Opportunities for Youth Employment and Entrepreneurship

Understanding the African Continental Free Trade Area

By: Chuks Okoriekwe (YALDA), Abinai Chaseba (YALDA) and Hanan Taifour (ITC)
Chapter 1
Africa’s Youth: Prospects and Challenges
A Catalyst for Growth

- Africa is the **youngest continent** in the world, with a median age of 19.8 years and **65% of the population under age 25**.

- By the middle of the current century, a **third of the world’s youth population** is expected to live on the continent.

- While **ageing populations** are expanding in many parts of the world, Africa’s large and rapidly growing young labor force is a **valuable asset**.

- Has the potential to generate a **demographic dividend** and yield economic and social gains.
Pressing Challenges: High Unemployment

• There are 10-12 million African youth entering the workforce each year.

• However, only 3 million formal jobs are created annually, resulting in high youth unemployment.

• Several issues contribute to this issue:
  • One key factor is Africa’s current development paradigm, which is characterized by high dependence on primary production and exports of raw materials, such as minerals or natural resources.

<table>
<thead>
<tr>
<th>Country</th>
<th>Youth unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>21.93% (2020)</td>
</tr>
<tr>
<td>Lesotho</td>
<td>32.8% (2020)</td>
</tr>
<tr>
<td>Eswatini</td>
<td>47.37% (2020)</td>
</tr>
<tr>
<td>South Africa</td>
<td>55.75% (2020)</td>
</tr>
</tbody>
</table>
Other Pressing Challenges

Lack of decent jobs

- One-third of African youth aged 15–35 are **vulnerably employed**. Therefore, a sizable proportion of African youth are pushed into the **informal sector**.

Skills gap

- Limited access to **quality education**.
- Lack required **skills, knowledge or personal attributes** employers seek.

Barriers for SMEs and youth entrepreneurship

- Capital constraints, business development know-how, access to business networks and information on different markets and regulatory frameworks.

Increased migration

- With **limited prospects** in their home countries, millions of African youth migrate in search of a better life. **High levels of unemployment is a key** driver of youth migration.
Chapter 2: What is the AfCFTA

**Phase I**
- Protocol on Trade in Goods
- Protocol on Trade in Services
- Protocol on Rules and Procedures on the Settlement of Disputes

  **Annexes**
  - Schedules of Specific Commitments
  - MFN Exemption
  - Annex on Air Transport
  - List of Priority Sectors
  - Framework documents on regulatory cooperation

  **Annexes**
  - Schedules of Tariff Concessions
  - Rules of Origin
  - Customs Cooperation and Mutual Administrative Assistance
  - Trade Facilitation
  - Transit Trade and Transit Facilitation
  - Technical Barriers to Trade
  - Sanitary and Phytosanitary Measures
  - Non-Tariff Barriers
  - Trade Remedies

**Phase II**
- Protocol on Competition Policy
- Protocol on Intellectual Property Rights
- Protocol on Investment
- Protocol on E-commerce
- Protocol on Women and Youth
Chapter 3: Opportunities for Youth
Manufacturing to gain the most

- World Bank predicts **29% increase in total exports** by 2035 and **46% rise in manufacturing exports** to the rest of the world
- Expansion in key areas, development of new industries and ‘**Made in Africa**’ goods
- Provide much-needed **employment opportunities** i.e. 13-16 million new jobs
- Growth in sector will help **bridge** the youth employment gap
New opportunities in agriculture

- Africa remains a **net food importer** and one of the **most food-insecure regions**
- Sector is **underexploited** due to regional trade barriers and limited productive capacity
- AfCFTA will open new opportunities by promoting **agricultural value chains** & improving **market access**
- Reducing tariff & non-tariff barriers to trade will boost **agricultural productivity** & encourage the production of value-added goods
- African youth can **leverage the growth of this sector** to create new or develop existing businesses
Service trade to be liberalized

• Important and growing source of employment and also spur economic gains by promoting trade in goods.

• Yet the service sector accounts for just 22% of African trade, and only 2% of global services exports.

• AU included Protocol on Trade in Services to boost Africa’s economy by liberalizing intra-African trade in 12 services sectors.

• The promotion of services under the AfCFTA can create more employment opportunities.
Nurturing a nascent digital economy

- **Digital revolution** has changed the way people connect & how to conduct business
  - Ex: ITC identified 630 B2C e-commerce marketplaces operating on the continent
- AU heads of state included an **AfCFTA protocol on E-commerce** to promote the digital economy
- The relationship that youth have with new technology opens possibilities for their **broader inclusion and participation** in the labour market and the economy.
- The **expansion of digital trade** can help youth led enterprises and entrepreneurs scale up their businesses across borders
Opportunities for youth-led enterprises and entrepreneurs

- Slow pace of formal job creation & high youth unemployment rates have pushed young Africans into the **informal sector & entrepreneurship**
- Entrepreneurship allows young people to participate in the **labor market**
- AfCFTA can generate many opportunities for youth led enterprises and entrepreneurs on the continent
  - **Removing tariff and non-tariff barriers** will provide access to a much larger market
  - AfCFTA also supports the creation of a **conducive business environment**
Chapter 4
The Way Forward
Way forward

• Provide **advocacy and awareness-raising** on Youth and AfCFTA issues through public-private dialogues

• **Sensitize youth** to the opportunities offered by the AfCFTA

• Seek **greater participation of youth in the implementation of AfCFTA** at the continental, national and regional levels

• **Strengthen digital trade** by investing in the continent’s digital infrastructure and solutions
Way forward

• Develop **special financial products** to finance cross-border trade for young entrepreneurs and youth led enterprises

• **Improve complementary measures** for youth to take advantage of the agreement
  
  • Strengthen youth networks
  
  • Support BSOs
  
  • Improve education and skills development
YOUTH-LED BUSINESSES: OVERCOMING 2020 CHALLENGES AND THE WAY FORWARD IN 2021
A SURVEY FROM JANUARY-MARCH 2021

YOUTH BUSINESS PROFILES

TOTAL RESPONDENTS 352

TOP 3 SECTORS
- Agribusiness
- Information Technology
- Retail & Wholesale

REGIONS
- 80% Africa
- 20% Asia

GENDER OF FOUNDER/OWNER
- 23% Female
- 76% Male
WHICH STRATEGIES WILL YOU ADOPT IN 2021?

Increased comms and marketing
Looking for new investment
Expansion to online sales
Customise or propose new products

WHICH ORGANISATIONS DO YOU WANT TO SEEK SUPPORT FROM IN 2021?

Trade promotion organisations
Incubators, accelerators and tech hubs
National/local government

WHICH TYPE OF SUPPORT WILL YOU NEED IN 2021?

Access to finance
Support towards digitalisation
Training
Market information
46% Struggle financially after 2020
24% Faced decrease in revenue
91% Seek funding

TYPES OF FUNDING THEY SEEK
Grants
Micro-grants
Equity funding
Government funding

HOW YOUTH ENTREPRENEURS PLAN TO USE POTENTIAL FUNDING

TOP 5
Invest in new physical infrastructure
Expand into new markets
Develop new products
Increase digitalisation
Expand marketing budget
MENTORSHIP

33% have worked with a mentor in 2020

but

80% would like to work with a mentor in 2021

WHERE THEY FOUND MENTORS PREVIOUSLY

- Personal connections
- Incubation and acceleration programmes
- Through other entrepreneurs
- YE! Community

WHAT THEY GAINED

- Technical knowledge
- Role models in career & life
- Soft skills
- Access to finance

TYPES OF MENTORSHIP THEY SEEK NOW

- Knowledge in a particular area, i.e. branding, marketing, legal
- Professional network in their industry
- Professional expertise in their industry