

Opportunities of the AfCFTA for Africa's Youth Entrepreneurs

POLICY BRIEF

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Background

Africa is home to a vibrant youth entrepreneurship culture, driven by the continent's young population and increasing digital connectivity. According to the Global Entrepreneurship Monitor 2023/2024 report,¹ sub-Saharan Africa boasts some of the highest rates of entrepreneurial activity globally, with about 22 percent of the working-age population starting new businesses and 42 percent of young people (aged 18-34) expressing intentions to start a business within the next three years. The rise of mobile technology and internet access has fueled digital entrepreneurship, with a total of 633 tech startups in Africa raising a combined \$3.3 billion in 2022.²

AfCFTA protocols and potential opportunities

The African Continental Free Trade Area (AfCFTA),³ adopted in 2018, is a landmark agreement aimed at creating the world's largest free trade area in terms of number of participating countries (the 55 African nations). Its goal is to establish a single continental market for goods and services, facilitate the free movement of people, businesses and investments and establish a continental customs union. The AfCFTA is expected to significantly boost intra-African trade, promote industrialization, create job opportunities, and improve the competitiveness of African industries on the global stage. It promises access to 1.3 billion people and a market of \$3.4 trillion.⁴

The AfCFTA's protocols currently cover eight main domains: trade in goods; trade in services; investment; intellectual property rights; digital trade; competition policy; dispute resolution; and women and youth in trade.

- 1. Trade in goods:** This protocol aims to eliminate tariffs on 90 percent of goods, facilitating easier and more cost-effective access to a broader African market. It includes provisions for rules of origin (RoO), trade facilitation, and customs cooperation.
- 2. Trade in services:** This protocol focuses on the progressive liberalization of trade in services across the continent. It encompasses key sectors such as business services, communications, financial services, tourism, and transport, which are crucial for digital startups and entrepreneurial ventures.
- 3. Intellectual property rights (IPR):** Protecting innovations and creations is critical for entrepreneurs. The IPR protocol aims to harmonize intellectual property laws across Africa, making it easier for youth entrepreneurs and creatives to protect their inventions and artistic works.

- 4. Digital trade protocol:** Encompassing digital payments, e-commerce, logistics, data governance, and cross-border data transfers, this protocol is essential for the harmonization, operation and growth of Africa's digital economy. It enables youth entrepreneurs to access a market of currently over 1.3 billion people through e-commerce, leveraging social media for promotion, and will also benefit from increasingly free movement of goods. Additionally, it boosts fintech innovations like mobile money and digital wallets and expands digital inclusion, which provides equal opportunities for women and youth-led startups, enhancing productivity in sectors such as ICT and agriculture.
- 5. Investment protocol:** This protocol is designed to create a favorable environment for investment across the continent, providing youth entrepreneurs with greater access to capital and encouraging direct investment by Africans in Africa as well as foreign direct investment.
- 6. Competition policy:** By establishing a continent-wide framework for competition policy, this protocol seeks to ensure a level playing field for businesses, preventing monopolies and fostering innovation.
- 7. Dispute settlement:** The AfCFTA protocol on rules and procedures for dispute settlement aims to establish a clear and efficient mechanism for resolving trade disputes among member states. It seeks to ensure fair and transparent processes, promote compliance with AfCFTA agreements, and maintain stability in intra-African trade relations. The protocol includes provisions for consultation, mediation, arbitration, and adjudication by a dispute settlement body to resolve conflicts amicably and equitably.
- 8. Women and youth in trade:** This recently added protocol seeks to foster sustainable and inclusive socio-economic growth, ensuring equal opportunities for women and youth in intra-African trade while driving the structural transformation of African economies. It aims to eliminate gender-specific obstacles that hinder women's participation in trade, including limited financial access, lack of training programs, and insufficient mentorship opportunities. It also encourages the formalization of youth-owned enterprises, enhancing their credibility and access to larger markets, and supporting their integration into regional and global value chains. Specific provisions ensure targeted support for women and youth to bridge the gap in economic participation, promoting gender equality through investments in education, skills development, and entrepreneurship training.

Challenges facing youth entrepreneurs

Despite the above opportunities that the protocols present for youth entrepreneurs, several underlying challenges need to be addressed for the AfCFTA to fully benefit young Africans.

- 1. Internet and connectivity issues:** Despite significant progress, only 36 percent Africa's population had broadband internet access in 2022⁵ in part due to unstable electricity supply and other infrastructure deficits that limit the reach of digital businesses and disrupt online operations when available. According to the World Economic Forum, a survey carried out by the Ichikowitz Foundation found that only one in eight young Africans could afford internet at all times.⁶ As a result, the high costs of internet access and unreliable networks hinder the growth of e-commerce and digital startups. Addressing these challenges requires strong leadership, substantial investment by governments in digital infrastructure and affordable internet services.

- 2. Regulatory compliance:** Navigating complex regulatory environments and meeting compliance requirements is challenging for youth-led businesses, particularly small and informal ones. Obtaining necessary certifications, such as Food and Drug Authority approvals, tends to be time-consuming and costly. Providing training and resources to young entrepreneurs can enhance their ability to understand and navigate complex trade protocols and comply with regulatory requirements. Simplifying compliance processes and providing access to mentorship and support networks also eases the burden on small businesses. Information on the AfCFTA and its protocols should be translated into media that are easily accessible by young people, ensuring that the benefits of the AfCFTA are widely shared.
- 3. Data governance and protection:** Ensuring proper data governance and privacy is crucial for building consumer trust. Nearly a third of African countries lack data protection laws⁷, posing risks for digital businesses and their customers. Furthermore, protecting digital assets from cyber threats is a significant concern for youth entrepreneurs. Strengthening cybersecurity measures and awareness can safeguard businesses and their customers. Ultimately governments will need to determine the right balance between the free flow of data and addressing cybersecurity, cyberespionage, and other threats to data protection and data privacy.⁸
- 4. Non-tariff barriers:** Despite the focus on digital trade, many young African entrepreneurs deal primarily in goods. The complexities of logistics, customs procedures, and payment processes can be daunting for entrepreneurs. Poor transport infrastructure and inefficient logistics networks can increase costs and delay the movement of goods. Efficient trade facilitation and streamlined customs processes are essential for reducing barriers. Investments in transport infrastructure and logistics services are also needed to support trade.
- 5. Cost of formalization:** The initial costs of formalizing a business can be a significant hurdle for young entrepreneurs. Accessing resources, funding, and support to formalize is often challenging. Raising awareness about the benefits of formalization, such as easier access to credit, creates a good signal to investors and customers, along with providing incentives that encourage more youth to formalize their businesses. Simplified registration processes and tax incentives will also help. Additionally, young entrepreneurs will be greatly motivated by published research evidence that demonstrates the benefits of formalization.
- 6. Advocacy:** One key challenge is the general lack of awareness across Africa of the benefits of the AfCFTA agreement. Strengthening AfCFTA advocacy efforts and ensuring representation of youth entrepreneurs in policy discussions can enhance their influence and facilitate continent-wide implementation.

Conclusion

The AfCFTA holds significant promise for youth entrepreneurs in Africa, offering opportunities to expand market access, innovate in fintech, and thrive in the digital economy. However, challenges such as complex regulatory compliance, connectivity, and the need for robust data security must be addressed to fully realize these opportunities.

Meeting the challenges will require concerted effort by governments, the private sector, and international partners to invest in digital infrastructure, provide capacity-building support, and create an enabling environment for youth entrepreneurship. With the right support and resources, Africa can harness the potential of its young entrepreneurs to drive growth and genuine economic transformation.

Endnotes

- 1 Global Entrepreneurship Monitor 2023/2024. GEM (Global Entrepreneurship Monitor) (2023). Global Report: 25 Years and Growing. London: GEM.
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- 2 How Africa's youth will drive global growth. Chido, M., and Chido, M. World Economic Forum. 2023. [How will Africa's youth population drive global growth? | World Economic Forum \(weforum.org\)](https://www.weforum.org/agenda/2023/06/how-will-africa-youth-population-drive-global-growth/)
- 3 <https://au.int/en/african-continental-free-trade-area>
- 4 The African Continental Free Trade Area, African Union. 2018. <https://au.int/en/african-continental-free-trade-area>
- 5 Digital Transformation in Africa. World Bank Group. Results Briefs. June 2023.
<https://www.worldbank.org/en/results/2023/06/26/from-connectivity-to-services-digital-transformation-in-africa>
- 6 As young Africans push to be online, data cost stands in the way. Kim H., Kent M. World Economic Forum. Geographies in Depth. June 2022. <https://www.weforum.org/agenda/2022/06/as-young-africans-push-to-be-online-data-cost-stands-in-the-way/>
- 7 Digital ID systems in Africa: Challenges, risks and opportunities. Musoni, M., Domingo, E. and Ogah, E. ECDPM Discussion Paper 360. Maastricht: ECDPM. 2023.
- 8 Great Opportunities Lie Ahead for Data Governance in Africa. So Do Great Challenges. Rob Floyd. African Center for Economic Transformation (ACET). March 2024. <https://acetforafrica.org/research-and-analysis/insights-ideas/commentary/great-opportunities-lie-ahead-for-data-governance-in-africa-so-do-great-challenges/>

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