African Continental Free Trade Area

Opening high-end markets for Bhutanese handicrafts

A common African market for a shared African future

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ARANCIA GONZÁLEZ, executive director, International Trade Centre

The phenomenon of ‘Africa rising’ has been cited so often in the past few decades that it risks becoming a bit of a cliché. But the reality shows there is justification for this continued optimism. In July 2019 leaders of African Union nations took a decisive step toward realizing their economic aspirations with the formal launch of the African Continental Free Trade Area (AfCFTA).

In this special double issue of Trade Forum we turn the spotlight on what this exciting development will mean for the people of the continent. The scene is set by Fekitamoeloa ‘Utoikamanu, Under Secretary-General and High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, who highlights how the AfCFTA has been crafted to dovetail with existing multilateral plans for Africa. Now that the AfCFTA has moved into its operational phase, David Luke, coordinator of the African Trade Policy Centre at the United Nations Economic Commission for Africa, guides us through some of the next steps now underway. A key theme will be the negotiations on trade in services and for an overview of this we have Anesu Gamanya from Geneva’s Graduate Institute and Richard Adu-Gyamfi of the International Trade Centre (ITC), as well as the chief economist of the World Trade Organization, Robert Koopman.

Can it be assumed that Africa’s new era of open trade will make it an attractive destination for private-sector investment? Partly, argues Kaled Sherif of the African Development Bank, but to maximize the opportunities African governments must also improve domestic economic governance and regulation. From the private sector side of the fence, Farid Fezoua, chief executive of General Electric Africa, looks at the implications for infrastructure investment, while Anne-Elvire Esmel of the AfroChampions Initiative describes how business can leverage the AfCFTA as an investment opportunity. Hippolyte Fofack of the African Export-Import Bank considers what the AfCFTA will mean for Africa’s place on the global scene.

But the real story of the AfCFTA will be the opportunities it affords women, young people and poor communities. We take a look at the youth dimension with Ibrahima Nour Eddine Diagne, president of the African Performance Institute, and Gathige Wa Maina of Youth Motion Kenya, while ITC’s Aissatou Diallo and Ruben Phoolchund consider exactly how the benefits of open trade will be distributed to the widest possible extent.

Finally, we look at what the AfCFTA will mean for Africa’s women with a special interview with one of its architects, Ambassador Albert M. Muchanga, Commissioner for Trade and Industry of the African Union Commission.

This edition also contains news from the trade and development community, a look at the latest publications and rundown of important events. There is a look back at the ITC SheTrades Global event on women’s economic empowerment, the Youth Entrepreneurship and Self-Employment Forum and the World Export Development Forum, held in November 2019. At this suite of events, all with a focus on AfCFTA implementation, it was clear that ‘Africa rising’ is not just a prediction.
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One in four students in OECD countries are unable to complete even the most basic reading tasks, meaning they are likely to struggle to find their way through life in an increasingly volatile, digital world. This is one of the findings of the Organisation for Economic Cooperation and Development’s (OECD) latest PISA global education test, which evaluates the quality, equity and efficiency of school systems.

The OECD’s PISA 2018 tested around 600,000 15-year-old students in 79 countries and economies on reading, science and mathematics. The main focus was on reading, with most students doing the test on computers.

Most countries, particularly in the developed world, have seen little improvement in their performances over the past decade, even though spending on schooling increased by 15% over the same period. In reading, Beijing, Shanghai, Jiangsu and Zhejiang (China), together with Singapore, scored significantly higher than other countries. The top OECD countries were Estonia, Canada, Finland and Ireland.
Trade restrictions among G20 economies remain at historic highs

The World Trade Organization’s new Trade Monitoring Report issued in November shows that G20 economies from mid-May to mid-October 2019 introduced import-restrictive measures covering an estimated $460.4 billion worth of traded merchandise. This represents a 37% increase over the previous period going back to mid-October 2018, and is second only to the $480.9 billion coverage of import-restricting measures reported between mid-May and mid-October 2018. The report notes that with restrictions accumulating over time, the share of global trade covered by such measures has soared. WTO Director-General Roberto Azevêdo called on G20 economies to de-escalate trade tensions to spur investment, growth and job creation.

Siyabuddy announced winner of WEDF 2019 Young Social Entrepreneurs pitching competition

Siyabuddy, a recycling and waste management company based in Steenbok Village, won the panel of judges over with the quality of its pitch, its social impact on poor people through employment creation and for presenting a business model that can easily be replicated. Siyabuddy is currently developing a system to commercialize the use of black soldier fly larvae to produce compost. The company provides indirect jobs to more than 1,000 individuals, 80% of whom are female. Siyabuddy was founded by Siyabonga Tshabalala and Nomuntu Ndhlovu and 25% of its shares are owned by employees.

The winner of the World Export Development Forum 2019 Young Social Entrepreneurs pitching competition, held in November, was Siyabuddy of South Africa. Siyabuddy beat off competition from social start-ups from Cameroon, Ethiopia and Guinea to take the grand prize of $5,000 in seed funding provided by the International Trade Centre.
Europe continues to dominate global e-commerce ranking

Europe remains by far the most prepared region for e-commerce, with eight countries ranking in the top 10 of a global index published on 3 December.

For the second consecutive year, the Netherlands leads UNCTAD’s Business-to-Consumer (B2C) E-commerce Index, followed by Switzerland. The only non-European countries on the top ten list are Singapore (third) and Australia (10th).

The index scores 152 nations on their readiness for online shopping, worth an estimated $3.9 trillion globally in 2017, up 22% from the previous year. Countries are scored on the access to secure internet servers, the reliability of postal services and infrastructure, and the portion of their population that uses the internet and has an account with a financial institution or mobile-money-service provider.

The 10 developing countries with the highest scores are all from Asia and classified as high-income or upper middle-income economies. At the other end of the spectrum, least developed countries occupy 18 of the 20 bottom positions.

ITC teams up with Paypal, Payoneer and eBay to reduce digital barriers for MSMEs in Central America

Micro, small and medium-sized enterprises (MSMEs) in the e-commerce sector of six Central America countries are set to reap greater benefits from participation in international trade thanks to an existing partnership with eBay and two new partnerships struck by the International Trade Centre with PayPal and Payoneer, two leading global payments system providers.

To kick off the new partnerships, the partners are organizing a series of workshops on online marketplaces and payments solutions to be used in e-commerce activities. The workshops are part of a wider European Union-funded project – Linking Central American Women-Owned Businesses with the Global Gifts and Home Decoration Market – which is implemented in collaboration with the Secretariat for Central American Economic Integration (SIECA) and national implementing partners.

The initiative aims to boost the capacities of more than 200 women-owned businesses and entrepreneurs in the handicraft sector. These entrepreneurs are looking to boost their e-commerce skills and develop long-term strategies for selling their goods in international markets through online channels. Participants will get to grips with new technologies, business processes, payment methods, and logistics and shipping requirements related to transferring their businesses online.
Women in Europe largely under-represented in international trade, study finds

Women are under-represented among EU companies in the agriculture and manufacturing sectors and women-led companies are primarily found in sectors with lower export growth potential, according to From Europe to the World: Understanding Challenges for European Businesswomen, a new study by the European Commission and the International Trade Centre.

The study finds that only one in five exporting companies in the EU is owned, led or managed by a woman. In almost half of the companies surveyed, women account for 30% or less of the total workforce and only one in five companies reaches gender parity in employment. It also suggests that job segregation remains a reality: fewer than one in three companies have reached 30% or more of women in senior executive positions.

Women-led companies tend to be smaller and concentrated in industries with lower export growth potential such as in the clothing and textiles sector. From Europe to the World suggests that size and industry concentration drive patterns of inequality, for example in dealing with non-tariff measures or entering government procurement markets outside the European Union. Irrespective of company size or industry, women-led firms are at a disadvantage when seeking access to skills, finance from commercial banks, and business networks.

Ye! Initiative transitions from Child and Youth Finance International to International Trade Centre

The International Trade Centre and Child and Youth Finance International (CYFI) have signed an agreement to integrate the Ye! Initiative into ITC’s Youth and Trade programme. The transition of Ye! to ITC will ensure that ongoing institutionalized support is scaled up to the global network’s close to 20,000 youth entrepreneurs.

Globally, almost 60 million youth are unemployed and nearly 136 million working youth continue to live in poverty. Young people are often denied access to decent employment opportunities or face barriers to entrepreneurship, including skills mismatch or lack of access to finance.

The Ye! Initiative was created by Child and Youth Finance International with the aim of systemically reducing youth unemployment by convening a global movement in support of youth entrepreneurship. Ye! aims to create a friendlier ecosystem for youth-led enterprise by providing a network of support, access to resources, tools, expertise and events, as well as through advocacy on youth entrepreneurship.

The Ye! Community online platform supports almost 20,000 youth entrepreneurs and hosts a network of over 140 expert business coaches from more than 140 countries. Ye! also supports youth entrepreneurs offline by working directly with young entrepreneurs to set up Ye! Chapters – youth driven support networks that are active in 16 countries.
Opening high-end markets for Bhutanese handicrafts

WAQAS RAFIQUE, International Trade Centre

EU partners with ITC to offer support in product development and management skills

The handicraft textile industry is an integral part of life and culture in Bhutan, employing about half the country’s workforce. However, if the sector is going to succeed in high-end markets, the design and quality of handicraft textile products require further enhancements to be able to compete in Europe or Japan.

Improved business skills and better understanding of market requirements can help address some of the challenges faced by Bhutanese artisans by learning from the export experiences of neighbouring countries.

As part of the EU-Bhutan Trade Support project funded by the European Union (EU), experts from the International Trade Centre (ITC) have trained 22 artisans through workshops on product development, brand identification, home textile products and export-quality management.

1. Textiles offer scope for exports.
2. Bhutanese temple.
4. Artisans work with a variety of materials.
5. Plain cloth before dyeing.
6. Advanced training in indigo dyeing in Laos.
7. The dyeing process.
A common African market for a shared African future

FEKITAMEOLOA ‘UTOIKAMANU, Under-Secretary-General and High Representative, United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)

The African Continental Free Trade Agreement has the potential to revolutionize businesses, create economies of scale

Four years ago, negotiations were initiated for an African Continental Free Trade Agreement (AfCFTA), which entered its operational phase in July 2019. This represented a major development as the agreement not only set up the world’s largest free trade zone but also created a common African market for a shared African future. The agreement is ambitious, transformative and game-changing. It recognizes the enormous potential for African countries to boost trade with one another and expand their share of world trade.

By eliminating 90% of tariffs on goods and significantly reducing non-tariff measures...
are more than twice that of neighbouring transit countries. These costs have increased over time, undermining the competitiveness of goods and services produced by such countries.

All such endeavours focus on the urgent action to improve infrastructure; expand access to sustainable energy; promote skills development and entrepreneurship; and expand access to development finance. These preconditions must be met to enable countries to produce efficiently and to compete both regionally and globally.

Let us consider, for example, high transport costs as an impediment of trade in African LDCs, LLDCs and SIDS. Export and import expenses for some African LLDCs (NTMs) on merchandise and services, the AfCFTA represented an unprecedented effort to integrate the continent into a unified market. It includes a combined gross domestic product (GDP) of $2.5 trillion and a population of more than 1 billion people, with 60% of them below age 25.

Africa is the continent containing the highest number of countries. Of course there are considerable variations in size both physically and economically. They encompass 32 least developed countries (LDCs), 16 landlocked developing countries (LLDCs) and six small island developing States (SIDS).

A majority of these countries face considerable supply constraints compounded by geographic and structural features. Ensuring that the rollout and benefits of the AfCFTA reach out to all across a highly diverse group of economies will be critical.

We must ensure that the implementation of global frameworks, such as the programmes of action for LDCs, LLDCs and SIDS, and that of AfCFTA are mutually reinforcing. It is the synergies capable of delivering the full benefits of free trade to all countries across the continent.

The AfCFTA presents the potential to generate economies of scale, boost intracontinental trade and advance an inclusive and sustainable development.
Cross-border informal trade in Africa tends to be a predominantly female activity. The elimination of customs duties or at least their significant reduction due to the AfCFTA is expected to boost cross-border flows, generate higher incomes for women and provide them with improved working environments.

It is thus an imperative to improve physical transport systems with a view on building integrated, sustainable and efficient transit systems. This is at the core of reducing transport and transit costs. This will facilitate the movement of goods and services, expand trade opportunities and enable countries to integrate and benefit from regional and global value chains.

The AfCFTA presents the potential to generate economies of scale, boost intracontinental trade and advance an inclusive and sustainable development. At present, an estimated 85% of African exports go outside the continent. African countries have set the ambitious goal of making inter-African trade move from roughly 16% of total continental trade currently to 25% within the next decade.

By creating a single market, the agreement has the potential to help Africa’s most vulnerable countries to industrialize and to structurally transform their economies. This should result in producing higher value-added products, generating decent jobs for the growing number of young people entering the job market and retaining much of the generated wealth within the continent. These objectives are at the core of the Istanbul Programme of Action for LDCs, the Vienna Programme of Action for LLDCs and the SIDS Accelerated Modalities of Action (SAMOA) Pathway.

The implementation of AfCFTA should also bode well for stimulating foreign direct investment (FDI) by providing a more attractive environment for investors. The aim is for increased FDI to lead to the acquisition and use of new technologies and to improved productive capacities in Africa’s most vulnerable countries.

Furthermore, implementation ought to generate payoffs through stimulating the development of small and medium-sized enterprises (SMEs), which should particularly benefit the empowerment of women. It is also hoped that SMEs presently facing considerable difficulties in penetrating foreign markets can access regional markets that in turn can serve as a springboard for entering international markets.

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The AfCFTA and the various programmes of action for LDCs, LLDCs and SIDS naturally complement one another and we must proactively leverage their synergies. Taken together, they offer an important avenue in ensuring that the benefits of free trade among African countries are fairly distributed. OHRLLS is committed to fostering their joint implementation for the benefit of an inclusive and sustainable development for all by 2030.

1. The AfCFTA is ambitious, transformative and game-changing.
2. African countries vary in both physical and economic size.
3. The president of the African Export-Import Bank Benedict Okey Oramah and Abdel Fattah Saeed Hussein Khaliel el-Sisi, the president of Egypt, at the launch of the AfCFTA in July 2019.
Continental agreement, country implementation: Making the AfCFTA a reality


As the AfCFTA moves into its operational phase, it is time to consider the crucial next steps

The African Continental Free Trade Area (AfCFTA) Agreement was negotiated at the continental level. However, much of its implementation and gains will be at country level. Trading under the deal is set to begin 1 July 2020 with the first installment of tariff dismantlement. Now the real test is how quickly and effectively the agreement’s state parties (as the signatories that have ratified the Agreement are known) can implement it.

The AfCFTA provides a framework and a tool for boosting intra-African trade and industrialization on the continent. It is well

The United Nations Economic Commission for Africa projects that the value of intra-African exports will increase between 15% (or $30 billion) and nearly 25% (or $69.1 billion) in 2040.
These strategies build upon existing trade, regional integration and development policies. They have been prepared through an inclusive and consultative process reflecting national priorities and the interests of a range of private-sector stakeholders.

known that intra-African trade generates greater levels of industrial and value-added goods than trade with other regions, which is typically dominated by lower-value commodities. Some 70% of exports outside the continent are resource extractives while less than 40% within are extractives, as indicated in Figure 1.

The United Nations Economic Commission for Africa (ECA) projects that the value of intra-African exports will increase between 15% (or $50 billion) and nearly 25% (or $69.1 billion) in 2040, relative to the baseline without the AfCFTA in place. Most interestingly, as demonstrated in Figure 2, intra-African exports were found to increase the most for industrial products, with gains ranging between around 25% (or $36.1 billion) and almost 30% (or $43.3 billion). All African countries are expected to benefit from increased value-added exports under the agreement. In fact, least developed countries (LDCs) in Africa are estimated to have the greatest boost to industrial exports. This highlights that the AfCFTA offers a tool for boosting intra-African trade in a way that also contributes to diversification and inclusivity.

Still, these gains will not be automatic. Like any other trade agreement, state parties will undoubtedly experience short-term adjustment costs. All countries will face direct implementation costs associated with the introduction of new reforms obliged by the agreement. Others, particularly the less advanced and diversified countries, will need to invest in complementary policies to position their economies to take advantage of the AfCFTA, as well as to support groups that may be vulnerable to changes in trade. The private sector may also bear costs linked to structural readjustment of the economy as it reacts to new opportunities and competitive pressures.

**TRANSLATING ‘CONTINENTAL’ INTO ‘NATIONAL’**

Although the AfCFTA is a continental agreement, implementation will take place at the national level. The agreement must be translated and contextualized to domestic realities. State parties will need to take deliberate actions to make the AfCFTA work and create the necessary enabling environment.

Recognizing this, the ECA, the African Union Commission (AUC) and the International Trade Centre (ITC) are assisting more than a dozen countries prepare AfCFTA National Strategies. They are Cameroon, Chad, Côte d’Ivoire, Djibouti, Guinea, Kenya, Mauritania, Niger, the Gambia, Sierra Leone, Senegal, Togo, Zambia and Zimbabwe. The plan is to double the number of countries assisted next year.

These strategies build upon existing trade, regional integration and development policies. They have been prepared through an inclusive and consultative process reflecting national priorities and the interests of a range of private-sector stakeholders.

The aim was to identify new opportunities for diversification and value chain development under the AfCFTA and the complementary actions needed to overcome existing constraints to intra-African trade. This was achieved through adopting a cross-sectoral approach, considering not just trade but also closely related areas such as agriculture, industry, services, macro-economic management and infrastructure development.
**Figure 3.** Export pathway: reforms and complementary measures

**AFCFTA REFORMS**

- S.22. Specific commitments on services mode 3 (commercial presence)
  - 1. Investment Protocol: investment protection, promotion and facilitation

**EXPORT PATHWAY**

**INVESTMENT**

**PRODUCTION**

**EXPORT COMPLIANCE**

**TRANSPORT LOGISTICS**

**IMPORTATION**

**COMPLEMENTARY MEASURES**

**INVESTMENT**

- Investment Measures
  - National investment plans
  - Investment promotion agencies
  - Partnering to facilitate investment

**PRODUCTION**

- Productive Capacity Development Agenda
  - Industrial policies
  - Sector-specific strategies
  - Service sector development

**EXPORT COMPLIANCE**

- Trade Facilitation Measures
  - Non-tariff barrier mechanism
  - Standards infrastructure and harmonization
  - Simplified trade regimes

**TRANSPORT LOGISTICS**

- Trade-Related Infrastructure Measures
  - Programme for infrastructure development in Africa
  - Strategic logistics management

**IMPORTATION**

- Import Defence measures
  - Trade defence institutions
  - Competition laws and institutions
  - Monitoring and evaluation

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**Source:** UN Economic Commission for Africa.
African countries will need to invest in complimentary policies to position their economies to take advantage of the AfCFTA. Trade-related infrastructure includes energy supply. Small companies stand to benefit. Sectors like horticulture offer export opportunities. Service sectors will be key to the next phases.

measures (NTMs). Figure 3 links the key reforms of the agreement to the export path, showing the range of reforms at country level required to maximize AfCFTA gains.

At the same time, implementation must include complementary policies to ensure that its benefits are shared equitably. ECA's Assessing Regional Integration in Africa (ARIA) IX Report on ‘Next steps for the AfCFTA’ puts forward five complementary measures for ensuring inclusive AfCFTA implementation. They are finance and investment; production; trade facilitation; trade-related infrastructure; and import defence measures (see Figure 3).

These speak very closely to the seven clusters of the African Union’s Action Plan for Boosting Intra-African Trade: trade policy, trade facilitation, productive capacity, trade-related infrastructure, trade finance, trade information and factor market integration.

Additionally, a set of cross-cutting issues was mainstreamed – including gender equality, youth employment, climate change and new technologies – with a view to aligning the strategies with Africa’s broader goals related to inclusive growth, sustainable development and digital transformation.

THE NEXT STEP
Moving forward, countries that have developed AfCFTA national strategies, with or without ECA support, need to implement them. This will require institutionalizing the implementation process through private- and public-sector coordination mechanisms.

The AfCFTA embodies reforms that liberalize and facilitate trade along the export path. They include reducing tariffs, the traditional heart of free trade agreements. They also liberalize service sectors, support customs cooperation and address non-tariff measures (NTMs). Figure 3 links the key reforms of the agreement to the export path, showing the range of reforms at country level required to maximize AfCFTA gains.

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IMPLEMENTATION: A WORTHWHILE INVESTMENT
The AfCFTA is an initiative with very high potential returns. Like any other high-yielding venture, governments, the private sector, investors and development partners must come together and put resources in place to make it work. Deliberate actions will be required to set up national structures to implement the agreement, design complementary policies to maximize gains from implementation and pursue a tailor-made pathway to benefit from the AfCFTA.

1. African countries will need to invest in complimentary policies to position their economies to take advantage of the AfCFTA.
2. Trade-related infrastructure includes energy supply.
3. Small companies stand to benefit.
4. Sectors like horticulture offer export opportunities.
5. Service sectors will be key to the next phases.
The importance of services for the African Continental Free Trade Area: An academic perspective

ANESU GAMANYA, recente graduate, Graduate Institute of International and Development Studies, RICHARD ADU-GYAMFI, international consultant, International Trade Centre, ROBERT KOOPMAN, chief economist, World Trade Organization

Businesses that are responsive to regulation, low skill-intensive and can show stable income stand to reap significant trade gains

The services sector currently constitutes a significant percentage of the world economy. Research shows that the top three sectors that received foreign direct investment (FDI) were software and IT services, business services and real estate.¹ In sub-Saharan Africa, trade in services account for nearly half of gross domestic product (GDP) and 10% of trade.² For countries such as Mauritius, the services sector is the largest contributor to GDP, contributing almost three-quarters of its economic output.³

There is also evidence of FDI concentrating mostly in services on the continent as a whole. South African FDI on the continent, for example, has largely focused on services, key among them being banking and financial services.⁴,⁵ The facts show that Africa is moving fast towards trade in services and the African Continental Free Trade Area (AfCFTA) is an opportunity to increase intra-African trade in services for continental gains.

These opportunities can be made possible by first taking a keen look at how those gains can be achieved. Addressing non-tariff measures (NTMs) is critical to unlocking the full potential of intra-African services trade.
Intra-African transport and business services trade flows before and after AfCFTA implementation – 2020-2065 projected calculations ($ billion)

Source: Gamanya (2019).

Communication and financial services experience the lowest trade gains based on the analysis at an annual $69 billion and financial services at $7.4 billion respectively by 2065.

Service enterprises that are highly responsive to regulation, income inelastic and low-skill intensive will experience significant trade gains for three reasons:

First, services highly responsive to regulation can benefit from trade by reducing regulation without the need for financial investment. Second, income-inelastic services will benefit from economies of scale as demand is not largely affected by changes in income. Third, many African countries are abundant in low-skill labour, allowing services that are low-skill intensive to scale up their operations more quickly.

Selecting four services out of five (transport, communication, financial services, and business services) for the AfCFTA initial round of negotiations, research has shown that transport and business services would experience the largest trade gains compared to financial and communication services.
The finding is a result of simulated trade projections between 2020 and 2065 using the *ad valorem* Services Trade Restrictiveness Index (STRI). Those STRIs were calculated as estimated tariff equivalents of services NTMs based on a country’s services regulatory framework. Each services sector is lowered to the lowest *ad valorem* STRI in the world. The STRI is measured as a percentage of the price for each of the services sector.

The analysis found that by 2065 intra-African transport services will experience the largest annual trade gains at $286 billion, followed by business services with $207 billion. These sectors are highly responsive to regulation, income inelastic and low-skill intensive; for business services, this varies by industry. Therefore, reducing regulations will enable the sectors to benefit from economies of scale due to high demand and low-skill labour abundance.

Take transportation services, demand occurs even at low-income levels and requires low-skill labour. If regulations affecting trade in this sector are streamlined, the sector will significantly benefit from high demand and businesses can scale up operations. In this light, small and medium-sized enterprises (SMEs) operating in these services have the possibility of reaching...
a wider market. Additionally, such NTMs taken under the context of the AfCFTA can spur the creation of new SMEs to sustain the use of these services.

Communication and financial services experience the lowest trade gains based on the analysis at an annual $69 billion and financial services at $7.4 billion respectively by 2065. These projections highlight that even at low levels of NTMs trade in these sectors will still be very low. There are two possible explanations for this from both the demand and supply side.

On the demand side, these services are income elastic; that is, they are most often demanded at higher income levels. Since most African nations are low or lower-middle income countries, demand for these services therefore tends to be low. On the supply side, both services are high-skill intensive, requiring human capital which is relatively scarce. However, both communication and financial services have an opportunity for trade growth thanks to the growth of financial technology (fintech).

Fintech is a growing financial service industry in Africa with the potential to tap into Africa’s 60% un-banked population. Regions that have adopted a more open approach to having both non-financial companies and traditional banks offering fintech services have experienced higher fintech adoption and financial transactions.

East Africa is now the leading region in terms of alternative financing in Africa, accounting for 41% of the market share. It is followed by West Africa (24%), Southern Africa (19%), Central Africa (12%) and North Africa (4%). East Africa leads in fintech adoption largely due to flexible regulation, allowing non-financial institutions to provide financial services. Therefore the impact of fintech increasing financial services trade will largely depend on market demand, infrastructure capabilities and regulation.

1. Financial and business services have been selected for the first round of AfCFTA negotiations.
2. Business sectors like warehousing could get a boost.
3. Communications services stand to gain less.
4. Transport services will be one of the winners of AfCFTA implementation.

3 The five services enlisted under the AfCFTA trade are; business services, communication services, financial services, tourism and travel, and transport.
Financing and promoting African investments

KHALED SHERIF, vice president, Regional and Integration and Business Delivery, African Development Bank

Creating partnerships, improving governance and mitigating risk can help make the continent more attractive to business interests

Much is made about poverty in Africa, notwithstanding improvements in some countries in recent years in terms of GDP, incomes, exports, middle class growth, and a mix of health and social indicators. However, even with some progress, Africa is punching well below its weight when considering it is a continent of 1.2 billion people with vast resources. The success of many Africans abroad adds to the question of what has gone awry in Africa, and what can be done to right the course.

While the answers are complicated and often rooted in a disruptive colonial legacy, The development of financial markets is critical to consolidating macroeconomic stabilization and meeting the financial needs of women entrepreneurs and small and medium-sized enterprises.
Risk continues to hold back increased investment to Africa. The African Development Bank works to mitigate risk by creating guarantee schemes and instruments to cover, for example, local currency risks and loans to regional member countries.

much of what bogs down modern Africa is how distant it remains from some of the earlier pan-African visions that inspired the wave of national independence in the 1950s-1960s. Independence begot a surge of nationalism that translated into factionalism and division across the continent, undermining the ability of newly independent states to build the literal and figurative bridges needed to achieve broadly distributed wealth. Instead, barriers went up, monopolies ensued, and African economies were unable to distinguish themselves in global markets as niche or volume producers of anything but primary resources. In the process, and being small in most cases, African countries were unable to build up scale for mass production as occurred in more prosperous economies in earlier decades/centuries. Meanwhile, the lack of domestic demand and purchasing power made it all but impossible to cultivate high-value niche markets as is found so often in Europe and other northern markets.

So how can Africa scale up and modernize to reverse these counter-productive barriers? First, to scale up, one of the keys is the creation of regional value chains. Africa abounds in natural resources, yet its trade patterns reflect legacy relationships from the colonial era. Minerals and oil and gas are exported to processing and consuming countries. Raw materials or very low levels of processed goods are sent on to countries that capture value-added through the intermediary process before shipping off for finishing or final sale. Services in Africa remain weak and expensive on a per unit basis, all the while making it harder for many households to afford such services because of prohibitive costs. When pricing is regulated and controlled to achieve affordability, such as in utilities or transport, resources are siphoned off or production capacity lacks the cash flow for needed reinvestment and capital expenditure for efficient service delivery. To reverse this and achieve scale, Africa requires modernized infrastructure and an open market for exchange of goods and services to boost scale, reduce per unit costs, and promote feasible linkages for supply and distribution.

A second key focus is leveraging resource-based activities to industrialize and add value domestically. This can be accomplished by emphasizing wealth creation through a focus on national and regional comparative advantage, by building on the regional value chains described above and developing regional and global networks that allow African enterprises to do more of the processing of these resources on the continent. A traditional economic mapping of value-added shows that Africa can easily handle many of the intermediate industries like food and beverage processing, wood and paper, textiles, and a broad range of metals and non-metals to meet local demand while sourcing from African locations. With a ramp-up of such activities, African businesses would begin to scale up, and by necessity would branch out across the continent to identify suppliers and other providers of goods and services to meet requirements.

This basic dynamic will trigger the momentum for trade and investment, as competition and the quest for margin leads to incentives to enter into contracts with lower cost suppliers which then provides such suppliers with greater certainty, making it more feasible to then ramp up investment and capital expenditure in facilities, machinery and equipment for operational efficiency. The benefits are not just backward, but forward through downstream sales and marketing channels that require reliable distributors, packaging and warehousing. The absence of inventory nullifies these prospects. The presence of inventory makes it all possible. And for volume and value to be generated, African businesses need greater openness in markets so that the challenge of competition in these larger markets can then raise the bar for African producers seeking to improve quality and achieve greater prosperity.

In this regard, Africa’s overall trade imbalance reflects market fragmentation, with only 15% of total trade within the continent. This is the lowest in the world, matched only by MERCOSUR in South America, and pales in comparison with intra-regional trade levels achieved by the European Union, North America and the ASEAN region. So Africa needs to get on with the AfCFTA to move in the direction of the more successful regional trade blocs. At the same time, Africa needs to respond to rising barriers to trade (including non-tariff barriers around the world) with targeted import substitution at national and regional levels. This approach needs to target the comparative advantage so many of Africa’s countries have in terms of resources, and to leverage these advantages through industrialization predicated on domestic production, processing and reinvestment. This will require cooperation and coordination, and some vested interests will see a loss of current privileges. Nonetheless, this is a prerequisite to build a continent-wide market that is truly competitive, at scale, and able to deliver at ISO and global standards.
1. The future’s bright for Africa.
2. The AfCFTA benefits more than 50 nations.
3. African Development Bank HQ in Abidjan, Cote d’Ivoire.

Investment and reinvestment are key, and they require a sound business, tax and legal environment. Africa’s development finance needs won’t be filled exclusively by the private sector, nor should they be. No other region of the world has advanced itself without a combination of public debt, domestic resource mobilization, and external governance to build structures and institutions that instill confidence and trust. Africa will continue to pursue this path, but with the intention of eventually reducing any dependencies and being able to ultimately finance itself through market forces and international partners.

To get there, the role of the public sector needs clarity. In this case, the importance to private sector and economic development is not only in financing, but also in agreeing to the systems of governance and incentives needed to deliver public needs and build social trust. The importance of countries obtaining sovereign credit ratings that will chart a way for their future is needed as a signal of fiscal probity and as a critical reference benchmark for private sector transactions. Many African countries are not on the radar screen of rating agencies, partly due to the absence of government bond markets and/or investor interest. Moving in the direction of ratings is important in setting a fiscal framework for domestic public finance, including possible moves to fiscal decentralization to unleash potential leverage from properties and other assets that are typically better managed at local levels for municipal management and investment in physical (e.g., power, transport) and social (e.g., health, education) infrastructure. They also serve as a reference point for the financial sector to price loans and securities, allowing a more dynamic approach to calculated risk-taking that makes risk premia transparent and provides incentives for capital providers and users to move to a stronger legal and institutional framework (e.g., credit information bureaus, moveable and immoveable property registries).

Together, these elements will get Africa to levels of prosperity and sustainability that were envisioned at the inception of independence. They build on member states as building blocks, but raise the level of regional integration as the critical organizing feature for development of the continent. Two-thirds of the member states of the African Union have populations of less than ten million. Many countries are still burdened by fragility, famine, disease, and poverty. To get over these hurdles, it is time for African nations to think ambitiously about how the continent itself can become a global economic powerhouse.

The African Development Bank and its partners have designed a strategic framework to make this happen within the context of the African Union’s vision for the AfCFTA. The time is now to get on with the plan, putting investment to good work so that Africa can become prosperous and truly independent.
Africa and infrastructure: Charting the way forward

FARID FEZOUA, chief executive, General Electric Africa

Historic trade agreement must be supported by increased investment to allow full realization of its goals

With Nigeria and Benin signing the African Continental Free Trade Agreement (AfCFTA) in July 2019, 54 of the 55 African Union member states have become part of the Africa Continental Free Trade Area, the largest in the world by number of countries after the World Trade Organization. The goal of the agreement is expanding intra-African trade and creating a single continental market for goods and services. This will include free movement of business persons and investments and the eventual establishment of a continental customs union. It also aims to enhance competitiveness at

On the one hand, the AfCFTA provides new opportunities for investment in infrastructure. On the other hand, significant investment in developing infrastructure will be critical to its success.
Currently 600 million people in Africa lack access to electricity according to the Africa Energy Outlook 2019 Report. Africa is currently investing about $9 billion a year in electricity but an additional $44 billion investment is required to meet annual demand.

Faced with a quarter of the global disease burden and a fast rise in non-communicable diseases, healthcare will largely benefit from common regulatory environment. Quality and safety standards enabling the industry and clinical providers to expand their reach across borders will leverage a much larger critical mass to justify investments.

Medical tourism is one of the few industries that already enjoys intra-African trade above that of countries outside the continent. Investment in healthcare

The AfCFTA aims to drive intra-African trade, which in 2018 stood at 16% of total African trade. If properly implemented this could potentially increase 52.3% by 2022, the United Nations Economic Commission for Africa (UNECA) has said. Considering that 42% of intra-African trade is made up of manufactured goods, such a significant increase could lead to increased industrialization opportunities and growth of the manufacturing sector, creating employment and increasing prosperity.

The African Continental Free Trade Area creates an urgent need for connectivity between African countries. This means new opportunities for infrastructure investment in transportation; information and communications technology ICT; adequate road networks; and aviation, among others.

Significant investments in power generation and distribution would be required to develop and sustain industrialization. The AfCFTA will encompass a combined population of 1.2 billion people and a combined GDP of over $3.4 trillion. Its total population is expected to double by 2050 according to recent United Nations forecasts. With an expanding middle class – about 43% by 2030 – there will be a significantly higher demand for goods and services. Africa’s combined consumer and business spending is expected to reach $6.7 trillion by 2030.

Creating a single continental market for goods and services makes Africa a powerful economic force and a prized investment destination. For General Electric Co. (GE) and a number of private-sector players both regional and multinational, this is great news. Over the years we have made efforts to localize our supply chains and encourage global GE suppliers to invest in Africa. Free movement of goods, services and people across the continent makes this a huge opportunity and a considerably more attractive proposition.

Investment in healthcare could enhance regional medical tourism and induce supply of quality and accessible healthcare services supporting African countries in their aspiration for universal health.

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GOING LOCAL WHILE THINKING CONTINENTAL
The private sector, multinationals in particular, must commit to building a local supply chain and developing local partners. Local companies can bring distribution, financing, technology, access and many other benefits. We must also commit to local hiring and managerial training. It is important to have strong African leadership and expertise in companies. It could be the difference between success and failure.

At GE Africa, 90% of our leadership team is African. It ensures an appropriate understanding of the landscape, risk assessment and mitigation and cultural issues. Most importantly, it shows commitment. The private sector can help increase the quantity and quality of the local skills base.

Sub-Saharan Africa has a huge opportunity to boost growth, create jobs and improve social stability thanks to a burgeoning population that will be home to 25% of the under-25 global population by 2025. Though this presents an incredible opportunity for the region, the path to unlocking the potential of this demographic dividend requires investment in skills to develop infrastructure and bolster the manufacturing and services sectors.

Financing is the key to fixing the infrastructure needs in Africa. While improved engagement from lenders and investors in Africa has taken place over the last decade, the level of credit enhancements or guarantees required to balance perceived or tangible risks is still hindering a fast financial closure cycle. Local banks have often stepped into this void but their capacity is limited. More accessible and increased credit enhancements and guarantees would play a big role in accelerating investment in infrastructure across Africa.

African governments also have a role to play. Investment in infrastructure must be prioritized. Processes should be simplified, predictable and quicker to attract infrastructure investment. It is important that investors have greater confidence that changes in government administrations will not jeopardize contracts and projects already in place, and that new administrations would honour and recognize them. This would help alleviate some of the political and economic risk of projects for the financial community.

MOVING FORWARD
The AfCFTA provides an unprecedented platform for economic growth of the continent. Effective implementation of the different aspects will determine its overall success. The African Union has the important role of ensuring shared prosperity and inclusive growth across all countries. Though it is likely that some countries will benefit more than others at the start, each will have access to a much larger market and opportunities to demonstrate its comparative advantages.

Significant investment in infrastructure is a key element of success for the AfCFTA. As access to cross-border electrification, healthcare, transportation, telecommunications, agriculture and digitization increases we unlock the full potential of sustainable growth, collaboration and shared prosperity.

It is important that investors have greater confidence that changes in government administrations will not jeopardize contracts and projects already in place, and that new administrations would honour and recognize them.

1. Electricians working on high voltage power lines in South Africa.
2. Infrastructure is key to boosting intra-African Trade.
3. A motorway junction in Port Elizabeth, South Africa.
Private sector has key role to play in realizing AfCFTA’s promise

ANNE-ELVIRE ESMEL, programme director and advocacy lead, AfroChampions Initiative - Executive Committee

Trade agreement creates opportunity for investment, involvement on a continental basis

The long-negotiated African Continental Free-Trade Agreement (AfCFTA), signed by African states in March 2018 and coming into force in July 2019, marks a new trade dynamic on the continent. It is a rare example of consensus among African states of all sizes on the idea that Africa’s development is primarily based on the development of trade between African countries. This unprecedented achievement owes a great deal to the commitment of many experts and senior officials in the African Union (AU) and within individual governments. However, there can be no AfCFTA without the full participation of business federations.

Some important issues - such as the definition of infant industries excluded from the removal of tariff and non-tariff barriers per the schedule of tariff concessions - require extensive consultation with business federations.
African economic operators - namely, private-sector players, who have to operationalize the agreement.

Doing so is, first, about ensuring that the provisions of the treaty are effective and business-relevant. The AfCFTA is inspired by similar accords designed for more mature markets – from an infrastructure and free-movement readiness perspective – than the current African continent. Private-sector operators need to appropriate its provisions and make them meaningful in an African context and for their day-to-day business routines.

Some important issues – such as the definition of infant industries excluded from the removal of tariff and non-tariff barriers per the schedule of tariff concessions – require extensive consultation with business federations. Others, such as intellectual property and competition policy, will only be decided after at least another year.

This is an opportunity to provide feedback on currently challenging situations, such as public procurement lists being selectively opened to private operators and limited access to value chains, while defining a competition law that is business-enabling.

While the free movement of goods is the agreement’s first focus, it can only take full effect when there is progress on some complementary issues: free movement of people via an African passport, effectiveness of the open-skies agreement and provisions relating to the freedom of establishment. On these fronts, the private sector can and should have a say.

Making the AfCFTA work is also about setting up a proper logistics and connectivity framework allowing the free movement of goods - which requires involvement from transport operators, companies active in supply-chain traceability and infrastructure developers. Electrification, transport infrastructure, multimodal platforms, connectivity: these are the priority areas to make the agreement’s promise a reality.

If we take as an example internet connectivity, projects like the West African Digital Pool include all the features of these new AfCFTA-enabling infrastructure projects. It is cross-border; designed as a technical partnership; structured for public-private partnerships (PPPs); and designed from the outset at scale to have a greater impact1.

We don’t lack skills or competencies in Africa. Our real challenge is perhaps to encourage more cooperation between companies and to constantly remind African private operators that they should think bigger and bolder. Operating in a bigger market certainly means facing increased competition, but it also includes opportunities for increasing revenues through joining forces with peers or those who can successfully complement expertise.

Operationalizing the AfCFTA is ultimately about: refocussing on the continent and scaling up investments. This is one of
As a complementary approach, the AfroChampions Initiative - a private sector-led platform - has structured an AfCFTA Trillion Dollar Investment Framework, formally presented in Kigali in October 2019 and currently being discussed by African Union trade ministers. the most critical challenges to be addressed considering:

- up to $67 billion leaves the African continent via illicit flows each year
- profits of foreign multinationals are repatriated out of the continent up to $32 billion every year
- $500 billion is held outside the continent in welcoming tax jurisdictions

There can be no AfCFTA if we do not manage to re-direct more money – primarily more African money – to the continent, notably to support major infrastructure project financing and delivery.  

DRIVING PRIVATE-SECTOR COMMITMENT THROUGH OPPORTUNITY

Getting the African private sector to commit fully to trading and investing in the AfCFTA will not happen by default. Investment decisions are typically based on clear information, a favourable business climate and a clear presentation of available investment project opportunities. These three key aspects drive the AfroChampions Initiative’s efforts to mobilize the private sector regarding the AfCFTA. To date, doing so has primarily taken the form of sensitization campaigns on the agreement’s content and likely impacts. Worth highlighting are sensitizations by the AU, the Coalition for Dialogue on Africa (CoDA) and national level business associations, research programmes by the United Nations Economic Commission for Africa (UNECA) and documentation on the accord.

As a complementary approach, the AfroChampions Initiative – a private-sector led platform – has structured an AfCFTA Trillion Dollar Investment Framework, formally presented in Kigali in October 2019 and currently being discussed by African Union trade ministers. It aims to stimulate at least $1 trillion in AfCFTA certified investments by 2030.

The framework is meant to allow project developers, investors, small and medium-sized enterprises (SMEs) and multinationals to take full advantage of the AfCFTA to invest in major AfCFTA enabling projects. It is structured around:

1. a fund to be supported by private actors and financing institutions (banks, sovereign wealth funds, pension funds)
2. a certification mechanism for AfCFTA certified investment projects
3. a long-term project selection and impact evaluation process
4. regular assessment efforts to ensure regulatory convergence and transposition of AfCFTA provisions into national law, encouraging a climate conducive to investment.

Strategic information, properly packaged opportunities, access to financing, pooling of funds and scaling up: the AfroChampions Trillion Dollar Investment Framework speaks to the private sector in a language it can understand - and which can hopefully drive more commitment to deliver on the promises of the AfCFTA.

2. Free movement of goods in only the part of the picture.
3. A woman accepts a credit card for payment from a customer.
4. Skills upgrading is part of the AfCFTA mix
Africa's quest for a bigger role in global markets

HIPPOLYTE FOFACK, chief economist, African Export-Import Bank

Currently languishing in world rankings, the continent’s economies stand to make a dramatic step forward as AfCFTA comes into force

For decades the 55 nations of Africa have lagged in the highly competitive race for world market share. Taken together their economies made up just 4.3% of global trade in 1970, a share that sank to 2.4% by 2018. The Netherlands, with a population about the size of Zambia’s, accounts today for about 3.5% of global trade, more than all the countries in Africa combined.

Africa also compares unfavourably with other regions of the world on intra-regional trade intensity, with intra-African trade accounting for about 16% of total African trade against 69% in Europe and 59% in Asia.

The marginalization of Africa in the global trade arena has been caused by a combination of factors. One is the persistence

Investment flows are also set to increase, with their composition and direction shifting away from natural resources towards labour-intensive manufacturing industries as corporations take advantage of increasing efficiency and economies of scale.
The African Continental Free Trade Agreement (AfCFTA) has established the largest free trade area in the world by membership, with a market of 1.2 billion consumers and a combined gross domestic product of $2.5 trillion. It has the power to defragment Africa and boost productivity to enhance its integration into the global economy. It has been touted as an economic and globalization game-changer because it has the potential to transform African economies and significantly raise Africa’s share of global trade while strengthening its bargaining power in international trade negotiations.

Preliminary estimates support the agreement’s tremendous growth and transformational power. Intra-African trade could increase by half within a decade — double that if trade facilitation, rather than just tariff liberalization, is undertaken. National and regional value chains (RVCs) catalyzed by the AfCFTA could connect the region to global value chains (GVCs) and drive its industrialization and integration into the global economy.

Investment flows are also set to increase, with their composition and direction shifting away from natural resources towards labour-intensive manufacturing industries, as corporations take advantage of increasing efficiency and economies of scale. Real wages are expected to rise across the board for both skilled and unskilled workers, with the latter registering a much higher growth rate, in an apparent shift towards a more inclusive growth model. If the AfCFTA’s promise is fulfilled the years of ‘immiserizing growth’ – which can leave an economy worse off than it was without growth – could be relegated to the past.

The question is no longer whether the AfCFTA will be a growth-enhancer and a globalization game-changer. It is rather how to fast-track its implementation to begin to reap the benefits of the continental trade-integrating reform. This would meet the aspirations of Africans who have, for far too long, contemplated development outcomes that have remained elusive for too many, leading some to risk their lives crossing the Mediterranean Sea in a quest for better economic opportunities.

A necessary first step is removing the physically invisible, and yet very real barriers to cross-border flows that have segmented African markets and made it difficult for companies to spread the risk of investing in smaller markets across the region.

of the colonial development model of resource extraction. In a world where trade has been largely driven by manufactured goods with increasing technological content, that model has confined the majority of African countries to the bottom of the global value chain as exporters of primary commodities and natural resources. Another is the fragmentation of markets, which has inhibited efficiency and constrained both economic growth and intra-African trade. A new trade agreement is in a position to change that.

The AfCFTA has the power to defragment Africa and boost productivity to enhance its integration into the global economy. It has been touted as an economic and globalization game-changer because it has the potential to transform African economies and significantly raise Africa’s share of global trade while strengthening its bargaining power in international trade negotiations.
the power of economies of scale and efficiency that will engineer the transformation of African economies and realize the aspirations of Africans.

The success of the continental trade-integrating reform will depend on the capacity of African governments and business leaders to establish a dynamic public-private partnership. Its aim should be to address the supply-side constraints and transform African economies, with a view to steadily increasing the domestic production of goods entering African households and then households all over the globe. In essence, this would set the conditions for the emergence of an army of industrialists, who will position Africa as the world’s next factory.

As the trade finance bank for Africa, the African Export-Import Bank supports the implementation of the AfCFTA to drive structural transformation through a wide range of products and facilities. It has significantly increased its commitment to finance intra-African trade, increasing its obligation to $25 billion on a revolving basis under its five-year strategic plan that ends in 2021.

The bank is also drawing on financial innovation and digitalization to address exchange and liquidity constraints and boost cross-border trade. Its Pan-African Payment and Settlement System (PAPSS) is designed to address challenges associated with the fragmentation of cross-border payments, along with settlement infrastructure inherited from the colonial era. Furthermore, the PAPSS has the potential to significantly raise efficiency by disintermediating correspondent banking relationships for intra-African trade payment flows, while at the same time integrating formal and informal cross-border trade to boost intra-African trade.

The bank is financing the development of industrial parks and special economic zones to address supply-side constraints and promote industrialization. This process is informed by the success of similar models, most notably in Asia, where such development was particularly effective at engineering the process of structural transformation when capital was scarce and labour abundant. Through its recently launched Fund for Export Development in Africa (FEDA), the bank is leveraging equity investment into productive sectors and driving the growth of small and medium enterprises (SMEs) in manufacturing supply chains.

The bank has also significantly expanded its guarantee programme to include both short and medium-to-long-term guarantee products. This expansion is designed to increase its capacity to de-risk African transactions to make them more attractive to investors. Under its new suite of products, investment guarantees are particularly well suited to this goal. They provide the incentive and risk mitigation needed by global investors and banks financing foreign direct investment (FDI) inflows into Africa. The region received just a tenth of total FDI channeled towards developing Asia in 2018, according to the United Nations Conference on Trade and Development (UNCTAD). Similarly, the bank’s inter-state guarantee will make it easier to move goods across borders and significantly boost intra-African trade.

Finally, working closely with the African Union Commission (AUC), the bank launched the Intra-African Trade Fair to boost trade and investment by improving access to trade information and promoting connectivity among African businesses. The inaugural fair in 2018 brought together more than 1,000 exhibitors and fomented more than $32 billion in trade and investment deals. The second, scheduled for September 2020, will allow companies to showcase their latest products and meet
with industry partners and customers to examine recent market trends and opportunities.

These initiatives are designed to leverage the investment and trade landscape and ultimately enable the African private sector to draw on the power of economies of scale and efficiency associated with the AfCFTA to engineer the transformation of African economies and ultimately raise Africa’s share of the global market pie.

The power of scale has been tested in the past, most recently in China, which drew on it to dramatically expand industrial production capacities and aggregate outputs. Between 1988 and 2018, China dramatically raised its share of global trade, from less than 2% to about 12%, driven largely by the power of scale and efficiency enjoyed by increasingly competitive Chinese corporations. More Chinese corporations are part of the global Fortune 500 today than corporations from any other country, a perfect illustration of the difference that dynamic public-private partnerships can make in a context of increasing economies of scale and efficiency gains.

By defragmenting Africa, the AfCFTA has created the conditions for scale and efficiency gains necessary for growth. Supporting the emergence of African industries under dynamic public-private partnerships and completing the process of economic integration could create sufficient conditions to transform African economies. Perhaps, as the Chinese experience illustrates, it could also open the prestigious world of global Fortune 500 companies to African corporations, and eventually position Africa as the next factory of the world.

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1. Open trade in Africa benefits the world.
3. Investments are being channeled into SMEs.
4. Trade fairs can facilitate investment.
5. The African Development Bank is responding to AfCFTA challenges.
Empowering Africa’s young people in the digital economy

IBRAHIMA NOUR EDDINE DIAGNE, president, African Performance Institute

Africa’s new open trade area has the potential to generate jobs, growth in the services market

The African Continental Free Trade Area (AfCFTA) is an ambitious endeavour that should transform all of the economies on the continent. It will open new frontiers in opportunities and position Africa as a force to be reckoned with in the global economy.

Liberalizing trade in goods is typically portrayed as the main aspect of this agreement. Trade in services tends to be a question of secondary importance in the eyes of observers who are not experts in the issue.

In truth, since trade in services does not face the same obstacles as trade in goods, it is often subject to different considerations; notably it depends to a great extent on regulatory issues. The digital economy, which mostly involves services, is probably the greatest source of opportunities for Africa and its young people.
The current context of multilateralism must not lead Africa to impose market conditions that are incompatible with its ambition to make digital trade a main factor in its development.

The digital economy constitutes an instrument for accelerating and amplifying job creation possibilities for the young people of the continent. This essentially hinges on five factors: skills, markets, regulations, cost competitiveness and availability of infrastructure and support services.

In-demand skills are determined by international standards. The capacity to deliver training that meets these standards on the continent will enable young people to put their skills to good use in the African market and outside it. Emphasis must also be placed on innovation and business incubators, firstly to bring solutions to the specific issues of the continent and secondly to give young people a framework within which to express their ideas and test their capacities.

Integrating international markets is a delicate issue due to the regulatory aspect. Bold regulations must be implemented that favour the birth and emergence of African digital giants without infringing the rules of multilateralism. Effectively, the universal nature of the regulations is often linked to the political weight of the countries proposing or imposing them.

The current context of multilateralism, characterized by tensions on trade rules, must not lead Africa to impose market conditions that are incompatible with its ambition to make digital trade a main factor in its development. It is therefore urgent to work with African experts who are qualified to define the regulatory strategy for the continent, which must be compatible with the ambitions of the AfCFTA.

Concerning competitiveness, this will depend on the costs of financial services, logistics, energy, telecommunications, taxation and so on. All of these factors will impact heavily on the competitiveness of African digital offers. There are national or regional regulations for each of these sectors.

However, investment strategies to enhance the quality and reduce the costs of these services are not keeping pace with the continent’s ambition for development. Between operators’ willingness to maximize their profits and countries’ weak negotiating capacities, there is almost no room for private African players to get a foothold in these sectors.

It is undoubtedly by addressing these factors that support services and infrastructure will be available in quantity and quality, enabling young people to profit fully from the digital economy in the context of AfCFTA.

Now the fundamental question is how young people might benefit from this market. There are a number of possibilities open to them, including salaried jobs and launching a start-up, perhaps as exporters of digital services.

Success in each of these areas will require concerted efforts from the private sector, government and the academic community. The digital economy must be vastly propagated across all training courses and at all levels. It is also necessary to innovate, by implementing certification programmes based on new needs and new technologies.

This will enable the continent to meet not only its own needs but also international demand.

Governments must create conditions for the emergence of very large African digital undertakings. This can be achieved through appropriate regulation; promotion of industrialization, specifically in the digital economy; a taxation policy favouring intracommunity trade; and promoting investment in such a way that costs are reduced and availability and performance are improved.

The African private sector must commit to digital transformation to benefit from opportunities that will be generated by the AfCFTA. Existing undertakings must not be weakened or they will put the continent in a situation where the potential in terms of job creation will be negated by job losses.

The dream of a prosperous Africa is within reach. It is a promise for African young people, who must be active stakeholders in the process as decisions being taken today will determine what kind of world they will live in. They will have to take the trouble to understand the issues facing them to better express their needs and, above all, prepare themselves for this great meeting that must exclusively serve their interests.

The poverty that leads to great tragedies as a result of the perilous adventures of emigration must progressively give way to an Africa of opportunities that retains its best and brightest.

1. A truck in Zimbabwe.
2. The AfCFTA offers opportunity to young people.
3. Africa can retain its best and brightest.
AfCFTA for more prosperity

AISSATOU DIALLO and RUBEN PHOOLCHUND, International Trade Centre

Africa’s new open trade area has the potential to generate jobs, growth in the services market

What does the African Continental Free Trade Area (AfCFTA) mean for Adwoa Serwaa selling her banana chips in Kumasi market in Ghana, for Malala Rakotodrainabe a vanilla wholesaler in the Analakely market in Antananarivo, Madagascar, and for Mohammed Khaled, a tech entrepreneur providing e-solutions to restaurants in Marrakesh, Morocco? How can the AfCFTA affect positively on their businesses in the coming years?

While the African private sector is the direct beneficiary of the AfCFTA, in many ways the publicity about the agreement has been limited to high-level government officials, trade negotiators, economists, diplomats and to some extent to larger companies and multinationals.

Given its mandate of empowering micro, small and medium-sized enterprises (MSMEs), the International Trade Centre (ITC) has an important role to play in ensuring that establishing a single market directly benefits MSMEs, in particular women- and youth-owned businesses.

To make the AfCFTA economically profitable for women and youth, ITC is developing market-driven skills and trade and market intelligence; strengthening business associations; advocating for the right business ecosystem; and promoting South-South Trade.
Furthermore, a harmonized continental trade regime will offer young women opportunities to stage new businesses. ITC intends to place SheTrades, its flagship programme for women economic empowerment, at the centre of its efforts to make the AfCFTA work.

The demographic dividend is also a huge opportunity for the continent, as youth will contribute to Africa’s structural transformation. According to the United Nations, 226 million young people aged 15-24 lived in Africa in 2015, representing nearly 20% of Africa’s population and making up one-fifth of the world’s youth population. This number increases to three-quarters if one includes people under 35 years. Today this group constitutes about 60% of Africa’s unemployed. The AfCFTA is an opportunity to upgrade skills, increase know-how on best trade practices, stimulate entrepreneurial initiatives, fight illiteracy and reduce migration-related risks. Thus, the AfCFTA will help in transforming Africa’s large youth population into an asset rather than a liability.

ITC’s current portfolio of projects in Africa carries a weight of over $100 million. This has been a great year for ITC and 2019 project delivery amounted to almost $40 million, roughly half of ITC’s total expenditure. The percentages were 37% and 42% for 2017 and 2018 respectively. We are thus on a sustained growth path in Africa.

Today youth and women are crucial economic agents in Africa. For instance, African Union and other estimates show that women account for about 70% of informal cross-border trade. They are involved in almost all sectors of the economy and make important contributions to the economic well-being of the continent, yet their role is almost always relegated due to societal and cultural norms. They face harassment in various forms, especially when they take up cross-border activities. This deters women already in business and new entrants from engaging in cross-border trade.

With a harmonized continental trade regime, non-tariff barriers faced by women will be reduced. They will be able to move their goods across borders with relative ease. Furthermore, a harmonized continental trade regime will offer young women opportunities to stage new businesses. ITC intends to place SheTrades, its flagship programme for women economic empowerment, at the centre of its efforts to make the AfCFTA work.

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ITC develops solutions based on the needs of its beneficiaries. To make the AfCFTA economically profitable for women and youth, we are investing in the development of market-driven (life, soft, and digital) skills; producing trade and market intelligence; strengthening the offering of business associations to better support women- and youth-led MSMEs; advocating for a more predictable, reliable ecosystem for business transactions; and promoting South-South Trade.

DEVELOPING SKILL SETS
Women and youth living in rural and urban areas should be fully equipped with soft and digital skills to respond to market needs. While entrepreneurs and MSMEs have key roles to play in the economic success of Africa in the 21st century, they face many challenges whether as local or international businesses. More often than not, SMEs face skills challenges in addition to accessing finance. The AfCFTA will open up the continent’s business landscape and allow MSMEs a vast space to link with big corporations who have excellent skill sets to transfer to them.
When MSMEs are able to develop their capabilities in supply, they can easily be integrated in the supply chains of big corporations. Moreover, large companies have plenty to learn from agile MSMEs due to their small size and the ease with which they churn out innovation. Big corporations will also have access to novel ideas provided by micro and small businesses, a situation which is difficult to obtain due to the bureaucratic nature of big corporations.

Curriculum programmes that foster entrepreneurship skills among women and young people must be promoted to consolidate a strong and sustainable African private sector. This is, in fact, being achieved through the ITC Youth and Trade Programme.

**TRADE AND MARKET INTELLIGENCE**

The African Trade Observatory is perhaps the best instrument to access and analyse African trade and market information, with trade data, expertise and tools all in one place. Its online dashboard features real-time trade and market access information across countries, products and markets. Companies use it to identify opportunities, comply with market requirements and connect with trade partners.

The Observatory and other ITC trade market intelligence tools or services contribute to business sustainability, which in turn builds the capabilities of the firm to advance onto the global stage if so desired.

**STRENGTHENING BUSINESS LINKS**

Business associations must offer robust products and services to help youth and women entrepreneurs to take advantage of the AfCFTA. They must produce concrete solutions that address specific market requirements. These associations have to provide tailor-made training, counselling and advisory services on quality, marketing, labelling and packaging services to better empower entrepreneurs and MSMEs to become more competitive. It is therefore critical that the AfCFTA is understood by African business organizations to enable them to better support the African private sector in their positioning at the continental level. ITC is already working with African trade and investment promotion organizations, as well as sector associations to strengthen their technical offering.

**A MORE PREDICTABLE, RELIABLE ECOSYSTEM**

African governments should acknowledge the business community as a key stakeholder in the process, whose views must be sought during all facets of negotiations. Their inputs should be seen as critical to influence the outcomes and to ensure that the potential benefits to business and the wider community are realized.

The business community also has a responsibility to become aware of the technical aspects of the AfCFTA; form common positions keeping in view the barriers faced by the most vulnerable (women, youth, micro enterprises etc.); and engage in business advocacy to play a constructive role in improving the business ecosystem. ITC is holding public-private dialogues in a number of African countries to ensure that the private sector is aware of not only the opportunities which may come from the AfCFTA, but also the reforms that might be adopted for the operationalization of the agreement at country level.

**PROMOTING SOUTH-SOUTH TRADE**

The epicentre of economic development is no longer concentrated in the North. There is huge potential in South-South trade and investment. ITC has made this a priority and is implementing two key projects worth $38 million in Africa which promote Chinese and Indian trade and investment. Recently there was an initiative which promoted the export of cashew nuts from West Africa to Viet Nam. ITC firmly believes that South-South trade and investment can be an important building block in the construction of the AfCFTA.

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1. Training on IT enabled services (ITES) in Uganda (more info: http://www.intracen.org/NTF4/Uganda-IT/). Meeting the needs of people in Uganda.
2. The Commemoration plaque of the launch of the AfCFTA. Aissatou Diallo (left) at the AfCFTA launch.
3. Ruben Phoolchund (second left) in Guinea. Delivering a price to a young woman entrepreneur in Guinea.
4. The demographic dividend is a huge opportunity.
5. Arancha González, ITC Executive Director and Alphadi, fashion designer, speakers at the African Union Summit Niger 2019.
The future’s bright, young and African

Matt Brown, International Trade Centre

Gathige Wa Maina of Youth Motion Kenya explains why the voice of youth must be heard in an inclusive African Continental Free Trade Area

People under age 35 currently compose three-quarters of the population of Africa, making it the world’s most youthful continent. A critical aim of the African Continental Free Trade Agreement (AfCFTA) is to increase economic opportunity for young people. For Gathige Wa Maina of Youth Motion Kenya, explaining to young people how best to exploit this opportunity is a priority. He sees the new dispensation in generational terms. ‘The elders of today have gifted to us a baby AfCFTA,’ he said. ‘The youth of today will seek association and help the fathers to

The children of today – the youth of tomorrow – are the ones to mentor the adolescent AfCFTA and see its transition to adulthood.
Maina believes new initiatives aimed at youth could include: 

- **Establishing a youth desk at the AfCFTA secretariat in Ghana:** This can help ensure the progressive mainstreaming of young people at every step of AfCFTA implementation and, most importantly, in technical elements such as negotiations. Alternatively, Youth Motion Kenya is ready to host an AfCFTA Youth Secretariat in Kenya under the Ministry of Industry, Trade and Cooperatives.

- **Supply-side constraints** – a low manufacturing base, costly trade financing, limited access to information and trade-enabling infrastructure – could be sorted out to enable inclusive production of goods and services.

- **Seamless movement of people and goods,** as well as capital in the form of investments made between African countries will become real. Intra-African trade for youth businesses will also be a reality.

- **Many African youth would be engaged constructively in business and investments;** hence, a conflict-free Africa is more realizable. Migration to Europe by desperate youths seeking better livelihoods will be a thing of the past since there will be more inward-looking attitudes.

- **With the deepening of economic integration and intra-African trade,** Africa will operate as a large, effective domestic market which will mitigate the risk of adverse global shocks and provide more sustained muscle to integrate with the rest of the world as one.

- **The productive capacity of SMEs, leading to industrial growth,** can play an essential role in development and diversification of African economies. Attracting foreign direct investment and reducing trade costs among African countries can eventually result in an integrated market. These, together with the AfCFTA, are complementary initiatives supporting Africa’s transformation and development agenda.

- **The AfCFTA will utilize Africa’s existing Regional Economic Communities (RECs) to overcome trade challenges,** creating a more vibrant climate for the entrepreneurial development of African youth.
Intertwining trade and development into national curriculums: The AfCFTA could be taught in schools and universities alongside Africa’s long-term development plan, Agenda 2063. In this way students could understand which entrepreneurial opportunities are available in Africa as a bloc, not a collection of small countries.

Business development services for small businesses and start-ups: The competitiveness of small and medium-sized enterprises (SMEs) needs to be improved by promoting better access to finance, training and information that help youth- and women-owned businesses understand how to access finance will be among the most effective ways to support their growth.

Feed the AfCFTA fire: Holding an ‘entertainment funfair’ could stimulate interest in the AfCFTA and inspire its ownership by the youth of Africa. It could encompass communicating the uniqueness of the AfCFTA as a framework for the benefit of its young population and generations to come.

Maina said inclusion and implementation should go hand in hand as the agreement comes into force. He believes the end result will be a stronger African economy.

‘The AfCFTA will be only realized if special-interest groups in Africa are not just considered, but involved in its operationalization,’ Maina said. ‘These groups are persons living with disabilities, women, youth and children. Deliberate efforts should be applied to enable their participation in this timely process of claiming a significant portion of the global market pie.’

The promise of more open trade in Africa will mean nothing unless it expands entrepreneurship and creates more and better jobs for generations of young people in Africa.

1. There’s no shortage of ideas.
2.– 3. Youth Motion Kenya in action.
4. Sharing information is critical.
The heart of the matter

Interview with ALBERT M. MUCHANGA, African Union Commissioner for Trade and Industry

Gender equality lies ‘at the heart’ of processes establishing the new open trade era in Africa, said one of its architects

A mbassador Albert M. Muchanga of Zambia, the African Union’s Commissioner for Trade and Industry, is a driving force behind the creation of the African Continental Free Trade Area (AfCFTA). His watchword is ‘inclusion’ – making sure the new trading arrangement between African nations boost the economic opportunities of poor people, young people and women. Commissioner Muchanga, who gave a keynote address at ITC’s SheTrades Global meeting in Addis Ababa in November, took the time to address the specific area of women’s economic empowerment in Africa and the dawn of the AfCFTA era.

How can women benefit from the trading regime of the AfCFTA?

AMBASSADOR MUCHANGA: African women are a very powerful but untapped economic force. They will play a key role in the battle to address the developmental challenges that Africa currently faces. However, the current challenges that women face from the privacy of the household to the public sphere of politics, are a major detriment to the continent’s socioeconomic development.

We cannot have sustainable development without inclusivity. In this respect, increasing women’s incomes is an important investment. Research shows that women are more in control over household resources, and tend to spend more on food, better health and schooling for their children. From all this, one can confidently say that when you empower a woman, you empower a family. Nationally, when you empower women, you empower a nation. Continentally, when you empower African women, you empower Africa as a continent.

How can the AfCFTA be a vehicle to promote women’s economic empowerment?

AMBASSADOR MUCHANGA: One of the general objectives of the AfCFTA as outlined in Article 3 (e) of the Agreement Establishing the AfCFTA is to: “promote and attain sustainable and inclusive socioeconomic development, gender equality and structural transformation of the third parties.” Thus, ensuring that gender equality is promoted in all processes of the AfCFTA is at the heart of the agreement establishing the AfCFTA. I will provide a few examples to support this:

First: the Rules of Origin that will support the AfCFTA Agreement permit access to cheaper raw materials and intermediate inputs. In this respect, women participating in regional value chains would be able to produce goods and services with significant African content in terms of raw materials and value addition, and export them either as finished products or intermediate goods.

Second: the criteria of the AfCFTA for designating certain products, taking into consideration restrictive trade liberalization measures on specific products deemed essential to women’s needs such as reproductive health products and agro-processing.

Third: the AfCFTA also promote the use of simplified trade regimes for facilitating small-scale cross-border traders and smallholder farmers through measures that promote their integration into larger value chains. This is important because women entrepreneurs represent the majority of cross-border traders across Africa.
What about public procurement? Can the AfCFTA assist in scaling up the business that governments do with women-owned companies?

AMBASSADOR MUCHANGA: Globally, about $15 trillion pass through government suppliers and public procurement systems on an annual basis. However, only 1% of this goes to women-owned businesses. Though some governments have used public procurement policies as a vehicle to meet socioeconomic objectives, few governments have fully recognized how procurement can release the potential for women-owned businesses and entrepreneurs. Well-designed public procurement policies have the potential to speed up sustainable development, and increase trade margins and overall productivity.

To this end, governments need to do more to integrate women-owned businesses into public procurement supply chains. I would therefore like to call on African governments to put in place measures to empower women through public procurement. Governments should also put in place measures that make it easier for women-owned and small and medium enterprises to thrive. Particular emphasis should be put on gender gaps, characterising the SME sector and the challenges that women face in starting, operating and scaling up enterprises.

How can women influence the direction of the AfCFTA as it moves into its next phase? What role will they play in the next steps?

AMBASSADOR MUCHANGA: The African Union is committed to ensuring the active participation of women socially, politically and economically. For us, in trade and industry, we are doing so in the context of the African Continental Free Trade Area. With this commitment to economically empower women at the continental level, we invite women business organization to produce to the scale of the new African market so as to fully harness the potential of the AfCFTA. In addition, we urge African women business to participate actively in their respective national AfCFTA committee, which has among others functions the development of a national AfCFTA implementation strategy. Also, we are inviting associations of women in business to organize themselves and form working relations with us with a view to enhancing their participation in the policy making process. This could be through the future African Business Council, the Pan-African Trade and Investment Committee, or a Pan-African organization created specifically to promote African women businesses.

Thank you.
New Gambian tourism products show well at World Travel Market

WAQAS RAFIQUE, International Trade Centre

One of Africa’s smallest countries makes a big splash after presenting itself to movers and shakers of the global travel industry in London.
The Gambia launched a river-based cultural and nature tour called the Ninki Nanka Trail at the World Travel Market, a major international travel industry event, in November 2019.

First conceived in the 1980s to open upcountry tourism along the River Gambia, the trail came into being after comprehensive market research and product piloting. It offers an exciting new responsible-tourism product for The Gambia, and will be managed in a collaborative way that delivers clear benefits for both the local communities and tour operators involved.

At the launch in London, virtual reality tours instantly transported viewers to catch a glimpse of breathtaking scenes along the trail. Another highlight of the country’s participation at the World Travel Market was a youth and trade roadmap of The Gambia. It was designed with the technical assistance of the International Trade Centre (ITC) as part of the Youth Empowerment Project (YEP) funded by the EU Emergency Trust Fund for Africa.

The roadmap is a policy instrument that helps develop sustainable tourism and provide jobs for young people all across the country. It will also assess the status of the sector and its challenges so that tour operators can evaluate the potential of new tourism services upriver.

These initiatives aim to create jobs in rural populations most vulnerable to migration from The Gambia. The YEP hopes to reduce migration pressures in The Gambia by tackling one of its root causes—joblessness.

The development of tourism in The Gambia is an extension of its Tekki Fii campaign, supported by the ITC Youth Empowerment Project, that helps young people to “make it here” (in The Gambia) rather than leave the country in search of economic opportunity.

The Ninki Nanka Trail offers an exciting new Gambian responsible tourism destination and product. It delivers clear benefits for both local communities and tour operators involved.

1. Virtual reality can be great way to market new destinations.
2. The Gambia River at dawn.
3. Tourism delivers jobs.
4. The Gambia River at sunset.
5. A map of the Ninka Nanka Trail.
6. Tourism can bring benefits to rural populations.
Managing environmental risks is a major theme of the Growth for Rural Advancement and Sustainable Progress (GRASP) programme in Pakistan, worth $55 million and funded by the delegation of the European Union to Pakistan. Pakistan is ranked as one of the 10 nations most at risk from climate change. It faces multiple challenges from declining water availability and quality and extreme weather bringing floods and droughts.

Farmers are at the sharp end of these impacts, battling to maintain yields and to meet the public’s expectation to minimize the impact of food production on the environment.

The GRASP mission to Pakistan to launch the project’s inception phase in September 2019 gave the International Trade Centre (ITC) team an opportunity to experience and understand environment-related challenges facing the country’s livestock and horticulture sectors. It was also in a position to view some unique solutions.

An hour outside Karachi, a seaside city of 15 million people, is a large dairy and beef farm. Owned by Jamil Memon, it holds 4,500 cows and 2,500 buffalo producing milk for the Karachi market. Managing waste to avoid local water contamination is a main environmental concern in the dairy sector.

Memon is testing a new technology to convert manure into pellets that fire boilers. This will help reduce the amount of waste disposal and generate income through sales to local industry.

Another innovation is on the marketing side, where he packages the farm’s buffalo and cow’s milk as hormone free and sells it directly to Karachi’s main supermarket at a 20% premium.

Adding value in this way means he can avoid having to accept prices fixed by the local district committee, a long-standing policy that farmers criticize for reducing incentives to invest in the sector.

The other sector that ITC will support is horticulture. In Balochistan province, an arid area bordering Afghanistan and Iran, colleagues from the United Nations Food and Agriculture Organization (FAO) of the United Nations drove us out to visit two orchards growing grapes and apples. In both it was clear that the use of water was unsustainable and of grave concern for the future of the province.

An apple grower there told us that when he started pumping water 20 years ago, it was at 200 feet (61 metres) below ground. It is now at 600 feet below ground. There are very limited incentives for conservation of water. The grower receives a government subsidy to bore holes into the ground aquifers and extract water, paying only 10% of the diesel costs to run the pumps.

What’s more, farms across Pakistan have installed solar panels so running the pumps comes at zero cost. As a result there are entrenched traditional practices of flood irrigation, whereby the farmers open the taps and an entire field is covered with water. In addition to huge losses through evaporation, flood irrigation also causes waterlogging.

Addressing these issues will require GRASP to engage both at the farm level to demonstrate water-saving technologies while working at the policy level to explore ways to improve incentives for sustainable water management in the province.

One of the largest projects currently implemented by ITC, GRASP is a six-year initiative designed to reduce poverty in Pakistan by strengthening small-scale agribusinesses in Balochistan and Sindh provinces. It helps small and medium-sized enterprises in horticulture and livestock become more competitive by making improvements at all levels of the value chain.
Colours of Bhutan gets noticed in international markets

WAQAS RAFIQUE, International Trade Centre

Small business owner takes her company international with showcase at Paris exhibition

Small businesses in smaller countries such as Bhutan can benefit extensively from training and coaching aimed at building their capacity. These initiatives can help them adopt new and innovative ways of improving quality and skillfully presenting their products to attract the right buyers.

The owner of Colours of Bhutan, Wangchuk Lhamo, proves that determined entrepreneurs can succeed in international markets with the right set of knowledge and skills. What makes her home textiles stand out from the crowd is the use of her own natural fabric dyes. Showcasing her products at an exhibition in Paris has been a life changing experience for the 30-year-old third generation weaver.

‘For the first time, my products are going to be displayed in the international market,’ Wangchuk Lhamo said. ‘I am excited.’ A major attraction of her collection are the hand-woven scarves and pillow cases that were earlier sold exclusively within Bhutan.

Experts from the International Trade Centre (ITC) have trained 22 artisans through workshops on product development, brand identification, home textile products, and export-quality management as part of the EU-Bhutan Trade Support project funded by the European Union (EU). Six participants in the training sessions have also availed of the chance to display at the Paris exhibition.

Upon return, participants in the international exhibitions will train 200 artisans who produce goods for the local handicraft market and export.

The project focuses on providing local handicraft owners the required business skills, knowledge of market demands, export quality management, and best practices in sustainable production while using and applying ‘Brand Bhutan’ guidelines that have been developed to market the country as a tourist destination and producer of desirable products.

‘Weaving is the main source of income for rural and urban women in Bhutan,’ said Karma Choden, manager of the Cluster and Craft Bazaar Development Division at the Agency for Promotion of Indigenous Crafts. ‘Around 95% of beneficiaries of EU-Bhutan Trade Support Project are women and youth who are associated with the handicraft sector.’

1. Since February 2019, Nadia Dafri has been preparing Bhutan’s textile companies for export, particularly for the Maison&Objet exhibition in Paris, to be held in January 2020.

2. As part of a study tour in Laos and Thailand, Wangchuck, a young designer based in Thimphu, was particularly pleased to be introduced to Laos’ weaving and natural dyeing methods.
Kenyan avocado exporter becomes part of the processing

Mujinga Tambwe, International Trade Centre

Direne Ltd. lands new customers, looks to add more as it builds facility and ITC helps it gain certifications

The month of May 2019 was a defining time for Direne Ltd., which exports Kenyan avocados and mangos. As a small firm the company was lagging far behind in accessing international markets.

The challenges it faced were typical of that small and medium-sized enterprises (SMEs) have to deal with in most countries. Competing with larger enterprises is difficult for smaller Kenyan firms. Smaller businesses often fail to grow because of issues such as lack of capital. Their size and lack of resources get in the way of competing with larger companies in establishing a loyal customer base.

Seeking a solution, Direne Chief Executive Tom Owuor attended Macfrut, the international point of reference for the fruit and vegetable industry in Italy, in May. He described it as a game-changing event. Participants made contact with buyers from Europe and Asia and some of these contacts translated into Direne receiving orders from those regions for the upcoming avocado season, starting in March 2020. Owuor then visited Hong Kong in September and acquired new Chinese clients as well.
Competing with large enterprises is difficult for small Kenyan businesses, especially for the ones in the fruit export business. Smaller businesses often fail to grow because of issues such as lack of capital. The size and resources get in the way of competing with larger firms in establishing a loyal customer base.

At Macfrut, Owuor also had a chance to make contact with an Italian investor already active in Africa and wishing to diversify his activity into Kenya’s fresh and processed avocado market. This led to investment in a processing facility for fresh foods, mangos and avocados. By investing in new machinery, Direne will be able to diversify its product portfolio and reduce its reliance on fresh exports.

The facility will process three key products: frozen avocado, avocado pulp and avocado oil. While the latter will only be available at the end of 2020, the facility will be in full shape and ready to process the others by March 2020. The works at the facility will start in December 2019 and tests will be run until the beginning of the avocado season.

The vision for the processing facility is not limited to the future successes of Direne. Owuor would like to collaborate with public and private horticulture industry stakeholders to bring together producers and give them access to the processing facility for frozen avocado. The capacity of the facility could be up to five containers a day for as many as 15 business partners.

Looking at the achievements of the past year, Owuor is confident about the potential of his new business venture and attributes this success to collaboration with ITC.

In order to serve customers in those markets, his company is now applying for a number of certifications, including ISO 22000:2018 on food safety management and GLOBALG.A.P. agricultural certification. His efforts have been supported by the International Trade Centre (ITC) Market Access Upgrade Programme (MARKUP), a regional development initiative that aims to contribute to the economic growth of the East African Community (EAC).

Completion of these requirements provides access to new customers and ensures full traceability required by international markets.

1. An avocado is being stemmed immediately after harvest.
2. Harvesting avocados in Murang’a County.
4. A worker shows off an avocado fruit on a farm in Murang’a County, Kenya.
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Resources on trade and export development for exporters, trade support institutions and policymakers

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AFRICA

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African tech hubs play an important role in building fledgling entrepreneurial ecosystems and helping start-ups, but they struggle to earn revenue and become financially sustainable. This report, based on interviews with dozens of hubs across Africa, examines what hubs do, how they make an impact and what they can do to ensure their own sustainability. Learning from best practices on hub operations and business models should help founders think differently about how to achieve financial sustainability. This report is also a toolkit to enable governments and funders invest successfully in tech entrepreneurship support infrastructure.


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SUSTAINABLE TRADE

MAINSTREAMING SUSTAINABLE AND INCLUSIVE TRADE: GUIDELINES FOR INTERNATIONAL TRADE CENTRE PROJECTS

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http://www.intracen.org/publication/Mainstreaming/

THE STATE OF SUSTAINABLE MARKETS 2019: STATISTICS AND EMERGING TRENDS

provides new insights into the evolution of certified agriculture and forestry. ITC has teamed up once again with the Research Institute of Organic Agriculture and the International Institute for Sustainable Development to provide data about 14 major sustainability standards for bananas, cocoa, coffee, cotton, oil palm, soybeans, sugarcane, tea and forestry products. This report helps shape decisions of policymakers, producers and businesses, working to address systemic labour and environmental challenges through certified sustainable production.


SUSTAINABLE INVESTMENT IN AGROPROCESSING AND LIGHT MANUFACTURING: ETHIOPIA, KENYA, MOZAMBIQUE, ZAMBIA

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Also available in Mandarin Chinese.

http://www.intracen.org/publication/PIGA-Ethiopia/
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INVEST IN UKRAINE – LOCAL BUSINESS INTELLIGENCE

Small and medium-sized enterprises (SMEs) in Ukraine are an underexploited resource with significant potential to boost inclusive growth. Drawing on data from the SME Competitiveness Survey, this report finds that even though Ukrainian firms advance well in areas including international certification, inventory management, innovation, ICT use and logistics services, making them attractive to investors. Ukraine offers a range of incentives to foreign investors, who will find practical information in this profile on how they can contribute to sustainable development while reaping good business returns.

http://www.intracen.org/publication/Invest-Ukraine/

PROMOTING SME COMPETITIVENESS IN FRANCOPHONE AFRICA

One in three companies in French-speaking Africa is in a difficult financial position, according to ITC research. While it is evident that their financial situation is closely tied to their economic performance, evidence shows that their growth rests on access to finance. Yet one fourth of applications in the region are rejected, most of them owing to insufficient collateral or to a high risk of default. Moreover, the joint survey with the Permanent Conference of African and Francophone Consular Chambers in 17 French-speaking countries in Africa shows that financial training and information are key to improving access to finance. Also available in French.

http://www.intracen.org/publication/Francophone-Africa-Finance/
http://www.intracen.org/publication/Francophone-Afrique-Finance/

PROMOTING SME COMPETITIVENESS IN MOROCCO (IN FRENCH)

Strong fundamentals, well-performing infrastructure and qualified human capital define the competitiveness of Moroccan small and medium-sized enterprises (SMEs), according to findings from the SME competitiveness survey in Morocco. The study analyses the competitiveness of enterprises by assessing their strengths and weaknesses. Results show that most agri-food enterprises adopt national quality standards (90%) or international ones (70%), thanks to good infrastructure. In the manufacturing sector, the majority of surveyed enterprises focus on the quality of the goods they supply.

http://www.intracen.org/publication/enquete-PME-Maroc/

PROMOTING SME COMPETITIVENESS IN KENYA

Small and medium-sized enterprises (SMEs) in Kenya are an underexploited resource with significant potential to boost inclusive growth. Drawing on data from the SME Competitiveness Survey, this report finds that even though Kenyan companies organize their production processes professionally and have a supportive business ecosystem, targeted solutions could help address shortcomings in specific areas of competitiveness. Certification and finance institutions need innovative ways to reach out to small companies, as well as women- and youth-led firms. There are acute shortages of skilled labour in the southern part of Kenya. Costly logistics services are of particular concern to agri-food companies.

http://www.intracen.org/publication/SheTrades-Nigeria/

WOMEN IN TRADE

SHETRADES: PROMOTING SME COMPETITIVENESS IN NIGERIA

Thanks to a more services-based economy and the prestige associated with women’s entrepreneurship, new opportunities allow Nigerian women to play a more active role in business. Nigerian businesswomen need support for registration and certification, banking, skills development and flexible work environments. Connecting these entrepreneurs to trade and investment support institutions for training can help bridge the gap. The results of this report build on the ITC small and medium-sized enterprise (SME) competitiveness survey and leverage the ITC SheTrades Initiative in-country experience to highlight the barriers to growth for women-owned small businesses in Nigeria.

http://www.intracen.org/publication/SheTrades-Nigeria/

FROM EUROPE TO THE WORLD: UNDERSTANDING CHALLENGES FOR EUROPEAN BUSINESSWOMEN

Getting more women to trade beyond the European Union (EU) will require policies that go beyond trade, policies that get women to set up and grow their businesses in high-growth potential industries, enter export markets, and enjoy equal rights and opportunities in the labour market. Trade policymakers can be part of the solution, by leveraging the platform provided by free trade agreements. This report captures the links between women, companies the lead or work for, and trade outside the EU. Among the 1,118 firms surveyed in 12 EU countries, women are under-represented at all levels, and face various challenges.

http://www.intracen.org/publication/Europe-to-world/
World Export Development Forum creates contacts, partnerships through its matchmaking service

MATT BROWN, International Trade Centre

ITC brings entrepreneurs and investors together to show potential reach of recent trade accord

In November 2019 the International Trade Centre (ITC) held its flagship annual event, the World Export Development Forum (WEDF), at African Union headquarters in Addis Ababa, Ethiopia. Neither the time nor the place was an accident.

Traders and entrepreneurs in Africa and beyond are hungry for information about the next phases of the African Continental Free Trade Area (AfCFTA). The event – coordinated with Africa Industrialization Week – drew together ITC’s SheTrades Global conference and the YES Forum on youth employment to highlight our focus on women and youth.

A distinct feature of the WEDF is its business-to-business matchmaking service, where companies that have something to offer each other can get together and explore deals.

Nearly 200 companies from 27 countries, including 173 international firms, conducted more than 1,000 bilateral meetings in just two days. Among them was...
a company from India that produces liquor from cassava that met a reliable partner to set up a distillation plant in Nigeria and export the liquor to Asian markets, adding value to a basic crop to increase value and farmers’ incomes.

Another meeting put a Tanzanian exporter of cardamom, pulses and edible nuts that cannot meet their current client’s quality and sanitary demands because of poor post-harvest handling in touch with an Indian company to set up a contract sterilization and drying facility. This will allow the Tanzanian company to export more of its organic products at a premium price directly to Europe.

Then there was the case of a Ghanaian food supplier that found a Kenyan manufacturer of ice cream, fresh juices and pastries wishing to import their frozen pineapple and mango chunks. Altogether 36 companies reported striking deals ranging in worth from $5.8 million to $14.4 million.

Meanwhile, the Ethiopian Investment Commission and the ITC Partnership for Investment and Growth in Africa (PIGA) project held a dialogue on Ethiopia’s potential to become the world’s next textile supply base. More than 100 international buyers, potential investors and representatives of Ethiopian institutions came and the meeting was followed by field visits.

The event also enabled PIGA to make progress on three investment projects in the textile sector. Worth approximately $100 million and with the potential to create 10,000 jobs, mostly for young women, they are expected to materialize in 2020. The ITC Supporting Indian Trade and Investment for Africa (SITA) programme also helped conclude deals with a potential investment pipeline worth about $5 million.

Specific deals spanned agri-equipment for harvesting and submersible pumps; sterilization plant; chemicals and pigments; and agriproducts including oilseeds, edible oil, honey and spices. One company is also opening a representative office in Addis Ababa.

2. H.E. Sahle-Work Zewde, President of Ethiopia.
3. Ms Arancha González, ITC Director, with H.E. Neo Jane Masii, First Lady of Botswana.
5. SheTrades Global women participants.
1. Session on “Potential of Agripreneurship”, YES Forum 2019
4.–5. Youth Media Zone
6. Jury of the “Young Social Entrepreneurs” pitching competition, WEDF 2019
7. Business-to-business meetings
8. Signing ceremonies: India - East Africa Trade, Investment and Tech Transfer
9. WEDF closing session with H.E. Ambassador Mesganu Arga Moach, State Minister of Trade and Industry of Ethiopia; Ms Arancha González, International Trade Centre Executive Director; and H.E. Mr. Albert Muchanga, Commissioner for Trade and Industry, African Union Commission
10. Session on “Business Voices for One Africa”, WEDF 2019
12. Session on “Trade is Sustainable”, WEDF 2019

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Agenda
from 16 January 2020

Upcoming events

16 January  

17 January  
OECD Ministerial Meeting on Migration, Paris, France.

21-24 January  
24th World Economic Forum, Davos

8-9 March  
International Women’s Day - campaign theme: #EachforEqual

9 March  
10th African CEO Forum - Abidjan

16-17 March  
New Silk Road World Forum 2020

18-19 March  
Belt and Road Summit 2020, Dubai

20 March  
Journée internationale de la Francophonie

21 March  
GRASP Pakistan launch 2020

21 March  
Anniversary of the signing of the AfCFTA

30 March - 5 April  
WSIS Forum high level dialogue on e-waste

8-9 April  
AIM meeting Dubai

20-23 April  
ECOSOC: Forum on Financing for Development

20-23 April  
Transform Africa Summit 2020 - theme “Integrating Africa”

27 April-1 May  
UNCTAD E-commerce Week

27-28 May  
WTPO, Ghana

1-5 June  
EU Green Week 2020, Brussels

8-11 June  
12th WTO Ministerial Conference (MC12), Kazakhstan

9-10 June  
European Development Days 2020 (EDD), Brussels

10-11 June  
2020 European Business Summit

27 June  
MSME Day

26-28 August  
WEDF MONGOLIA

13-15 December  
SheTrades Global Dubai

Join the International Trade Centre at these major trade development events. For updates, see www.intracen.org/events

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