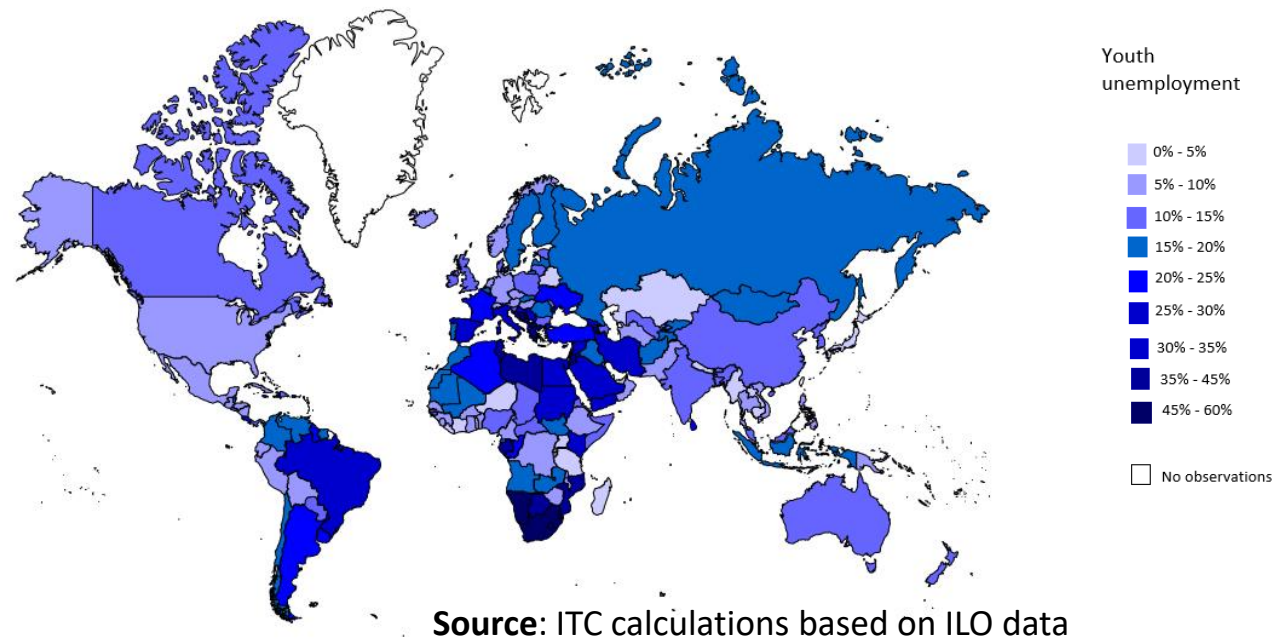
- The youth labour force in Africa has more than doubled from 61.5 million in 1990 to 124.5 million in 2019
- 15.7 million youth are unemployed
- 62.1 million youth are working but poor
- 95% are in informal employment
- Over 60% of NEET (Not in Education, Employment or Training) are young women



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# Youth employment & small and medium-sized enterprises



- Young people are 3 times as likely as adults to be unemployed
- SMEs account for 35% of GDP, 70% of employment and 35% of exports
- Smaller firms are more likely to employ youth
- Competitive SMEs can export, grow and create more jobs

<https://www.intracen.org/publication/aid-for-trade-2019-youth/>

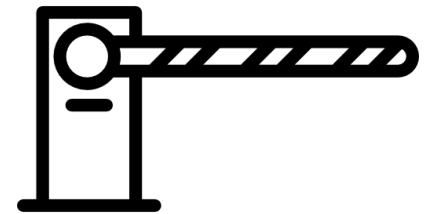
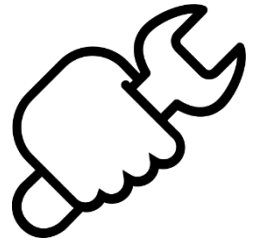
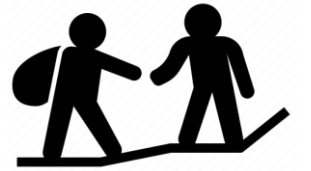


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# Africa's Youth Population

- Upsides: Leveraging the Demographic Dividend
- Downsides: Inability to Galvanize the Youth Population
- Increase in Migration
- Poor Job Quality
- Labour Market Inequalities
- Barriers to Entrepreneurship and Trade

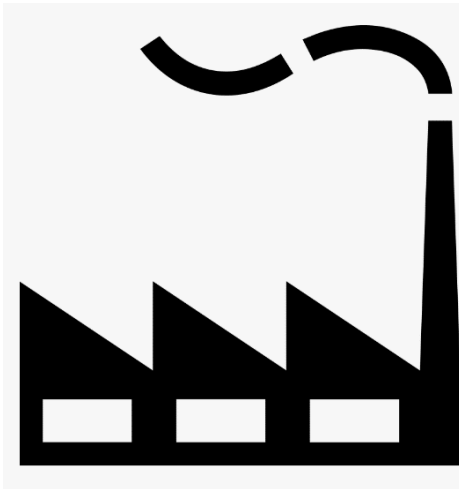
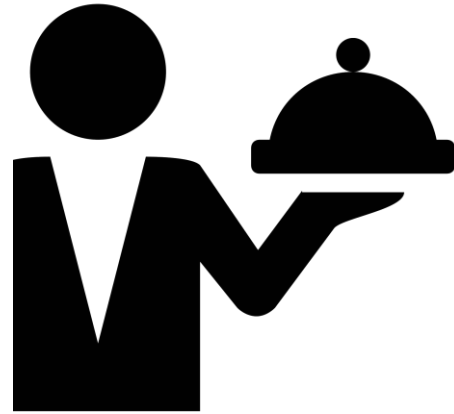




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## Sectors Expected to Provide Opportunities for Youth

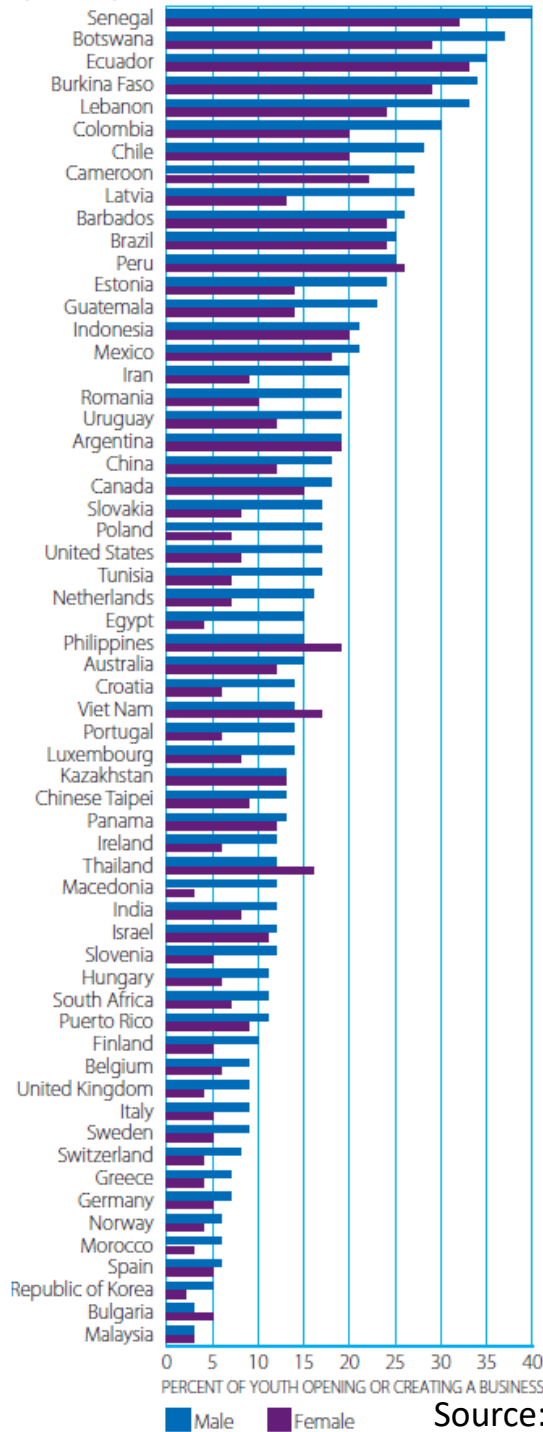


- Manufacturing
- Agriculture
- Services
- E-commerce



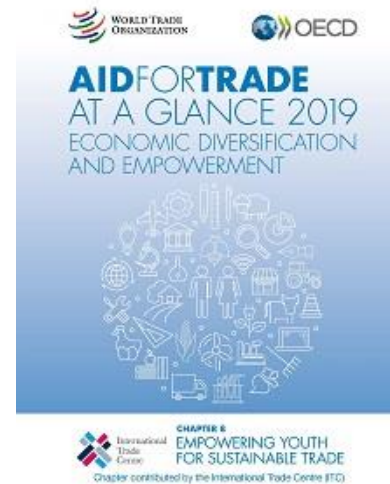
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# Does youth entrepreneurship matter?

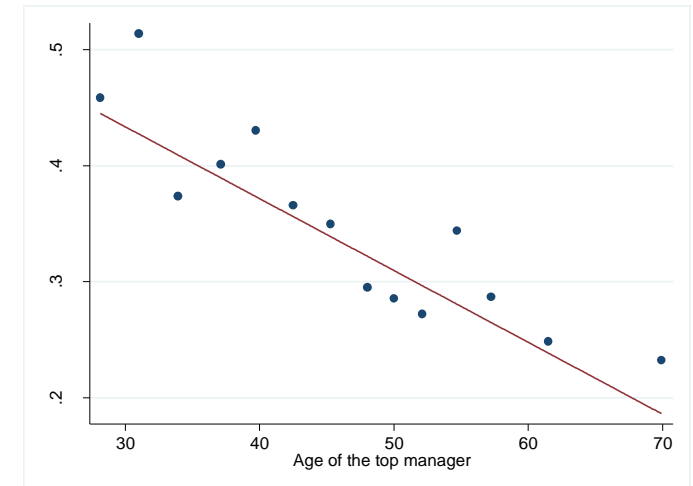
- One in four young people describes themselves as self-employed or an entrepreneur
- 40% start their business out of necessity, 60% to capitalize on an opportunity
- Catalyzes more jobs for youth



Youth entrepreneurship rates by country and gender

Source: ITC calculations based on GEM

Young managers hire more young people



Source: ITC SME Competitiveness Surveys



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# Youth entrepreneurship in Africa

- Millennials are more enterprising than their older colleagues, launching on average twice the number of business when compared with their elders in the same period (BNP Paribas, 2016).
- Lack of formal employment opportunities means engaging in some form of informal, normally self-run small scale entrepreneurship as a means to survive.
- Educational system is lacking content on entrepreneurship particularly in vocational institutions
- Lack of knowledge of entrepreneurship support structures and programmes (both public and private) - but also lack of preparation to approach these structures and understand what they provide to whom.
- Lack of access to capital and financial literacy.
- Digital divide.

Source: ITC SMECO, GEM, ILO

Youth-owned SMEs are more likely to have challenges of



Limited access to finance



Limited business networks



Limited access to market information



Limited youth specific trade support



Limited trade-related skills



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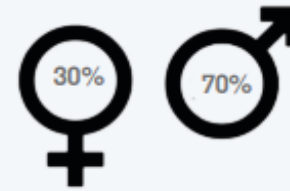
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## Impact of COVID-19

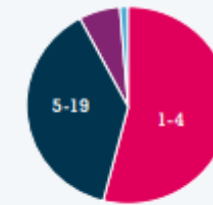
- Youth-led enterprises reported a high risk of closing. About 26% of youth-led firms said they risked shutting down permanently within three months, compared to 18% for non-youth-led businesses
- COVID-19 will exacerbate current high levels of youth unemployment in developing countries, which can lead to “lost generation,” increased migrants and civil unrest

### RESPONDENTS YOUTH BUSINESS PROFILE

### GENDER OF FOUNDER/OWNER



### NUMBER OF FULL TIME EMPLOYEES



### TOP 3 SECTORS



### HOW HAS COVID-19 AFFECTED YOUR BUSINESS?



### WHICH COPING STRATEGIES DID YOU ADOPT?



### WHICH TYPE OF SUPPORT HAS BEEN THE MOST HELPFUL?





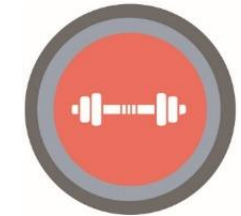


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## Way forward

- Provide advocacy and awareness-raising on Youth and AfCFTA issues through public-private dialogues
- Sensitise youth to the opportunities offered by the AfCFTA
- Seek greater participation of youth in the implementation of AfCFTA at the continental, national and regional levels
- Strengthen digital trade by investing in the continent's digital infrastructure
- Creation of special financial products to finance cross-border trade for young entrepreneurs
- Improve complementary measures for youth to take advantage of the agreement





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**Nicollate Matuku- 30 year-old  
South African entrepreneur**

## Young South African Agripreneur

- Manufacturing and distribution of traditional foods such as **Maheu** (a maize drink) and **livestock farming** (mainly piggery)
- **Challenges:** funding, access to mentors, business plan development, network, marketing, and access to finance, COVID-19 pandemic, funding for growth, competition.
- **Main target market:** abattoir owners & fast-food outlets
- **Her recommendations:** leadership structures have to support youth, not only finance but also making the start-up process easier and opening up the market for young people.