

Report of the Panel Presentation

Can the Africa Continental Free Trade Area (AfCFTA) be the answer to Africa's Economic Recovery?

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Presenters

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Introduction and Context

The idea of a unified Africa as the pathway to achieving greater prosperity has been recurrent on the continent's development agenda. The shape that a unified Africa could take has certainly changed over time. The most recent and seemingly achievable form of a unified Africa is an Africa Continental Free Trade Area (AfCFTA). The AfCFTA will bring together all 55 member states of the African Union, covering a market of more than 1.2 billion people, including a growing middle class and a combined gross domestic product (GDP) of more than US\$3.4 trillion (Tralac, 2020).

To successfully emerge from the rubbles of the COVID-19 pandemic and stay on course with regards to the implementation of the continent-wide market policy, African nations need to tap into the concept of shared value and collaborate in the implementation of economic recovery plans. Prior to the COVID-19 pandemic, the AfCFTA had already faced a lot of critiques and challenges with regards to the feasibility of its implementation and potential to provide long-lasting solutions to the continent's high unemployment rate. Over the last couple of months, the feasibility and potential of the AfCFTA seem to have become clearer as the number of African nations in support of the agreement has increased. The implementation of the AfCFTA will definitely be a turning point for the continent but the question that remains unanswered is whether the AfCFTA is the urgently needed solution to Africa's economic recovery.

As a continent, Africa has the fastest growing youthful population in the world. About 70% of the population is under the age of 30 with the average age of an African being 19 compared to Europe (42 years) and North America (37 years) (worldometers.info). By virtue of this demography, Africa's youthful population cannot be left out of conversations on the implementation strategy of the AfCFTA.

In this discussion, the aim was to expose young entrepreneurs to the importance of the AfCFTA and how they can benefit from it. The discussion also emphasises on what these young entrepreneurs need to be mindful of under the AfCFTA in order to grow their businesses, enabling them to create more jobs and to create shared value for themselves and their communities.

Discussion and Proceedings

Drawing from his experience as a trade regulator across 48 African countries and shared value advocate, John Bee started the conversation by highlighting how the COVID-19 pandemic may affect the timeline set for the implementation of the AfCFTA. According to John Bee, projections

regarding the implementation of AfCFTA show initial economic growth within economic communities before spreading to the entire continent.

In the context of Agenda 2063 – *The Africa We Want*, the ambition for the AfCFTA is not only to boost intra-African trade but to enable Africa trade from a position of strength on the global market with other entities like the European Union. As maintained by John Bee, while the AfCFTA seeks to address tariff barriers to intra-African trade, one of the biggest challenges in its implementation will be technical and non-tariff barriers to trade such as high cost of transportation, standards and harmonisation. For example, a container coming from Europe to Durban could cost $\frac{1}{3}$ the cost to move it from Durban to a neighbouring country.

With regards to how the implementation of the AfCFTA will impact young people and the relationship in creating shared value in the context of COVID-19, John Bee highlighted that before the crisis, Africa's demographic dividend presented simultaneous opportunities and risks and entrepreneurship has been and is still seen as the route to absorbing the 10 million Africans who enter the job market every year. COVID-19 related business reports show that winning companies during the pandemic are those that are demonstrating solidarity with the communities they serve.

According to John Bee, the lesson here for young entrepreneurs is that embedding shared and societal values into their business models results in more rewards than probably was the case two decades ago. It is also important that these young entrepreneurs begin to think beyond borders and search for supply chains and markets in neighboring countries. Young entrepreneurs' abilities to benefit from these opportunities can be greatly fostered by large corporations through training and empowerment programmes.

While youth entrepreneurs are encouraged to ride on the wings of shared value to go beyond national borders and prosper with purpose, are they familiar with the challenges and benefits of going beyond borders and what support is available to do so? With regards to production, what mechanisms and tools are available to boost productivity, efficiency and to access the markets that exist beyond their borders.

From Dr. Eve Gadzikwa's presentation, it was noted that the AfCFTA is a potential solution for young entrepreneurs in creating new opportunities and forging a promising future for the African continent. She highlighted that young entrepreneurs need to be mindful of the following aspects in order to successfully tap into this huge single market with a spending power of \$2.5 – 4 trillion.

- The need to educate, train and research the policies around packaging and selling their products and services in other markets. This is important if these products and services are to meet the expectations of the continental markets.
- The African Continental Free Trade agreement is up against issues around Technical Barriers to Trade (TBT), custom process and quality requirements. Young entrepreneurs need to be well informed about procedures related to such issues
- The AfCFTA comes with financing opportunities and young entrepreneurs need to understand the various financing facilities and how to benefit from them.
- The desire to tap into this huge opportunity should be guided by proper market research on which goods and services are actually needed. Young entrepreneurs should not yield to the temptation of producing goods and services that are not in demand.
- Young entrepreneurs need to leverage on the widespread digitisation and other opportunities presented by the fourth industrial revolution in order to leapfrog economic growth and take advantage of this huge market opportunity.

The AfCFTA lies as a huge stepping-stone towards achieving *Agenda 2063 – The Africa We Want*. To be a strong global player as stipulated by Agenda 2063, young African entrepreneurs need to believe and understand the necessity of this vision and deliberately contribute to it. The successful implementation of the AfCFTA will bring Africa a step closer to a more prosperous continent through its contribution towards creating a liberalised single market for goods and services, by progressively eliminating barriers to trade. The free movement of capital and persons for investment across the continent will also facilitate the attainment of more sustainable and inclusive socioeconomic development.

The concept of shared value is very important in boosting African entrepreneurship. According to Dr. Gadzikwa, this concept plays a key role in facilitating intra-African and global trade. While the potential of the AfCFTA has never been any clearer, they remain the paramount need for the harmonisation of standards and conformity systems across the continent. Young entrepreneurs need to ensure that their products and services are in conformity with established market standards if they are to be accepted beyond their national borders.

According to Dr. Gadzikwa, while COVID-19 largely impacted African economies, entrepreneurship could be used to redress this impact in favor of development for Africa. For example, while reports from ILO (2020) show that there has been a decrease in working hours resulting from lockdowns, the younger population now has more time to put into their own ventures/ideas.

The role of standards and harmonization cannot be overlooked with regards to the AfCFTA. In a market this heterogeneous, young entrepreneurs need to constitute standards as part of their production process. Identifying the different standards ecosystem players at a national and continental level, and understanding different requirements will be a good place to start. In the case of new products/services, Dr. Gadzikwa recommended that young entrepreneurs go a step further to propose new standards relating to these products/services.

Conclusion and Recommendations

In conclusion, Dr. Gadzikwa highlighted the fact that the successful implementation of the AfCFTA greatly depended on the individual contributions of every African. Every youth entrepreneur has a role to play in contributing to the \$2.5 trillion economy that lies beyond their various national borders. This starts with a paradigm shift right from opportunity identification through to growing and scaling enterprises that begins to see markets not just as those in our national territories.

Recommendations from the discussion included the following:

1. Embedding shared value and social responsibility in business models are instruments that could help young entrepreneurs succeed in such a time where community solidarity is in high demand.
2. Technology plays an important role in facilitating the successful implementation of the AfCFTA. For young entrepreneurs (despite their sector and level of economic activity) to be key players in the AfCFTA, they have to build on the available technologies to boost their productivity and the quality of their products and/or services.
3. According to Dr. Gadzikwa, young entrepreneurs on the continent need to educate themselves on standards and also contribute to the harmonisation of these standards by suggesting grounds for new standards.
4. To fully realise the value of youth entrepreneurship across the continent with regards to the AfCFTA, Africans need to make use of shared value models, harmonised standards and public policies that protect consumers health and safety.