



United Nations
Economic Commission for Africa

MSMEs under the AfCFTA Agreement

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**DECADE
OF >>>
ACTION**

The AfCFTA- A Background

What is the AfCFTA?

- The AfCFTA is a Free Trade Area established in 2018 to:
 - Create a single market for goods and services
 - Liberalize tariffs in both goods and services markets
 - Support the movement of capital and persons
 - **Promote sustainable and inclusive socio-economic growth**
 - Increase African competitiveness, both intra-continently and globally
 - Promote industrialization and diversification
 - Lay the foundation for a Continental Customs Union



Creating One African Market

When was the AfCFTA Created?

- The Agreement was first conceived in 2012, during the 18th Ordinary Session of the Assembly of Heads of State and Government of the African Union
- Negotiations were launched in June 2015

Are Negotiations Complete?

- No. While 54 AU Member States have signed the Agreement and 48 have submitted their instruments of ratification, negotiations are still progressing on outstanding agreements (esp. ROO)

The AfCFTA Legal Framework

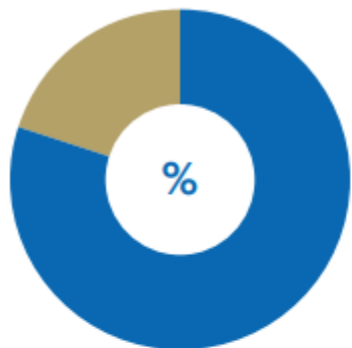
Phase I Protocols

1. **Framework Agreement**
2. **Trade in Goods:**
 - a. 47 tariff liberalization offers submitted, 47 technically verified
 - b. Rules of Origin:
 - 92.3% ROO Agreement
 - Some automotive and textile issues still outstanding (escalated to Champion)
3. **Trade in Services:**
 - a. 46 offers of services liberalization have been submitted for technical verification
4. **Dispute Settlement**

Phase II Protocols

1. **5 Protocols:**
 - a. Competition Policy
 - b. Investment Policy
 - c. Intellectual Property Rights(IPRs)
 - d. Digital Trade
 - e. Women and Youth in Trade
2. These Protocols were adopted in February 2023 and February 2024 by the AU Assembly but need to be ratified by State Parties domestically.

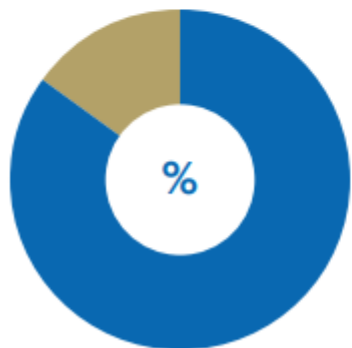
MSMEs in Africa



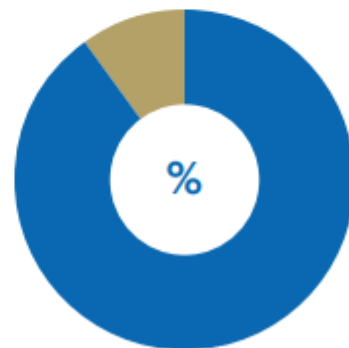
80%
of businesses in Africa are categorized as small- and medium-sized enterprises.



18–35 yrs
African Union defines youth as people aged between 18 and 35.



85%
The informal sector accounts for more than 85 percent of economic activity in Africa.



90%
Women account for nearly 90 percent of the labour force in the informal sector.

Source: UNDP, Making the AfCFTA Work, (2020).

The Potential Impact of MSMEs in African Economies

- MSMEs can play crucial role in Africa
 - 80% of employment
 - Dominated by women and youth
 - Can help increase income and welfare
 - Can help enhance public revenue
 - Can help reduce poverty
 - Crucial for inclusive trade and development

Challenges of MSMEs in African Regional Integration

- Despite their huge potential, MSMEs particularly face many challenges while engaging in cross-border trade in Africa, which limit their effective participation in regional value chains.
- **Major challenges**
 - Limited access to finance
 - Limited market information, particularly overseas markets
 - Low productivity
 - High transaction and information costs
 - Difficulty complying with trade regulations
 - Inadequate participation in policy formulation and implementation

The Need to Address the Challenges

- There is, thus, an urgent need for paying attention to address MSMEs' challenges and promote sustainable and inclusive development in Africa.

UN SDGs

Goal 5 (Gender Equality)

Goal 8 (Decent Work and Economic Growth)

Goal 9 (Industry, Innovation and Infrastructure)

AU Agenda 2063

Aspiration # 1: Prosperous Africa, inclusive growth & sustainable development

Aspiration # 2 – An integrated Africa

Aspiration # 6 – People-driven development, relying on African people, esp. its women and youth, and caring for children”

MSMEs under the AfCFTA Agreement

- The AfCFTA Agreement rightly recognizes the importance of MSMEs in enhancing integration and promoting inclusive and sustainable development in the continent.
- **The AfCFTA Agreement** – Art. 3- Increase African competitiveness, both intra-continently and globally, promote industrialization and diversification, and promote sustainable and inclusive socio-economic growth,
- **The Protocol on Trade in Services** – Preamble and Art. 27(2)(d) - boosting MSME service suppliers' export capacity (formal and informal)

MSMEs under the Protocol on Women and Youth in Trade

- The AU Assembly adopted a Protocol on Women and Youth in Trade.
- The Protocol's objectives:
 - helping women and youth traders effectively participate in the market;
 - promoting value addition and innovation for increased imports and exports; and
 - supporting their inclusion in regional and continental value chains.
 - sustainable and inclusive socio-economic development, equality for women and youth and structural transformation of State Parties.

MSMEs under the Protocol on Women and Youth in Trade

- The Protocol recognizes the particular challenges that Women and Youth Traders and their MSMEs face and obliges/recommends State Parties to address them.
- Prescribes/Recommends State Parties' Measures
 - Remove tariff and NTBs
 - Improve access to affordable finance
 - Provide market information
 - Support in IPRs protection and participation in digital trade and competition;
 - Develop the productive and export capacity;
 - Enhance participation in policy formulation and implementation;
 - Support the formalization of small-scale cross-border traders

The AfCFTA Guided Trade Initiative (including MSMEs)

- The AfCFTA Guided Trade Initiative (GTI) was announced in July 2022 at the 9th meeting of the Council of Ministers to start trading under the preferences of the AfCFTA Agreement.
- Purposes: To test the readiness of State Parties and their private sectors as well as the operational, institutional, legal and trade policy environment under the AfCFTA.
- Participation in the initiative officially began on 7 October 2022 with 8 State Parties (Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, Tanzania, Tunisia), since then extended to 39 countries.
- The products identified were further extended to a lot more products, but mostly agricultural and agribusiness products.

Products Identified:

- Batteries
- Coffee & tea
- Ceramic tiles
- Processed meats
- Corn starch
- Sugar
- Pasta
- Glucose syrup
- Dried fruits
- Sisal fiber

Some Lessons from Initial GTI

- National AfCFTA institutional mechanisms are crucial;
- Active private sector participation and engagement is indispensable;
- Inter-agency cooperation and coordination is essential;
- Inadequate logistical arrangements and connectivity are barriers to AfCFTA trade, especially for small consignments;
- Importance of creating awareness on the AfCFTA and building institutional capacity;
- The important role of diplomatic commercial presence in facilitating trade under the AfCFTA.

Thank You!