

The Youth and AfCFTA

Perceptions and experiences of trading under the African Continental Free Trade Area

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Cover image: A young man trades goods in a local shop in Gweru, Zimbabwe / Geoffrey Moyo

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Summary

Africa, home to nearly 70% of the global youth population, is witnessing a pivotal moment in its developmental trajectory. The urgent need to integrate youth into decision-making processes stems from the realization that they are not just future beneficiaries but vital stakeholders in Africa's journey towards progress. Despite this recognition, the contributions of African youth, aged 15 to 35, have long been undervalued socially, politically, and economically. However, recent initiatives such as investments by the African Development Bank and the World Bank have sought to harness the potential of the continent's youthful demographic.

While success stories abound, challenges persist. Youth unemployment rates in Africa are alarmingly high, with limited opportunities for meaningful participation in the labour market. Governance issues exacerbate these challenges, perpetuating cycles of poverty and hindering economic growth. However, the establishment of the African Continental Free Trade Area (AfCFTA) in 2019 heralds a new era of opportunities for African youth. The AfCFTA promises to streamline trade, reduce bureaucratic hurdles, and create special economic zones, offering potential avenues for youth empowerment.

Recognizing the marginalized status of youth and women, the AfCFTA's Phase Two introduced the Protocol on Women and Youth in Trade, providing special protections to facilitate their participation. However, challenges persist in the implementation phase, compounded by governance issues and bureaucratic inefficiencies. Despite positive perceptions, scepticism remains regarding the AfCFTA's inclusivity and effectiveness.

This study examines the perceptions and experiences of African youth engaging with the AfCFTA. Through semi-structured interviews with researchers, advocacy officials, and youth-owned businesses, insights were gained into the complexities and barriers faced by young entrepreneurs. While participants expressed eagerness to leverage the AfCFTA, concerns about slow implementation, lack of trust in governments, and logistical challenges were prevalent.

Logistical hurdles, including lengthy shipping times and customs delays, hinder intra-continental trade. Entrepreneurs like Eweonam and Precious face daunting challenges in exporting their products within Africa due to infrastructural deficiencies and regulatory inconsistencies. Despite these obstacles, there is optimism among youth entrepreneurs like John, who see the AfCFTA as an opportunity to create sustainable businesses and drive economic growth.

To maximize the AfCFTA's potential, policy recommendations include prioritizing youth inclusion, enhancing infrastructure, streamlining customs procedures, and rebuilding trust between governments and citizens. Investing in education and upskilling is crucial, but equally important is creating enabling conditions for youth already engaged in trade.

In conclusion, the AfCFTA holds immense promise for Africa's youth, but its success hinges on addressing systemic challenges and ensuring meaningful youth participation. By prioritizing inclusivity and implementing targeted policies, African governments can unlock the full potential of their youthful demographic, paving the way for sustainable development and prosperity across the continent.

Introduction

Africa is home to nearly 70% of young people under the age of 25 – making it the largest youth population in the world.¹ This fact has widened the call for youth inclusion in decision-making on the continent because of the urgent realisation that with such a young population development on the continent needs to progress faster whilst simultaneously embedding the youth as future beneficiaries, participants, and leaders on the continent.²

Although there is wide recognition that youth need to be better integrated into the policies meant to facilitate development, peace, and security on the continent; the contributions of youth in Africa – aged 15 to 35 – have been underrated socially, politically, and economically for a long time despite the importance of their contributions to the development of the continent.³ For instance, a study of 114 start-up founder profiles by Antler – a global venture capitalist firm – showed that 29 years was the median age of start-up founders whose businesses had reached Unicorn, Soonicorn, and growth-stage status.⁴ Moreover, the investments made to capitalise the youthful population in Africa has seen the African Development Bank investing more than USD\$400 million between 2016 and 2018 to private and public enterprises with the aim of creating jobs for youth in several countries across the continent – particularly, Côte d’Ivoire, Kenya, Nigeria, and Rwanda.⁵ The World Bank has also played a critical role of investing in upskilling and educational programs for youth to the value of USD\$34 billion since 2019.⁶

Although these documented success stories demonstrate the potential economic value for youth in entrepreneurship and trade, as well as the increasing skills capacity of youth to participate in local economies; research shows that there are still insufficient opportunities for youth to become fully embedded in their respective labour markets, or to scale-up their start-ups in ways that could meaningfully drive economic growth across the continent. In fact, Africa has the highest rate of youth unemployment globally – standing at over 30%, whilst in some countries these rates are as high as 70-80%. Moreover, the formal wage sector in Africa only accounts for less than 20% of youth employment in Africa – with barriers to employment documented as lack of work experience, skills, or networks.

In fact, Africa has the highest rate of youth unemployment globally – standing at over 30%!

¹ United Nations, ‘Young People’s Potential, the Key to Africa’s Sustainable Development’, Available at <https://www.un.org/ohrls/news/young-people-s-potential-key-africa-s-sustainable-development>

² Ibid.

³ Ibid.

⁴ ‘The Unicorn founder roadmap: Insights into Africa’s startup founders and the ecosystem’, *Antler*, 22 September 2021, Available at <https://www.antler.co/blog/how-to-build-a-unicorn-in-africa>

⁵ ‘The Youth – Africa’s Most Valuable Resource for Economic Transformation’, *African Development Bank*, 14 August 2018, Available at <https://www.afdb.org/en/news-and-events/the-youth-africas-most-valuable-resource-for-economic-transformation-18411>

⁶ ‘Investing in Youth, Transforming Africa’, *World Bank*, 27 June 2023, Available at <https://www.worldbank.org/en/news/feature/2023/06/27/investing-in-youth-transforming-afe-africa>

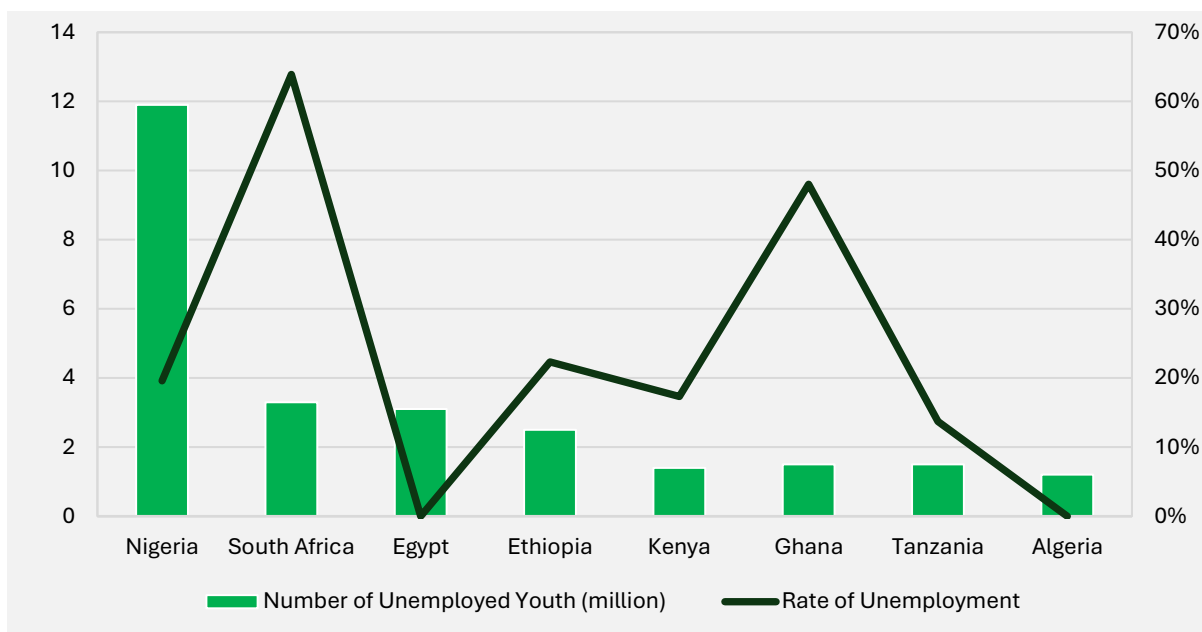


Figure I: Overview of Youth Unemployment in Major African Countries

Source: Matsch co; Author's own calculation

The future of youth in Africa is also being pummelled by governance challenges across the continent which create vicious cycles of poverty even among the most educated youths on the continent.⁷ With government leaders engaging in practices of corruption and extraction on the continent without meaningful and consistent economic policies that would allow for infrastructural development, flourishing and attractive industries, and stability for investors; the future of Africa youth appears dark and impossible.

With the recently established African Continental Free Trade Area (AfCFTA) coming into force in 2019, there has been a revival in the opportunities for the future of African youths.⁸ These hopes are fuelled by the promises and provisions of the founding agreement of the AfCFTA which include limiting the bureaucracy on the movement of people and goods, the establishment of continental special economic zones including special tariffs for products and services produced in Africa by Africans.⁹

Phase two of the AfCFTA kicked off in February 2024 with the the adoption of the Protocol on Women and Youth in Trade. The adoption of the protocol was a recognition that Africa's youth and women are most likely to be marginalised but also have the potential to benefit the most from the AfCFTA.¹⁰ The Protocol provides special protections to facilitate the participation of women and youth in trade and industry on the continent.¹¹ It, therefore,

⁷ Talkmore Chidede and Obert Bore, 'Youth in trade and trade governance in Africa', *TRALAC*, 3 July 2020, Available at <https://www.tralac.org/blog/article/14727-youth-in-trade-and-trade-governance-in-africa.html>

⁸ Ibid.

⁹ Ibid.

¹⁰ John Stuart, 'The AfCFTA Protocol on Women and Youth in Trade and Trade-Driven Development in Africa', *TRALAC*, 24 February 2024, Available at <https://www.tralac.org/blog/article/16324-the-afcfta-protocol-on-women-and-youth-in-trade-and-trade-driven-development-in-africa.html>

¹¹ Ibid.

remains to be seen how member states of the AfCFTA will substantively implement this protocol alongside the establishment of the continental free trade area.

Despite the lack of special protections and provisions for youth in the founding agreement of the AfCFTA, youth have already been engaging with and participating in the continental free trade area in numerous ways. Some youths have been working towards educating and raising awareness about how youths can leverage the AfCFTA, whilst other youth have been participating by trading their goods and services under the rules and policies of the AfCFTA. Because of how fairly new the AfCFTA is; evidence, and intelligence about how successful the continental free area is – remains to be seen.

About This Study

This study discusses and examines the perceptions and experiences of trading under the AfCFTA in order to provide a critical analysis on the opportunities of, and challenges for the youth to participate in, and engage with the AfCFTA. This study draws on, and builds on a previous research paper published by the Brenthurst Foundation which discussed the realities and challenges of implementing the AfCFTA.¹² After nearly 3 years, this study provides further insight into the progress made to establish the continental free trade area.

This study discusses the barriers that are limiting, and that may potentially stunt youth engagement with the AfCFTA in the way it has been envisioned and projected. As part of the solutions-based approach taken by this discussion, I provide some policy recommendations that will be necessary to strengthen the participation of young people in the continental free trade area.

Throughout this study, I argue that while investment in the upskilling and education of youth will be important for the success of the AfCFTA in the long run; member states must make every effort possible to create enabling conditions for the youth who are already skilled, educated, and engaged in trade. By so doing, the member states of the continental free trade agreement may ensure that youths become the central focus of development as producers, consumers, employees, and traders.

To this end, this study aims:

- To outline the challenges and opportunities confronting the implementation of the AfCFTA.
- To discuss the socio-economic benefits of substantively including youth in the implementation and establishment of the free trade area.
- To discuss the perceptions and experiences of young people during the implementation phase of the AfCFTA.
- To provide policy recommendations for greater inclusion and participation of youth.

¹² Dianna Games, 'The African Continental Free Trade Area: A Pipe Dream or Silver Bullet?', *The Brenthurst Foundation*, May 2021, Available at <https://www.thebrenthurstfoundation.org/publications/the-african-continental-free-trade-area-a-pie-dream-or-silver-bullet/>

Methodology

The main method of research has been a desktop review of the challenges and opportunities confronting the implementation and usage of the free trade area.

To nuance the discussion, I conducted semi-structured interviews with 10 young people. Three were researchers and advocacy officials engaged in educating and raising awareness amongst youth peers about the free trade agreement. On the other hand, seven were youth-owned businesses that are currently trading or aspiring to trade under the AfCFTA. While not an exhaustive study of experiences and perceptions, these interviews provided clear insights into the complexities that are facing youths – from the perspectives of young people themselves - as they engage with the use of the free trade area.

The following research questions guided the scope of this study:

- What are the conditions in which the African continental free trade agreement is being established?
- What role do youth play in trade and tourism on the continent?
- What are the opportunities and socio-economic benefits of substantive youth participation and engagement with the continental free trade agreement?
- How have youths experienced the implementation of the African Continental Free Trade Area?

Limitations of the Study

The number of interviewed participants is insufficient to provide a deeper understanding of how effectively the continental free trade area is functioning. Moreover, due to the relatively new nature of the continental free agreement, this study was unable to provide a longer view of the successes, failures, and challenges or opportunities of trading under AfCFTA.

Overview of the African Continental Free Trade Area

The AfCFTA is the African Union's Agenda 2063 flagship project designed to strengthen intra-African trade by reducing trade barriers including high tariffs, free movement restrictions, and operational inefficiencies resulting from weak or non-existent policies on *inter-alia* competition, disputes, and intellectual property.¹³

AfCFTA's founding agreement has brought together 54 out of 55 African countries to merge all African markets into a single trade area encompassing more than 1.2 billion people. As of February 2024, 47 out of 54 countries have ratified the AfCFTA; whilst eight countries have met all the conditions necessary to begin trading under the AfCFTA's pilot program called the Guided Trade Initiative (AfCFTA-GTI). Additionally, the priority areas for industrialisation under AfCFTA include automotives, transport and logistics, pharmaceuticals, and agri-businesses.¹⁴

¹³ 'The African Continental Free Trade Area: The Day After the Kigali Summit', Policy Brief No. 67, UNCTAD, Available at https://unctad.org/system/files/official-document/presspb2018d4_en.pdf

¹⁴ Dianna Games, 2021.

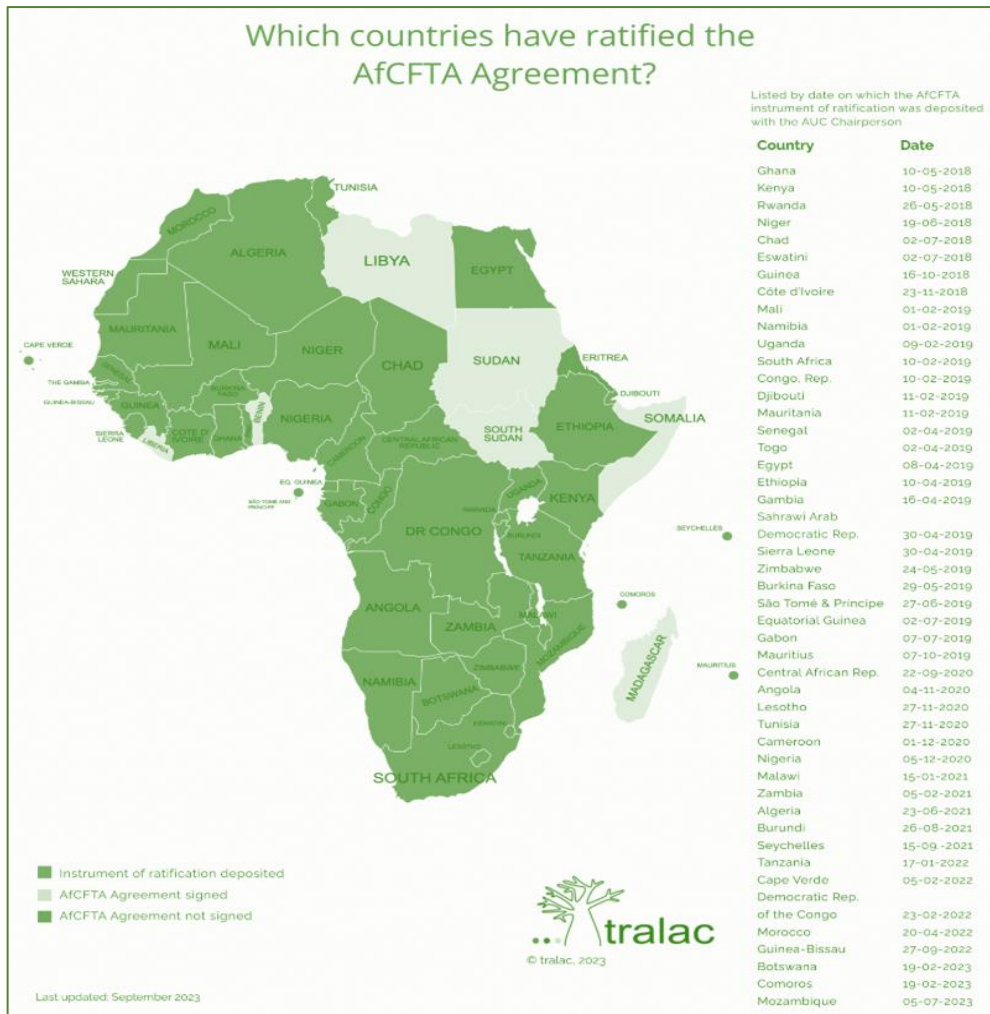


Figure II: Countries That Have Ratified the AfCFTA

Source: TRALAC

Goals of the AfCFTA include phasing out at least 90% of tariff lines within 5 to 10 years; whilst sensitive tariff lines (7%) will be phased out over a longer time; and 3% of tariff lines may be placed by countries on an exclusion list with conditions attached.¹⁵

The AfCFTA’s implementation has been staggered into three phases. The first phase focuses on establishing the rules of origin and tariff offers from member states. Phase 2 seeks to develop investment, competition, and intellectual property protocols. Finally, the third phase involves negotiation of an e-commerce protocol – see Figure II for further details on the phases of the AfCFTA’s implementation.

As part of its operationalisation, AfCFTA will see the adoption of several protocols meant to ensure an efficient and effective free trade area. These protocols include:

- AfCFTA Protocol on Competition Policy
- AfCFTA Protocol on Investment
- AfCFTA Protocol on Intellectual Property Rights

¹⁵ Ibid.

- AfCFTA Protocol on Women and Youth in Trade (adopted January 2024)
- AfCFTA Protocol on Digital Trade (adopted February 2024)

The AfCFTA has been established to complement the 8 existing regional economic communities in Africa.^{16 17} Rather than replacing existing RECs, the AfCFTA makes it possible for RECs to cross-trade, thus, supporting preferential trade to take place between countries in different RECs. Moreover, it draws on the building blocks and principles of the 8 RECs aiming to iron out inefficiencies, to harmonise protocols and policies, as well as “simplifying structures and schedules.”¹⁸

¹⁶ Ibid.

¹⁷ The 8 RECs in Africa include: Common Market for Eastern and Southern Africa (COMESA); Southern African Development Community (SADC); Economic Community for West African States (ECOWAS); East African Community (EAC); Economic Community of Central African States (CEMAC); Arab Maghreb Union (UMA); Community of Sahel-Saharan States (CEN-SAD); Intergovernmental Authority on Development (IGAD).

¹⁸ Dianna Games, 2021.

The Conditions in Which AfCFTA Is Being Established

The continental free trade area is being established at a time where intra-African trade levels are disappointingly low in comparison to intra-continental trade patterns across the world (See Figure II).¹⁹ According to a report by the Economic Commission for Africa (ECA) on the assessment of progress on regional integration in Africa, as a share of global trade, intra-African trade was recorded at 13.7% in 2022 – a decline from 14.5% in 2021. Intra-African exports as a percentage of total exports, have also followed this trend, declining from 18.22% to 17.89% in 2022. In a similar vein, intra-African imports have declined to 21.09% from 12.81% in 2021.

Several issues have also played a role in the limiting greater intra-African trade including the COVID-19 pandemic, the resurgence of conflict and insurgency on the continent, as well as unstable political conditions resulting from coups in the West and Central African region. A survey conducted by Statista on 800 African CEOs and private sector players (Figure III) provided an even clearer picture of what make it difficult to trade on the continent with 18% of respondents arguing limited access to information on markets and opportunities; 13.6% on access to information on trading partners whilst 9.6 and 9.3% respectively arguing that counterparty payment risks as well as safety and security concerns respectively are making it difficult to satisfactorily and securely trade within the continent.²⁰

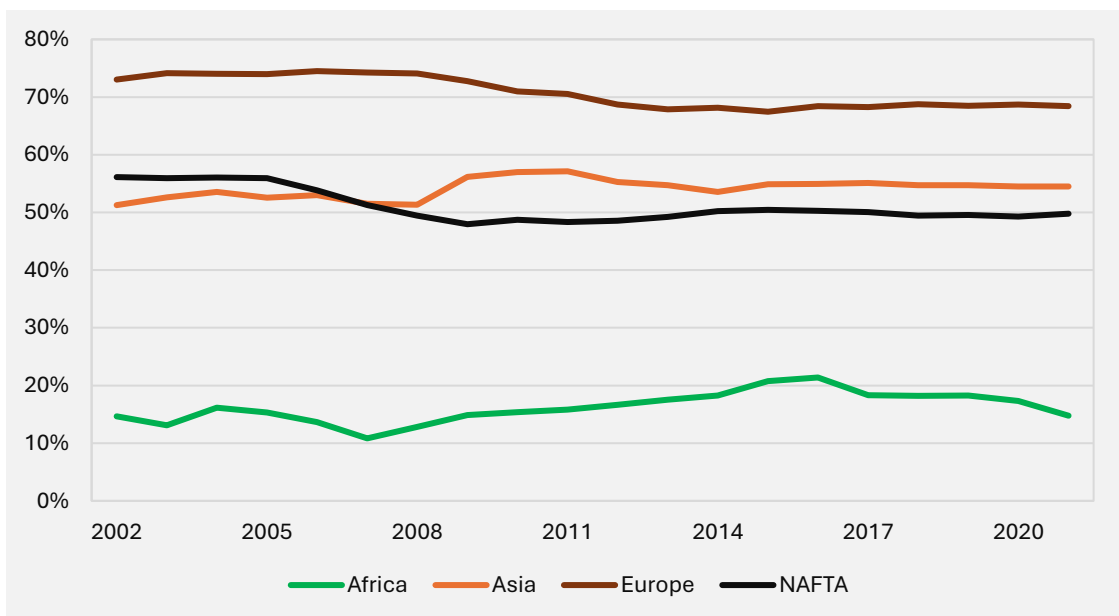


Figure III: Intra-African Trade Exports Relative to the Rest of the World

Percentage of total exports

Source: ICT; ISS Africa

¹⁹ Blessing Chipanda and Jakkie Cilliers, 'The AfCFTA', *ISS Africa*, Available at <https://futures.issafrica.org/thematic/08-afcfta/>

²⁰ See <https://www.statista.com/statistics/1327772/share-of-constraints-in-export-trade-within-africa/>

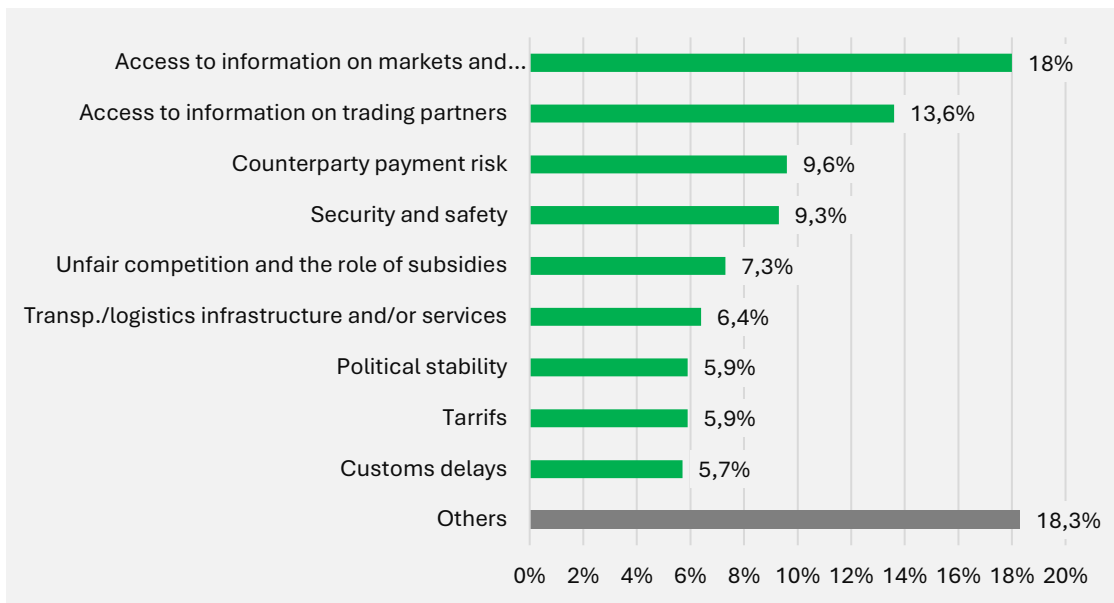


Figure IV: Share of Constraints Related to Intra-African Trade

Source: Statista

What is clear from the top two grievances is that the platforms for communication and knowledge management are not enough nor are they visible and clear, thus, making research and planning difficult for businesses looking to establish in African markets. Following closely are issues of security (financial, physical, enterprise). Businesses need to understand that their products, services, and operations are not only protected by law, but peace of mind that the environment is secure enough for a business to take root.

Conflict Cost and Effects on Intra-African Trade

Conflict across Africa has been a constant and recurring topic since the 1990s (See Figure IV). With each wave of conflict, the socio-economic effects are felt deeply across the continent. Currently, conflict on the continent has seen the displacement of more than 44 million people on the continent with 19.2 million people coming from East Africa and the Great Lakes region, with Figure V and VI showing how vast the distribution of conflict is.

The cost of conflict also affects growth and development in Africa as demonstrated by a UNECA report on the socioeconomic impact of conflict in Africa. The report shows that between 1996-2022, countries experiencing intense conflict have witnessed an annual reduction in economic growth of 20%. Conflict negatively impacts governments' capacities to collect tax revenue, to leverage the population which is of working age, and to effectively

budget for development and other governance programmes - instead, government budgets become focused on defence expenditure.

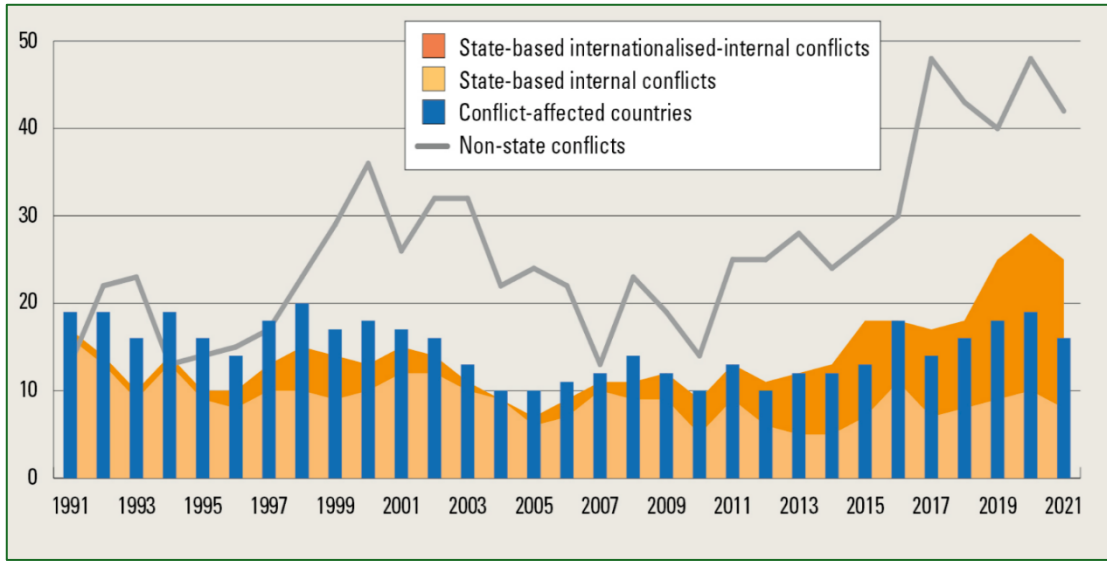


Figure V: Armed-Conflict Trends in Sub-Saharan Africa, 1991–2021

Source: International Institute for Security Studies (IISS)

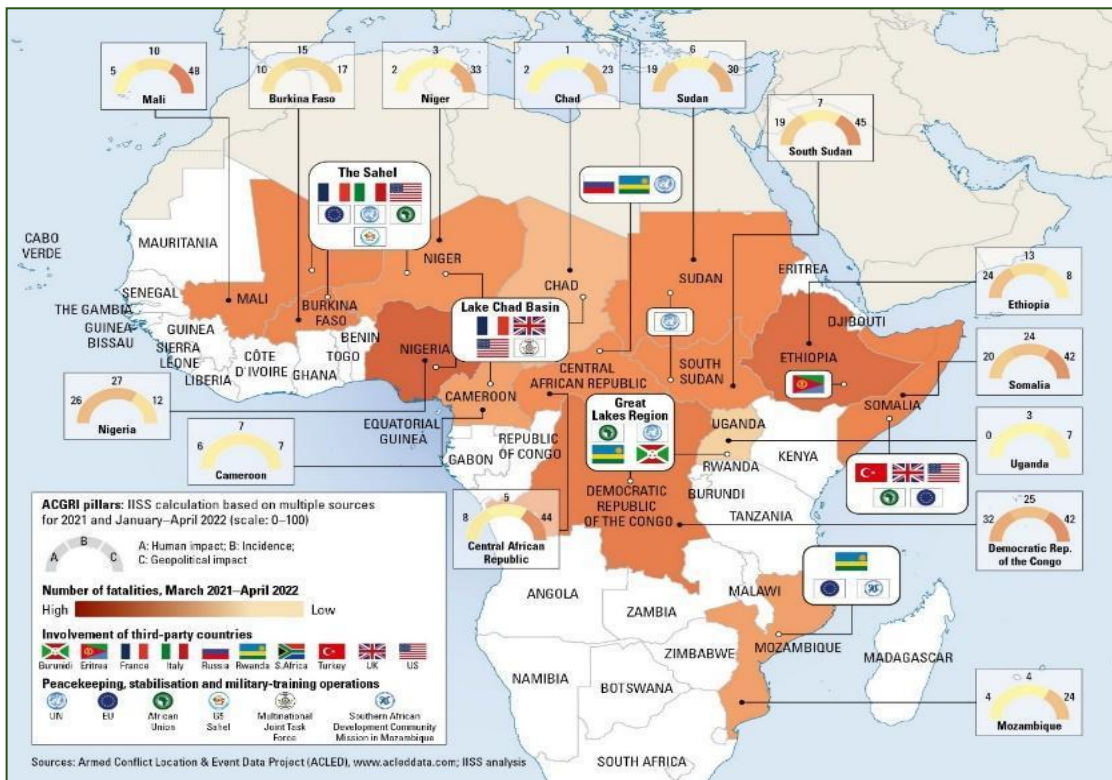


Figure VI: Distribution of Conflict in Africa Including External Parties' Involvement

Source: ACLED

Resolving conflicts on the continent will, therefore be necessary to improve access to various markets on the continent and to solving some of the challenges to intra-African trade including logistical arrangements and free movement through a less securitised approaches to migration policies.

Prohibitive Logistical and Travel Costs

The AfCFTA is also being established at a time where the cost of intra-Africa travel is high and discouraging. An article by Dorine Reinstein on the cost of intra-Africa travel describes the cost of travel between two capitals in Africa as ranging between USD\$500 and USD\$850 and taking up-to 20 hours and 1 layover whereas they could take just up-to 3 hours.²¹ Reasons for the high costs can be attributed to stringent operational and legal costs including taxes, levies and statutory charges, jet fuel and ground handling fees.

The AfCFTA is also being established at a time where the cost of intra-Africa travel is high and discouraging.

Another challenge to intra-African travel is that there simply are not enough flight connections and flight routes – making it impossible for flyers to access air travel easily. In fact, a 2021 report by the International Air Transport Association (IATA) found that only 19% of a possible 1.431 connections had a weekly direct flight. With protectionist measures coupled with the high cost of aviation fuel – largely resulting from the continent’s low refining capacity and reliance on imported fuel - adding to the cost of travelling within the continent, it is no wonder aeronautical analyst and publisher of the South African magazine SA Flyer was quoted saying “air traffic is so expensive in Africa (that) it isn't really growing. Routes are very thinly served.”^{22 23 24}

According to IATA, airline carrier infrastructure and the cost of operating an airline are 8% higher than the industry average. In 2021 (See Figure VI), for instance, the cost of fuel and oil for aircraft was 31.2% of the total expenses of operating an aircraft, whilst over 20% of the expenses were attributed to maintenance of aircraft.²⁵

²¹ ‘Are high airfares grounding intra-Africa tourism?’, Dorine Reinstein, *Travel Weekly*, August 2023, Available at <https://www.travelweekly.com/Middle-East-Africa-Travel/Insights/Whats-behind-high-price-of-Africa-airfares>

²² ‘Protectionism, taxes, fuel: The high cost of air travel in Africa’, *France24*, 7 March 2024, Available at <https://www.france24.com/en/live-news/20240307-protectionism-taxes-fuel-the-high-cost-of-air-travel-in-africa>

²³ ‘Air Connectivity: Measuring the Connections that drive economic growth’ IATA, Available at <https://www.iata.org/en/iata-repository/publications/economic-reports/air-connectivity-measuring-the-connections-that-drive-economic-growth/>

²⁴ ‘Focus Africa Media Briefing (PowerPoint)’, IATA, 2021, Available at https://www.iata.org/contentassets/898a4919cc0b463a9cbba1a79d61e742/focus-africa-presentation_final.pdf

²⁵ Ibid.

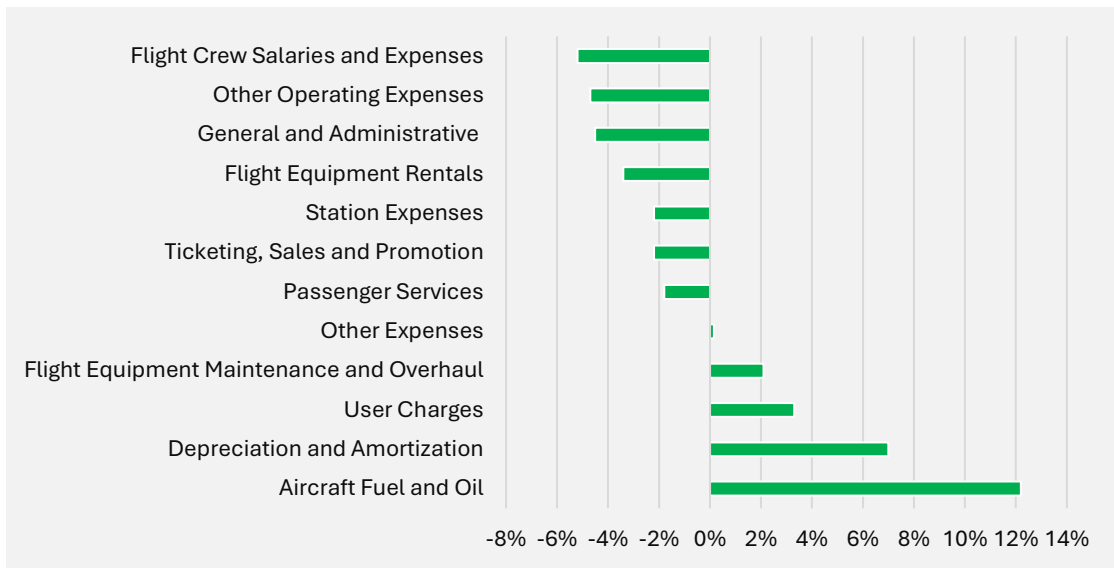


Figure VII: Differences in Cost Sources: Africa vs Industry

Source: IATA S&E Economics, IATA Statistics

Woes of Payments and Transaction

Cross-border payments have also been flagged as a critical challenge to intra-African trade. Easier cross-border payments allow sole-traders, businesses, travellers, and tourists to transact easily and cheaply. Currently, Africa has numerous payment systems and currency fluctuations, whilst only 48% of the African population has access to banking infrastructures.²⁶ ²⁷ Currently, Africa loses nearly USD\$5 billion in transaction costs alone – with many traders needing to first convert their local currency into USD before converting the USD into their preferred currency.²⁸

It is, therefore, evident that AfCFTA is being implemented under conditions that are less than ideal to promote quick establishment and access to the trade area for people on the continent. It is these same structural complexities that see millions of young Africans being excluded from participating in the free trade agreement especially as there is limited awareness and education geared towards making the African youth savvier in leveraging the free trade area or at least understanding the part they play in it.

²⁶ 'How payment gateways are solving cross-border payment challenges in Africa', *finfra*, 12 December 2022, Available at <https://blog.fincra.com/cross-border-payment-gateway-in-africa/>

²⁷ 'Here's why Africa is the world leader in digital and mobile banking', *World Economic Forum*, 21 November 2023, Available at <https://www.weforum.org/agenda/2023/11/africa-digital-mobile-banking-financial-inclusion/>

²⁸ Chris Wellisz, 'Freeing Foreign Exchange in Africa', *International Monetary Fund*, September 2022, Available at <https://www.imf.org/en/Publications/fandd/issues/2022/09/Digital-Journeys-Africa-freeing-foreign-exchange-wellisz>

Progress Made Towards Implementing AfCFTA

Despite the gruelling conditions described above; there has been some tangible progress made to curb the costs of intra-African trade and to ameliorate access into African markets and to strengthen intra-African trade.

Piloting the AfCFTA: The Guided Trade Initiative

Pilot projects are a proven technique in the project management space. They allow one to set up a small-scale experiment to test out the feasibility, effectiveness, and potential outcomes of a project. Pilots are also a valuable way to source feedback from stakeholders about what is or is not working.²⁹ Moreover, they allow one to monitor potential challenges and blind spots, to monitor costs, and to understand how much time one spends on a process before they do the actual activity. In a similar vein, the Guided Trade Initiative (GTI) was launched in October 2022 with the intention of analysing challenges of trading under the AfCFTA, to benchmark best practices, and to collect feedback from stakeholders such as traders, consumers, and the officials tasked with the responsibility of monitoring trade under the continental free trade area.³⁰

Eight countries formed the initial cohort of the GTI, – with South Africa joining the GTI in early 2024, whilst 96 products were selected for trade including *inter alia* ceramic tiles, tea, coffee, processed meat products, and corn starch – although, more products are expected to be added to this list as the number of countries trading under the GTI increase. The GTI, has since inception, already yielded some critical lessons that, if taken seriously, will form the bedrock of an efficient and functioning AfCFTA.

Standardisation of testing, quality assurance, and certification protocols needs to be established for the AfCFTA to become less cumbersome and expensive for traders and consumers. The 2023 Trade Law Center’s Annual Conference report revealed that regional economic arrangements were clashing with the provisions and protocols on quality assurance set out in the AfCFTA agreement. As such, customs officials across different regional economic blocs were unfamiliar with the tariffs or testing protocol to use when dealing with cross-regional products. A Rwandan trader quoted in Al Jazeera lamented that the coffee she was selling was twice in Ghana and Rwanda because the certifications were not transferable between the two countries.³¹

Domestic processes to ensure compliance with AfCFTA standards remain largely incomplete across many countries on the continent, and as such, traders find it difficult to explore their

²⁹ ‘What is a Pilot Project? (Definition, Tips, Examples)’, *Project.co*, 20 December 2023, Available at <https://www.project.co/pilot-project/>

³⁰ ‘What have we learned from the AfCFTA guided trade initiative?’, *TRALAC*, 2023, Available at <https://www.tralac.org/documents/events/tralac/4847-tralac-annual-conference-2023-what-have-we-learned-from-the-afcfta-guided-trade-initiative/file.html>

³¹ Shola Lawal, ‘Can Africa’s new free trade treaty boost business on the continent?’, *Al Jazeera*, 16 February 2024. Available at <https://www.aljazeera.com/news/2024/2/16/afcfta-can-africas-new-trade-treaty-boost-business-on-the-continent>

market options across multiple markets within the AfCFTA. For example, the 2023 Tralac report documented a Cameroonian case study of a Granular Urea (fertiliser) distributor whose import attempt from Nigeria failed dismally because Nigeria had not met the domestic standards needed to comply to trade under the AfCFTA. Previously, the trader imported fertiliser from Ukraine, but had decided that the complications from the conflict were becoming untenable. As such, the trader decided to import the fertiliser to Cameroon from Nigeria only to fail because Nigeria had neither made available the AfCFTA tariff book at the border nor the AfCFTA Certificate of Origin.

Information sharing and capacity development training to equip customs officials to handle import and export matters related to AfCFTA is significantly lacking, thus, customs officials end up as a barrier to trade. The case of the Rwandan coffee trader quoted above is a critical example. Customs officials are not adequately trained to manage trader under the GTI-AfCFTA. As a result, they end up being a hindrance due to lack of sufficient knowledge on the new policies and processes. Moreover, when their governments do not provide the necessary tariff books or protocols on testing and quality assurance, they can resort default protocols set under regional arrangements.³²

Ameliorating Payments: The Pan-African Payment & Settlement System (PAPSS)

A painful challenge acknowledged widely on intra-African trade has been on the cost of and difficulties of making payments within the continent. In recognition of this, Afreximbank - as part of the AU's aims to ensure a successful AfCFTA - initiated the Pan-African Payment and Settlement System (PAPSS) – a singular payment infrastructure that allows instant payment of funds in local currency.³³ The PAPSS was envisioned to work with central banks in Africa to ensure easier transactions between commercial banks, payment service providers, and fintech organisations.³⁴ As at March 2023, the payment infrastructure consists of 60 commercial banks, 4 switches, and 9 central banks.³⁵ As part of the AfCFTA agreement, all central banks of member states are to sign up to PAPSS by the end of 2024, whilst commercial banks are to sign up by end of 2025.

However, the implementation of PAPSS is expected to face multiple implementation challenges caused by having diverse financial regulatory systems, financing, and investment issues from participating nations, and the most obvious – currency conversion challenges. The volatile currency fluctuations in African markets will make it difficult for the PAPSS to function as intended, and as a result the payment infrastructure may end up costing the same if not more than the usual avenues used to facilitate payments.³⁶

It is still early days, and sufficient data has not been collected for AfCFTA stakeholders to fully understand the complexities of using the PAPSS.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ 'Has AfCFTA Surmounted Its Biggest Hurdle With The Implementation Of Pan-African Payment And Settlement System (PAPSS)?', *Ghana Shippers' Authority*, 3 October 2023, Available at <https://shippers.org.gh/index.php/has-afcfta-surmounted-its-biggest-hurdle-with-the-implementation-of-pan-african-payment-and-settlement-system-papps/>

³⁶ Ibid.

Facilitating Movements: The Free Movement Protocol and The Single African Air Transport Market

Efficient logistics and movement have been a rallying cry amongst businesses and individuals looking to travel around the continent and explore new markets or to gain technical expertise on different types of knowledge on production, sales, and trade on the continent. This issue has been acknowledged by policymakers in trying to strengthen the appetite for the AfCFTA. Two complementary policies have since been negotiated, adopted and are in-progress for ratification and implementation.

In 2018, African heads of state signed into effect the Free Movement of Persons protocol (FMPP) as a supporting protocol to the AfCFTA, and a realisation of the 1991 Abuja Treaty. The vision of FMPP was that there could not be a successful AfCFTA if people, as well as goods and services were unable to move around freely within the continent due to barriers such as travel document or visa document restrictions.³⁷

There has been slow ratification of the FMPP amongst participating states to the FMPP such that out of the 30 countries that signed the agreement in 2018, only 4 have ratified the protocol.³⁸ The slow ratification can be attributed to several reasons. Firstly, the FMPP is not explicitly linked to the AfCFTA. As a result, many member countries are not aware of how the FMPP fits into the greater implementation process of the AfCFTA (Hirsch, 2022).³⁹ Secondly, there is limited to no provision for ad hoc and long-term technical committees that can provide for the knowledge and technical capacity exchange required between richer and poorer African states to bolster economic integration and fast-track implementation of the FMPP and of AfCFTA (Hirsch, 2022).⁴⁰ Lastly, there is great misunderstanding about what it means if 15 countries ratify the protocol i.e., the belief that 15 ratifications automatically mean that all countries are obliged to receive immigrants and travellers under the FMPP.⁴¹

Besides the weak relationship between the FMPP and AfCFTA – despite being created as complementary policies – the AfCFTA itself has procedural and institutional problems which will need vital oversight by member states, civil society organisations and the private sector.⁴² Firstly, the income disparities among African countries mean that the financial and technical capacity to fulfil the implementation of the agreement is dependent on external funds. Already, this undermines that spirit of the AfCFTA which is to strengthen Africa's economic independence.⁴³ Secondly, the AfCFTA Secretariat needs to take greater control of the

³⁷ Alan Hirsch, 'African countries are stuck on the free movement of people. How to break the logjam', *The Conversation*, 16 January 2022, Available at <https://theconversation.com/african-countries-are-stuck-on-the-free-movement-of-people-how-to-break-the-logjam-174720>

³⁸ Mehari Taddele Maru, 'Barriers to free movement in Africa: How to remove them?', *European University Institute – Robert Schuman Centre*, 1 August 2019, Available at <https://blogs.eui.eu/migrationpolicycentre/barriers-free-movement-africa-remove/>

³⁹ Alan Hirsch, 2022.

⁴⁰ Ibid.

⁴¹ Alan Hirsch, 'Free movement of people across Africa: regions are showing how it can work', *The Conversation*, 19 January 2023, Available at <https://theconversation.com/free-movement-of-people-across-africa-regions-are-showing-how-it-can-work-197199>

⁴² 'The road to Africa's single market: Progress so far and challenges for the future', *Africa Policy Research Institute*, 13 March 2023, Available at <https://afripoli.org/the-road-to-africas-single-market-progress-so-far-and-challenges-for-the-future>

⁴³ Ibid.

messaging and narratives around the AfCFTA as the communication vacuum poses significant challenges for how domestic governments come to understand the AfCFTA and the FMPP.⁴⁴

Although the AfCFTA and FMPP are vital policies for accelerating economic growth, development, and security on the continent; the lack of awareness and communication to key stakeholders about the relationship between AfCFTA and FMPP; the lack of parallel advisory and technical committees to review, critique, and ensure an inclusive and context driven implementation process all serve as a potential hindrance to the success of the agreement and the protocol.

The Single African Air Transport Market (SAATM)

A complementary project to the AfCFTA, the Single African Air Transport Market (SAATM) is also one of the policies and projects established by the AU in order to improve access to African markets by liberalising air travel and connectivity. Since 2022, 34 out of 55 countries on the continent have ratified the agreement.⁴⁵ Theoretically, there should be more air traffic in cargo and civilian air transport. In fact, a 2014 IATA survey revealed that if only 12 major economic players in Africa started fully operating under SAATM, at least 155.000 jobs will be created whilst USD\$1.3 billion in GDP would be generated.

But, the best laid plans in Africa are often suffocated by bureaucracy and execution inefficiencies. Despite the fact that 34 countries have ratified the agreement, and technically, the SAATM is already operational, air operators face the challenge of having to obtain multiple licences such as the Air Operator Certificate (AOC) to become eligible in a different region.⁴⁶ For instance, an air operator from Kenya should be able to penetrate the SADC region seamlessly, but to do so, they need an AOC for each of the SADC countries. The lack of harmony in policies and procedures, thus, becomes the death knell of well-meaning policies on the continent.

⁴⁴ Ibid.

⁴⁵ See <https://www.iata.org/en/about/worldwide/ame/saatm/>

⁴⁶ Jyothi Shankaran, 'SAATM - Huge potential, major challenges', *Logistics Update Africa*, 19 March 2023, Available at <https://www.logupdateafrica.com/air-cargo/saatm-huge-potential-major-challenges-1348181>

Perceptions and Experiences of Trading Under the AfCFTA

Perceptions about the AfCFTA

All of the participants interviewed for this research shared a positive perception about the AfCFTA, its potential benefits and opportunities. John, a 24-year-old Ugandan entrepreneur who founded Shebri Technologies - a company that supports businesses with developing efficient operational processes and making data-driven decisions - wants to begin working with African businesses that are trading under the AfCFTA. For John, as long as the AfCFTA has challenges that need to be solved, there will always be opportunities for businesses like his who want to make sure young entrepreneurs such as himself are able to run sustainable businesses with the right information. Reflecting on what the AfCFTA means for him and the future of his young business, John exclaims “I believe in AfCFTA and it’s something we can all contribute to.”⁴⁷

Although all the participants were excited, curious, and eager to leverage the AfCFTA, they were also cautious and sceptical about the AfCFTA being successfully implemented for various reasons including the fact that many African governments do not have a good track record when it comes to implementing ground-breaking policies. Moreover, the initial exclusion of youth and women in the founding agreement and the negotiation process created a level of hesitation amongst the participants about whether the AfCFTA would be truly inclusive and useful when fully implemented. Nadine, a PhD student studying international trade law with a focus on the potential environmental effects of the AfCFTA says that African governments will need to rebuild trust levels with their citizens, “trust will be the thing that makes or breaks this thing because a lot of us don’t believe that our governments will follow through.”⁴⁸

“The policymakers don’t know how we feel. We are ready. We can meet the demand [for our products]. We are frustrated because we see this thing [AfCFTA-GTI], and we can’t use it.”

Participants also shared sentiments of a deep frustration with the slow process of ratification and implementation of the AfCFTA. Nearly 70% of the participants were disappointed and frustrated that their governments had not managed to comply with all the standards that would have allowed them to participate in the AfCFTA-GTI. Eweonam, a skin-care manufacturer based in Ghana expressed that it was frustrating to have clients and suppliers based in countries that were not under the GTI because none of her stakeholders, including herself, could fully benefit from the tariff incentives that could be possible under the AfCFTA. She argues that there needs to be “more action, less talk” by policymakers with regards to complying with and beginning to trade under the AfCFTA-GTI. According to Eweonam “the policymakers don’t know how we feel. We are ready. We can meet the demand [for our products]. We are frustrated because we see this thing [AfCFTA-GTI] and we can’t use it.”⁴⁹

⁴⁷ Online interview with John Paul Kalumba of Shebri Technologies, 23 April 2024

⁴⁸ Online interview with Nadine Nyamangirazi (PhD student), 24 April 2024

⁴⁹ Online interview with Eweonam Jennifer Aforla of Dzordzoe Skincare, 23 April 2024

All of the participants shared strong concerns about the efficacy and success of the AfCFTA mainly because there is limited intelligence about the number of businesses currently trading under the AfCFTA, the total costs associated with the trade, and evidence of the challenges and success of having utilised the AfCFTA. Similar to the issue of trust, participants expressed worry that there are no real or strong institutions or processes for monitoring and evaluating the AfCFTA. According to Anele - a trade lawyer and member of the Independent Continental Youth Advisory Council on AfCFTA (IYOYACA), there is no centralised information bureau or platform that monitors and evaluates the progress of the AfCFTA whether at implementation level or in practice.⁵⁰ Sharing a similar concern was founder of the Institute of African Integration, Tanatsiwa - who says that the African Union and the AfCFTA Secretariat need to strengthen their approach to tracking the successes and failures of trading under AfCFTA because accurate monitoring and evaluation will create public trust and give potential traders a chance to make informed decisions.⁵¹

Additionally, the participants were concerned that their governments are not taking proactive ownership of the AfCFTA domestically by ensuring public awareness and communication campaigns to educate the public and to increase public appetite for the AfCFTA. With over 83% of the participants finding out about the AfCFTA through internet searches or school assignments; the consensus among the participants is that there needs to be more government-led efforts to raise public awareness about the AfCFTA including the platforms where the public can learn about how to start trading under the AfCFTA, what documents they need, and the resources that can support them with compliance. For Anele, misinformation has been the greatest challenge and threat to the AfCFTA. The trade lawyer explains that trade in Africa is quite a complicated undertaking and without the necessary official platforms, misinformation regarding trade under AfCFTA will continue to flourish and ultimately create mistrust and confusion to potential and practising traders. According to Anele, IYOYACA is doing its best to maintain open lines of communication and awareness to youths through WhatsApp networks, as well as the IYOYACA website and its social media pages; however, more needs to be done to reach a wider public.⁵²

What is evident from the participants is that there is a general willingness to accept and leverage the AfCFTA; however, there is also a degree of caution and frustration due to the slow implementation process and fear that the AfCFTA becomes another policy that looks good on paper but fails to deliver and meet expectations. It can be argued that the AfCFTA is one of the biggest tests in contemporary Africa for African leaders to demonstrate their willingness to truly improve the economic development of the continent. Furthermore, the success of the AfCFTA will depend on conscientious efforts by African leaders to promote and ensure that there are strong institutions that can govern how businesses trade, how labour is deployed, and how malfeasance is managed.

Logistics of Frustration

Eweonam Aforla is a 29-year-old Ghanaian entrepreneur who started her skin care line Dzordzoe in an effort to avoid unemployment, and to make it easier for women to take care of their skin using natural and organic products. In search of how to access new markets at

⁵⁰ Online interview with Anele Simon of IYOYACA, 22 April 2024.

⁵¹ Online interview with Tanatsiwa Dambuza of Institute of African Integration, 23 April 2024.

⁵² Ibid.

home and abroad, Eweonam discovered the AfCFTA just as it had been implemented in Ghana. She also found out about available training offered by the United Nations Development Program to support entrepreneurs with becoming export ready under the AfCFTA. Through these training sessions, Eweonam learnt how to package her products, how to reach a wider market, and how to gain all the relevant compliance certifications to begin exporting her products across the continent. Empowered and ready to begin intra-African trading, Eweonam shipped her first export under the AfCFTA-GTI to Rwanda and to Zambia. However, the excitement of exporting was soon dulled by stringent red tape and unnecessary complexities.

In addition to the high cost of sending the shipments to Rwanda and Zambia; the shipments took over 45 days to arrive at their relevant destinations due to the limited freight infrastructure on the continent. Once the shipments arrived, customs officials held the consignments hostage under the auspices of

investigating the products. Although Rwanda is a trading partner in the GTI, the customs officials also had to conduct their own tests to determine the compliance of the products - even though the products had undergone similar rigour in Ghana. On the other hand, Zambia - a country that is not a trading partner under the GTI - subjected the consignment to stringent regulations that resulted in Eweonam's client paying more money to take delivery of the consignment from the customs officials. What added insult to injury in the process was

that the entrepreneur had previously exported products to the United States with very few challenges. Reflecting on this experience, she asked rhetorically "Why is it easier to do business outside of Africa when there are more than enough willing customers over here [in Africa]?"

"Why is it easier to do business outside of Africa when there are more than enough willing customers over here [in Africa]?"

Precious - a 28-year-old crafter whose business, Awawo, makes artisan-handcraft furniture and lifestyle pieces using bamboo and Malawian cane faces similar harrowing logistical challenges when exporting within the continent. Precious explains that finding clients is already difficult, but what creates the greatest barrier to exporting his lifestyle pieces within the continent is the lack of safety and assurance for goods in transit. According to Precious, "it is a challenge to track goods in transit. Customs and potential theft are problematic."

Costly Money Making

For John, a 24-year-old entrepreneur from Uganda, based in South Africa, payments and transaction costs keep him up at night when he thinks of doing business on the continent. John started Shebri Technologies with the intention to solve operational challenges that are confronting businesses on the continent and beyond by giving those businesses access to information that permits them to make informed decisions. In his perspective, John exclaims "problems in Africa are just opportunities and solutions waiting to be realised."

However, John's excitement soon turned to anxiety when his company began assisting a company based in Rwanda and trading under the AfCFTA-GTI. He soon found out that receiving payments from Rwanda was a costly endeavour - costing between 7 to 15% in transaction fees. Whereas his clients in the United Kingdom could process payments in under

an hour - making it more attractive to do business with his western clients than African clients. Lamenting on the complexities of sending and receiving money on the continent, John says “no wonder businesses in Africa struggle to scale up. There is no infrastructure. Even mobile money payments are complex and have unnecessary costs and processes.”

Sharing the same boat with John is Eweonam who uses trade fairs to market and sell her goods as well as attract new clients within the continent. In one instance, Eweonam was at a trade fair in Kenya - where a prominent bank provided an avenue to make payments through a waybill number. The cost of these transactions was so heavy that entrepreneurs like Eweonam suffered financial losses from just trying to collect payments.

However, Eweonam sees some hope with the Pan African Payment and Settlement System (PAPSS) which has been an affordable way of receiving payments from her Nigerian clientele. Although the PAPSS is promising, Eweonam believes that with greater digitalisation and quicker uptake of the payment system across the continent, it will be easier and more convenient to send and receive payments on the continent.

Crafty Talent Blocking

For Precious, the craft industry is about staying innovative and ahead of the curve by using new designs, crafting styles and technology. As a trader eager to begin leveraging the AfCFTA, Precious is concerned that with the current challenges and barriers to free movement in Africa, his business suffers a great loss in terms of talent and artistry.

Having attended several trade conferences on the continent, Precious realised that there is a lot of talent, craft technologies, and materials that he could use to improve the quality and uniqueness of his brand. However, the slow implementation of the AfCFTA and the Free Movement Protocol means that Precious sees the talent and the new technologies that he could embed in his craft, however, he is unable to access or collaborate with crafters and creatives on the continent due to the high costs of movement.

While these experiences are just a fraction of the broader experiences of intra-African trading for those under the AfCFTA-GTI and those who are eager to leverage the benefits of the AfCFTA; it is evident that more needs to be done to strengthen the enabling conditions for successful intra-African trade. The frustrations of stringent bureaucracy, confusing and unreliable logistical infrastructure, as well as complex payment and transaction terms create barriers for traders who would otherwise prefer to do business on the continent. However, with an 11% youth unemployment across the continent, most young entrepreneurs are trying to survive the harsh economic realities across the continent.⁵³ As a result, it becomes preferable to conduct extra-African trade or to undertake intra-African trade more informally. If the AfCFTA is to succeed and realise material benefits for youth, African governments must heed experiences such as these seriously and proactively.

⁵³ See <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?end=2023&locations=ZG&start=1991&view=chart>

Looking to the Future: Opportunities Under the AfCFTA

Although there is a mixed bag of experiences and perceptions about AfCFTA, participants of this research see the areas of opportunity that could improve their business performance and increase their market presence on the continent.

Partnerships and Collaboration

It is widely accepted knowledge that trade partnerships are essential ingredients for businesses to expand their reach, access, and influence in new and existing markets.⁵⁴ According to a report by financial services provider, Faster Capital, trade partnerships can be facilitated through strategic alliances and partnerships which “create a win-win situation for both parties.”⁵⁵

There was consensus amongst the participants that the AfCFTA will be a crucial avenue for partnerships and collaboration. The participants explained that with access to newer markets, it will be possible to meet like-minded youth in similar or complementary businesses and that this would support business growth. Creatives like Precious and Eweonam, see the AfCFTA as an opportunity to collaborate with other artists and manufacturers to create products that are unique and representative of African talent and creativity.

Importantly, trade partnerships help businesses to manoeuvre complex environments and markets as each partner can contribute local knowledge, networks, and expertise to ensure the success of the partnership.⁵⁶ For example, Eweonam can partner with a local distributor in South Africa to ensure that her products are sold in retail stores across the country. Not only does Eweonam gain access to the South African skin-care market, but the distributor will become the access point between South Africa and Ghana. This is a dream that Eweonam has for her skincare line, but one which has faced an uphill battle as the standards of trade and policies on product testing and distribution lack harmony in the two AfCFTA-GTI member states.

“I am hoping to make more connections internationally, and to network and connect with investors. The youth in my country often feel left out when it comes to opportunities such as this.”

Precious craves access to new technology, expertise, raw materials, and design innovations that draw on various African cultures and histories in the same way as his artisan products pay homage to his Malawian roots.⁵⁷ Indeed, the craving that Precious has mirrors global practices of trade where trade partnerships have proven to facilitate innovation, make processes more efficient, and lead to the implementation of new ideas. For instance, Precious’ company in Malawi can partner with John in Uganda and South Africa to develop a

⁵⁴ Trade partners: Building Strong Trade Partnerships: Collaborative Success, *FasterCapital*, Available at <https://fastercapital.com/content/Trade-partners--Building-Strong-Trade-Partnerships--Collaborative-Success.html>

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Online interview with Precious Phiri of Awawo, 26 April 2024.

more efficient process of tracking Precious' inventory and shipments in various African countries. This would eliminate the worries that Precious currently has with regards to potentially trading in African markets.

As it currently stands, the training and trade conferences that have been offered for entrepreneurs through various international organisations and the IYOYACA have gained some success in creating a network of entrepreneurs who can rely on each other for support and information related to their relevant markets. For example, Harriet Awata, a businessperson from South Sudan, noted what is at stake for youth with regards to the AfCFTA's success, "I am hoping to make more connections internationally, and to network and connect with investors. The youth in my country often feel left out when it comes to opportunities such as this."⁵⁸

Nadine notes, however, that currently, the conferences and training sessions are not as inclusive as they could be and thus, do not offer a greater representation of traders on the continent.⁵⁹ It will, therefore, become imperative for more organisations to harmonise their approach to training, creating awareness, and building networks so that the youth can leverage these platforms.

Competition and Quality Assurance

The participants also noted that there was a lack of harmonised quality assurance standards and protocol across the continent and for the AfCFTA. Moreover, they emphasised that there is no strict enforcement of the already existing standards - as such, the participants foresee a future where the AfCFTA does not become a serious contender in relation to other continental RECs like the European Union unless there is a concerted effort to strictly enforce and implement quality standards.

John attributes the lack of quality assurance standards to a lack of economic competition amongst businesses in Africa. He argues, "many companies get away with selling substandard products because there is nobody to strictly enforce them and even if there was, the companies don't have any reason to change their way of business. They need competition."⁶⁰ Indeed, the issue of harmonising standards and stricter, more unified quality assurance protocols has been echoed by all participants of this study.

According to the European Commission (EC), competition is an important driver of business success, consumer appetite and overall quality assurance.⁶¹ The EC argues that when there is competition, businesses are encouraged to offer better prices, to improve the quality of goods and services, and constantly innovate and create unique products and a broader range of products and services. Nadine explained that the current structural challenges of trading under AfCFTA come as a result of markets that are monopolised by few players; however,

⁵⁸ In-person interview conducted by University of Pretoria with Harriet Awata at the AfCFTA i-boot conference, 21 February 2024, Available at https://www.up.ac.za/news/post_3212454-up-hosts-african-continental-free-trade-area-training-programme-for-young-entrepreneurs

⁵⁹ Online interview with Nadine Nyamangirazi, 24 April 2024.

⁶⁰ Online interview with John Kalumba, 26 April 2024.

⁶¹ European Commission, *About*, 2024. Available at https://competition-policy.ec.europa.eu/about/why-competition-policy-important-consumers_en

with the AfCFTA, there is an opportunity for more players to enter various markets including *inter alia* logistics, transport, accommodation, and payment services.

On the perceived intensity of local competition and the current rules for market-led competition, over 70% of African countries are ranked in the bottom half of countries across the world.⁶² According to the World Bank, a single operator holds more than half of the transport and telecommunication sectors' market shares in more than 40% of countries in Africa. Moreover, the drastic costs of entrenched monopolies, oligopolies, and duopolies have a chilling effect on the price of goods for consumers - where the retail prices of essential consumer goods like rice, flour, and milk are 24% higher in African cities than anywhere else in the world.⁶³ In a continent where 490 million people in Africa live under the poverty line of 1.90 PPP\$/day the maths simply does not add up especially for consumers below the poverty line.⁶⁴

There is an opportunity for the AfCFTA to ameliorate the conditions of trade for consumers whilst also being the catalyst for stronger competition locally and regionally. However, this will be contingent on strong policies and institutions to monitor fair competition. Without strong leaders to drive strong enforcement agencies and policies, the logic of competition may end up failing the already disillusioned African youth.

It is important to note, however, that even if the AfCFTA were to be successfully implemented, and the competition laws enforced strongly, member states will not benefit evenly. For this reason, Nadine warns that there is a need to be practical about the expectations that member states, consumers, and traders have for the AfCFTA.⁶⁵ Bearing in mind this reality would allow stakeholders to not be discouraged when the AfCFTA does not behave as a miracle drug. Instead, stakeholders can adapt their expectations, policies, and processes to gain the most value that they can whilst attempting even development.

Harnessing the Informal Market

It is no secret that the informal economy in Africa is the backbone of employment on the continent with just over 80% of jobs coming from the informal sector.⁶⁶ Not only is the informal economy responsible for the bulk of employment, but it is also ensuring greater financial inclusion and poverty alleviation to women and youth.⁶⁷ So, it is both surprising and disappointing that informal traders also-known-as informal cross-border traders were not included in any process of establishing the founding agreement of the AfCFTA, its supporting protocols, or even current negotiations in the implementation process.

A 2023 study on the perspectives on AfCFTA from informal economy workers in Ghana showed that Ghanaian informal economy workers were interested in trading under the

⁶² 'Breaking Down Barriers: Unlocking Africa's Potential through Vigorous Competition Policy', *World Bank*, 27 July 2016, Available at <https://www.worldbank.org/en/news/feature/2016/07/27/africa-competition>

⁶³ Ibid.

⁶⁴ 'Economic Development in Africa Report 2021', *UNCTAD*, Available at <https://unctad.org/press-material/facts-and-figures-7>

⁶⁵ Online interview with Nadine Nyamangirazi, 24 April 2024.

⁶⁶ Melis Guven and Raphaela Karlen, 'Supporting Africa's urban informal sector: Coordinated policies with social protection at the core', *World Bank*, 3 December 2020, Available at <https://blogs.worldbank.org/en/african/supporting-africas-urban-informal-sector-coordinated-policies-social-protection-core>

⁶⁷ Ibid.

AfCFTA.⁶⁸ In fact, many of the interviewed informal workers expressed hope that the AfCFTA would alleviate the amount of time it took to cross the border from Ghana to neighbouring countries like Cote D’Ivoire, Burkina Faso, and Togo. Unfortunately, the exclusions from the discussions, negotiations, and policy formulation left many informal workers feeling that “it is a good initiative that is beyond our reach.”⁶⁹

The perspectives on informal workers and the informal sector show that more attention and focus needs to be directed towards greater integration of the informal economy with the formal policies of the AfCFTA

Value of informal cross-border trade	Low estimate	\$10,441,049,381.14
	High estimate	\$24,872,409,487.93
Value of intra-African trade		\$150,953,154,938
Share of ICBT in total value of cross-border trade between neighbouring African countries	Low estimate	30%
	High estimate	72%
Ratio of ICBT to total value of intra-African trade	Low estimate	7%
	High estimate	16%

Figure VIII: Estimate Value of Informal Cross-Border Trade Flows in Africa

Source: UNCTAD; UNECA calculations

Taking into consideration Nadine’s comment that “we need to be practical about expectations [regarding AfCFTA],” it is evident that the informal economy including the informal cross-border trade sector could be the key to ensuring that the AfCFTA is both successful but unique and true to the realities on the ground. Building policies and platforms which can ensure that informal workers participate freely under the AfCFTA whilst receiving support to become compliant with AfCFTA’s trade policies would potentially unlock the real market value of the AfCFTA.

Tanatsiwa is a 26 year old thought leader that has co-founded an organisation aimed at providing information and awareness as well as assistance for businesses that are ready to trade under AfCFTA.⁷⁰ He rues the exclusion of the informal economy in the AfCFTA’s present form emphasising that “setting up a business to trade requires a lot of resources... and access to trade finance is even more difficult.”⁷¹ Tanatsiwa’s perspective is shared by the interview participants of the Ghanaian informal workers’ study. One trader notes that “When you go to the bank for loans, the requirement is that you should come with collateral. Most of us cannot meet this requirement. Those who can provide collateral to secure loans must do so at very high interest rates.”⁷² With over 90% of youths being employed in the informal economy,

⁶⁸ Prince Asafu-Adjaye, ‘Perspectives on the AfCFTA from informal economy workers in Ghana’, International Trade Union Conference-Africa, 15 September 2023, Available at <https://tradeunionsinafcfta.org/perspectives-on-the-afcfta-from-informal-economy-workers-in-ghana/>

⁶⁹ Ibid.

⁷⁰ Online interview with Tanatsiwa Dambuza, 24 April 2024.

⁷¹ Ibid.

⁷² Ibid.

there is an opportunity for both governments and young entrepreneurs to creatively find ways to integrate and work with the informal economy to realise change.

The perspectives on informal workers and the informal sector show that more attention and focus needs to be directed towards greater integration of the informal economy with the formal policies of the AfCFTA. Discussions with informal workers and a real desire to integrate these two worlds would allow the AfCFTA to live up to its mission of inclusive and sustainable economic growth. There is, therefore, a real opportunity for African governments to make use of their available resources to ensure better standards for people on the continent. The informal economy must, thus, be seen as the pot of gold that it really is.

Ensuring Change: Practical Actions for Policymakers

Get Public Buy-In and Improve Appetite

It is clear from the interviews conducted in this study and similar studies that there is inadequate marketing, communication, and awareness about the AfCFTA at the local levels. Policymakers through various ministries of trade, foreign affairs and commerce need to create appetite locally for the AfCFTA. This requires policymakers to take full ownership of AfCFTA as though it were a domestic policy.

To create awareness and appetite for the AfCFTA, governments in Africa need to work together with civil society organisations, the private sector, the academic sector (including high schools), as well as inter-faith organisations to facilitate training, public debates, and platforms for information exchange. The biggest issue is that people are unaware of how the AfCFTA works, how to access it, and how best they can leverage it as discussed by the informal worker from Ghana who called it “a good initiative that is beyond our reach.”⁷³

The important focus area is to show both the traders and consumers how they fit into the vision of the AfCFTA continentally, regionally, and domestically. This means leveraging the media including social media platforms, radios, and television broadcasts through targeted campaigns. Moreover, the critical issue is making sure that national and local governments provide avenues for the public to ask questions, and for those questions to be answered. With trust levels for policies like the AfCFTA being low as a result of governance issues on the continent, the public campaign would be an attempt to earn the trust and buy-in of the public.

There are some lessons that can be learnt from the European Union (EU) which has had its own challenges with communicating policies and securing public buy-in from citizens in member states. For instance, a 2006 Yellow Paper published by Euractiv - a news organisation focusing on EU policies, recommended to the EU that communication of policies needed to be decentralised, localised, and sensitive to the needs of the individual citizens in member states.⁷⁴ A key frustration expressed in the Yellow Paper is that communication of continental policies that have an impact on daily lives locally cannot be managed and distributed only from Brussels. In a similar vein, the AfCFTA as a policy of the African Union, designed in Addis Ababa and with a Secretariat in Accra needs to be decentralised - especially because of the heterogeneous nature of the African cultures, economies, and languages.

In short, how can AfCFTA possibly lift 30 million people out of poverty when it is not communicating effectively to the very people it seeks to support?

⁷³ Ibid.

⁷⁴ 'Yellow Paper on EU Communication, Decentralise radically: Empower the multipliers!', EURACTIV, Available: <https://www.euractiv.com/section/energy-environment/linksdossier/eu-communication-policy/>

Embed the Informal Economy

The AfCFTA Secretariat needs to coordinate a widespread discussion with informal workers - especially those engaged in cross-border trading in order to create a realistic strategy and protocol for embedding the informal economy within the AfCFTA. At present, the AfCFTA risks being an elitist policy tailored towards the middle-class and the wealthy instead of being an inclusive policy designed to improve the livelihoods of more than 30 million people.

One of the interviewed informal workers in Ghana questions the logic of leaving out the informal sector and emphasises that “We all know that most trade activities are in the informal economy. But we are left out of the discussions on such a huge trade agreement.”⁷⁵ In light of these sentiments, the African Union and the AfCFTA Secretariat need to prioritise and focus efforts on embedding the informal sector within the trade policies of the AfCFTA. Inclusion for the informal sector could mean:

- Establishing a registration and identification system for informal cross-border traders (ICBTs) that would allow them to gain certain privileges under the AfCFTA.
- Creating policies providing special protections for ICBTs that would allow them to report corruption and abuse by customs officials.
- Establish a programme to allow informal traders to register businesses over time, and to also access trade financing to scale existing businesses and to support compliance of the businesses.

These suggestions require proactive and constructive discussions with ICBTs to allow for a continental policy that can be adapted locally.

Just as the AfCFTA Secretariat self-corrected the exclusion of women and youth in the founding agreement and negotiations of the AfCFTA by adopting in 2024, the Protocol on Women and Youth in Trade; it can also redeem itself by establishing a practical framework that supports and protects people in the informal sector instead of criminalising them.⁷⁶

Standardise and Harmonise Policies

A critical aspect of managing the successful implementation and realisation of a continental policy like the AfCFTA is accurate intelligence gathering and strong monitoring and evaluation protocols. Currently, there is no unified monitoring and evaluation public platform or dashboard which can allow stakeholders to keep up with the progress made under the AfCFTA including costs of intra-African trade, types of goods and services being traded, value of goods and services being traded. These kinds of systems allow researchers, entrepreneurs and other interested stakeholders to not only feel included in the AfCFTA, but to also be able to contribute ideas and solutions to the gaps missing.

The African Union has an existing monitoring and evaluation tool known as the Africa Regional Multidimensional Integration Index (ARMII) which tracks how well African countries are

⁷⁵ Asafu-Adjaye, September 2023.

⁷⁶ ‘Africa leads the way on inclusivity and trade: Welcoming the AfCFTA Protocol on Women and Youth in Trade at International Women’s Day 2024’, *United Nations Economic Commission for Africa*, 8 March 2024, Available at <https://www.uneca.org/stories/africa-leads-the-way-on-inclusivity-and-trade-welcoming-the-afcfta-protocol-on-women-and>

integrating regionally.⁷⁷ There is no reason to reinvent the wheel when the AfCFTA Secretariat could work from the blueprint of ARMI. In fact, using the existing platform on regional integration could prove very useful since the African Regional Integration Index already provides knowledge and intelligence on regional integration in Africa. With a track record of poor transparency and accountability, the African Union and AfCFTA member states could benefit from ensuring that there is open and transparent data readily available.

Additionally, the experiences of the AfCFTA-GTI traders documented herein tell us that more efforts need to be made for protocol of testing to be harmonised and unified. Making the AfCFTA attractive includes providing a seamless and efficient trading process. Without this, levels of informality will continue to rise, whilst the red tape and bureaucracy can lead to wider levels of corruption.

Education Curriculum

Innovation requires great investment. Yet, governments in Africa are spending less on investing into research and development schemes in partnership with higher education institutions. An immediate impact of this for the AfCFTA is that there are not enough trade lawyers and trade specialists across a variety of industries who can advise authoritatively on how to improve the quality of trade in African markets, or how to manage trade disputes at continental level. Anele - a trade lawyer - notes that “the education curriculums in many universities in Africa are simply not equipped to train students on markets and trade in Africa. As a result, many people obtain their education outside the continent.”⁷⁸ Anele’s sentiments are shared by Political Science department head at the University of Ghana, Dr. Seidu Alidu, who advocated for the revamping of higher education curricula as a way to guarantee the future success of the AfCFTA at a launch for the Ghana International Trade and Finance Conference AfCFTA Club.⁷⁹ According to Dr Alidu:

“We need to redevelop our curriculum, redesign it, re-tool it to be able to meet the needs and plans that are required to be able to move the African continent out of poverty to deepen intra-continental trade amongst countries. There is a huge disconnect as a result of little interaction between academia and industry as institutions do not know what is required of industry and how the curriculum should feed them”.

⁷⁷ See Africa Regional Integration Index, Available at <https://www.integrate-africa.org/about-the-index/why-measure-regional-integration-in-africa/>

⁷⁸ Online interview with Anele Simon, 22 April 2024.

⁷⁹ Ebenezer K. Amponsah, ‘Redevelop Curriculum To Meet AfCFTA Aspirations’, *Daily Guide Network*, 23 March 2023, Available at <https://dailyguidenetwork.com/redevelop-curriculum-to-meet-afcfta-aspirations/>

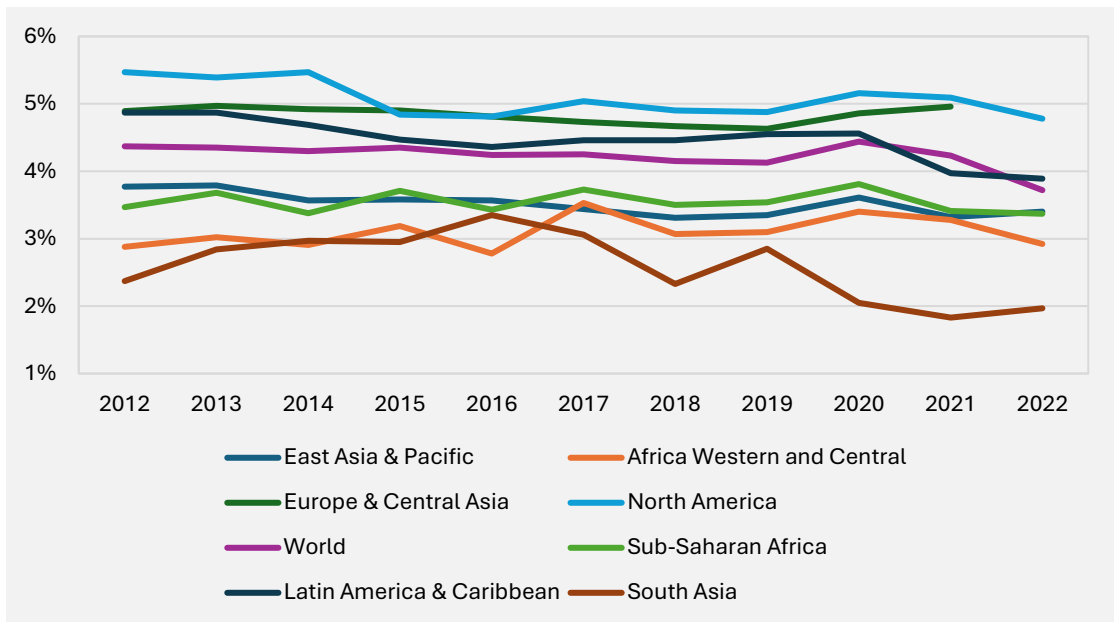


Figure IX: Government Expenditure on Education as a Percentage of GDP

Source: World Bank

As Figure VIII shows, the total expenditure on higher education in Africa has been in sharp decline - particularly between 2020 and 2022 with government spending on education as a percentage of GDP standing below 3.8%.⁸⁰ Although this is the same trend across the world, Africa has more at stake due to its current challenges. As such, more funds need to be allocated towards research and innovation particularly as they pertain to AfCFTA. With revamped university curricula, students and academics across the continent will be able to contribute meaningfully to a successfully integrated AfCFTA.

Investing in research and development works together with free movement. Researchers should be able to move freely across the continent to increase knowledge exchange and collaborations. This means providing a special visa for researchers affiliated with accredited universities to travel for conferences, seminars, and other research-based programmes. Of course, the total removal of visas under the Free Movement Protocol would be the most ideal scenario. However, in thinking realistically about the situation, a pilot programme like the GTI could be an important landmark to see how best the Free Movement Protocol could work.

It will be crucial for African governments to set aside political urges to defund institutions that potentially create avenues that ameliorate living conditions - particularly in the education sector. It is well known and documented that universities can become political targets due to their role in knowledge creation and peer-exchange.^{81 82}

⁸⁰ Biniam Bedasso and Radhika Nagesh, 'Why Africa Shouldn't Sell Itself Short on Education', *Center for Global Development*, 16 February 2024, Available at <https://www.cgdev.org/blog/why-africa-shouldnt-sell-itself-short-education>

⁸¹Hanne Kirstine Adriansen, 'The power and politics of knowledge: what African universities need to do', *CNBC Africa*, Available at <https://www.cnbcafrica.com/2017/power-politics-knowledge-african-universities-need/>

⁸² Sabelo J. Ndlovu-Gatsheni, 'The cognitive empire, politics of knowledge and African intellectual productions: reflections on struggles for epistemic freedom and resurgence of decolonisation in the twenty-first century', *Third World Quarterly*, 42(5), 882–901, 2021.

Conclusion

A simplistic history of the European Union's journey to establishing a unitary free trade area tells us that it took just over 50 years to become fully established. In that journey, a great many historical events occurred including the cold war and the rise of the Berlin wall, the Prague Spring, and student riots in Paris. But, in these difficulties, efforts to ameliorate the standards of living amongst Europeans continued fervently. That is not to say there were no disagreements – for there were many including the initial failure to negotiate and conclude on a free trade area between member states of the Organisation for European Economic Cooperation (OEEC). However, the desire, intention, and persistence to improve the socioeconomic standards in Europe became the underlying force of the European Union's present success.

It will take a great deal of tenacity, consistency, and discipline among member states of the AfCFTA to ensure that the livelihoods of millions of Africans improve. Although digital technology will help with facilitating a faster implementation and uptake of AfCFTA, it is important to note that only the short-sightedness of leaders and government bureaucrats will disadvantage the potential that AfCFTA has especially for the beneficiary population – youth. Much grace needs to be given to failures along the way, but similarly strict accountability and transparency must be demanded to ensure that lessons are learnt and reviewed as the AfCFTA continues to become a daily reality in Africa.

Youths and young people transitioning to adulthood must also become proactive and outspoken in their desire to see a better future. This means that young people, within their local contexts, must seek to hold their leaders accountable and transparent. The flipside is that if AfCFTA fails, it will be youths who are left to clean up the mess and never realise the actual potential of the AfCFTA.

It will also be imperative for countries on the continent to become pragmatic and realistic about the short-term and long-term spoils of trading under AfCFTA. As this discussion paper has demonstrated, there are many ills affecting Africa, and more so in certain parts of this continent. As such, the benefits of AfCFTA will be realised unevenly within the short and medium term. With stronger institutions and a stronger hold on peace and security, one can only hope these benefits become evenly distributed.