



PAFO-COLEACP INNOVATION SERIES: Innovations and successes of African farmer-led businesses and SMEs

Session N°3 African Continental Free Trade Area (AfCFTA): opportunities for SMEs and businesses in the agrifood sector

18th March 2021, 12h00-14h00 (GMT)

English-French interpretation available

1. Context: The African Continental Free Trade Area: a game changer for the continent

Trade is an important avenue through which countries transform their economies and raise standards of living. For African countries, trade in agricultural products offers great potential to boost incomes for farmers, processors and other agricultural value chain actors. Increasing the ability of African countries to participate in regional and continental trade helps to improve wellbeing of consumers, raise incomes of farmers, build resilience of food markets, and boost economic growth and reduce poverty.

Rapid population and income growth are expanding the demand for food and agricultural products in the African continent, opening substantial opportunities for trade and employment not only in agricultural production but also across agri-food systems. Although Africa's intraregional trade is still low compared to other regions of the world¹, it has great potential to expand, especially with investments in trade-related infrastructure and improvements in policy to facilitate greater private sector participation in regional markets². Given the amounts spent on imported food³, the demographic changes taking place, the huge opportunities offered by urban markets across the continent not to mention the immense productive potential for agriculture in Africa, it is evident that there are both significant opportunities and a pressing need for greater intra-African and intra-regional agricultural trade. The disruptions caused by COVID-19 to trade across the continent have raised the urgency to accelerate the process to increase resilience in the face of future economic shocks.

The African Continental Free Trade Area (AfCFTA) agreement which came into effect on the 1st of January 2021, will create the world's largest single, integrated market for goods

- 1 Intra-regional trade in Africa is increasing rapidly but currently accounts for only 12% of trade – significantly lower than in many other regions (intra-US trade is 50% of trade, in Asia, it is 60%, and in Europe, 70%) which limits foreign investments within the continent and increases trade dependence on foreign markets.
- 2 Intra-African food demand is projected to increase by 178% by 2050 (USAID).
- 3 Africa's net food import bill is currently over USD \$35 billion a year and is projected to reach USD \$110 billion by 2025 (WB).



and services, and a customs union that will enable free movement of capital and business travellers in Africa. It aims to connect 1.3 billion people across 55 countries with a combined gross domestic product (GDP) valued at US\$3.4 trillion. The agreement is expected to reduce tariffs on most goods among member countries, liberalize trade of key services and address non-tariff obstacles to intraregional trade, including sanitary and phytosanitary (SPS) standards and technical barriers to trade,⁴ catalyse the introduction of new technology to boost productivity and ease movement of capital.⁵

However, achieving its full potential will depend on putting in place significant policy reforms and trade facilitation measures and enforcement in stages.

2. New opportunities for entrepreneurs in regional and continental markets

Some of the immediate challenges for businesses and MSMEs include the high cost of production and trade compared with foreign suppliers, a lack of sufficient incentives for the private sector to engage in formal trade, poor quality infrastructure, inefficient and expensive customs processes. Furthermore, lack of harmonisation of national, regional and continental standards and regulations and poor enforcement of patent laws, essential to drive innovation processes are a challenge.

Political commitment, trade-related policies and expansion of manufacturing activities across borders, will require that African governments jointly develop and manage good physical infrastructure in transport, energy and communications, legislation and regulations to enable the free flow of goods, capital and information across borders. It is also urgent that the specific problems from small-scale cross-border traders are taken into account in the AfCTA and support measures in place to formalize their operations.

Making it easier for businesses to trade within Africa and benefit from their own growing market would have transformative effects for MSMEs. Higher trade among African countries will strengthen local and regional value chains, making it easier for local small and medium-sized enterprises, which account for around 80 per cent of Africa's businesses, to build competitiveness, supply inputs to larger regional companies, and participate in, and upgrade to global value chains. They could import inputs from other African countries and establish firms in other countries more easily, creating cheaper means of production. The AfCFTA is intended to provide business opportunities for enterprises, including in the most needed added-value products segment, and increase employment and investment opportunities, as well as technological development.

Urbanisation and urban lifestyles are also accompanied by shifts in dietary patterns. More fruits and vegetables and more processed foods are being consumed. Demand for convenience is another overarching trend across income groups and are reflected in the strong demand for processed and prepared foods and in the expansion of street food. A major evolution of the continent agricultural transformation is the rapid development of processing, packaging, distribution and retail. These transformations open up new opportunities for value addition and employment creation, and increasingly in the off-farm segments of the value chain. Encouraging value-addition to agricultural products requires new skills and continuous reskilling by private sector operators, hence higher investment in

4 In October 2019, the African Union (AU) adopted a sanitary and phytosanitary (SPS) policy framework for Africa. The framework will serve as an instrument to help AU Member States harmonize and strengthen their SPS measures within the AfCFTA.

5 According to a [report from the World Bank](#): The African Continental Free Trade Area: Economic and Distributional Effects, implementing the AfCFTA would: boost Africa's income by \$450 billion by 2035 (a gain of 7%) while adding \$76 billion to the income of the rest of the world; increase Africa's exports by \$560 billion, mostly in manufacturing; spur larger wage gains for women (10.5%) than for men (9.9%); boost wages for both skilled and unskilled workers—10.3% for unskilled workers, and 9.8% for skilled workers.

capacity development along the chain.

Finally, the AfCFTA also represents an opportunity to drive the overall sustainability of agri-food systems across the continent, providing decent and promising employment opportunities for youth and women. Widespread dissemination and adoption of best-in-class sustainable practices on the social, environmental and economic fronts will also require continuous capacity development and cross learning and sharing between all agri-food value chains, domestic and international markets, and between traditional agricultural knowledge and smart AgriTech.

3. Need for increased awareness about AfCFTA amongst operators

Various studies and surveys amongst farmers organisations and SMEs⁶, point out that there is a low level of awareness and understanding of the Agreement and therefore an insufficient appreciation of the opportunities it presents for businesses. Recommendations point out a great urgency for capacity development programmes to seize new markets and develop new products, otherwise the benefits will only go to larger agribusiness and exclude MSMEs. Limited finance and infrastructure, which hinders the growth of many businesses, should be addressed within AfCFTA as to promote intra-Africa trade and access to African markets. Policy and private actors should raise awareness amongst African entrepreneurs on how they can benefit from the agreement, and what they need to do to comply with the legislation (i.e. rules of origin, monitoring and elimination of non-tariff barriers, tariff concessions).

4. Key points for discussion on serving African markets

- How is AfCFTA supporting MSMEs and businesses in the continent?
- What are the main obstacles for entrepreneurs to serve regional and continental markets and examples on how to overcome them?
- In serving regional and African markets in fresh and value-added products, what are the priorities for businesses to grow and how innovation helps?
- What are the key drivers to capture more added value in local market for local businesses?

Programme [GMT time]

12h00-12h15 - Introduction

Welcome: *Fatma Ben Rejeb, CEO, PAFO*

Moderator: *Isolina Boto, Head of Networks and Alliances, COLEACP*

Findings from a PAFO study: Positioning of African Farmers Organizations (FOs) in the context of the AfCFTA, *John Bosco Kanyangoga, PAFO*

12h15-12h50 - Panel: Successes of businesses

- Moussa S. Diakité, Founder, SCS International, Mali

- Michael Annan-Forson, CEO, Melach Groups, Ghana
- Dan Jakana, CEO, Jakana Foods Ltd, Uganda

12h50-13h10 - Discussants

- Prudence Sebahizi, Chief Technical Advisor on the AfCFTA and Head of the AfCFTA Negotiations Support Unit, Department of Trade and Industry, African Union Commission
- Lucy Muchoki, CEO, Pan African Agribusiness and Agroindustry Consortium (PanAAC), Kenya
- Remco Vahl, Expert, Senior Expert, DG Trade, European Commission

13h10-13h45 - Debate

13h45-14h00 - Key takeaways and conclusion

- Elizabeth Nsimadala, President, PAFO
- Jeremy Knops, General Delegate, COLEACP