

Empowering Women through AfCFTA: Opportunities in Africa's Service Sector

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ABSTRACT

In Africa's evolving economic landscape, the service sector emerges as a crucial component. It not only contributes significantly to the Gross Domestic Product (GDP) of many African nations but also employs a large portion of the workforce. The dynamism within sectors such as financial services, ICT, tourism, and healthcare demonstrates the transformative potential of services in driving sustainable development.

However, the advantages of trade and economic integration do not inherently benefit all genders equally. Integrating a gender perspective into trade agreements like the AfCFTA is crucial to ensure that women, who often face more significant barriers in accessing opportunities in the service industry, can benefit equitably. A gender-inclusive approach can help address systemic inequalities, ensuring that women entrepreneurs and workers gain from the increased market access and economic activities spurred by AfCFTA. This Trade Brief explores how the AfCFTA can serve as a catalyst for empowering women in the service sector, highlighting the opportunities it creates and the challenges that need addressing to make this empowerment a reality.

Keywords: Women in trade, Trade in services, AfCFTA

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Empowering Women through AfCFTA: Opportunities in Africa's Service Sector

By Gavin van der Nest

The African Continental Free Trade Area (AfCFTA) represents a significant stride toward economic integration across Africa. Since trading commenced under the AfCFTA framework in January 2021, the initiative has been geared towards establishing a unified market for goods and services, enabling the free movement of businesspersons, and facilitating investments throughout the continent. By lowering trade barriers, AfCFTA aims to bolster economic growth, expand employment opportunities, and enhance Africa's competitive stance on the global stage.

In Africa's evolving economic landscape, the service sector emerges as a crucial component. It not only contributes significantly to the Gross Domestic Product (GDP) of many African nations but also employs a large portion of the workforce. The dynamism within sectors such as financial services, ICT, tourism, and healthcare demonstrates the transformative potential of services in driving sustainable development.

However, the advantages of trade and economic integration do not inherently benefit all genders equally. Integrating a gender perspective into trade agreements like the AfCFTA is crucial to ensure that women, who often face more significant barriers in accessing opportunities in the service industry, can benefit equitably. A gender-inclusive approach can help address systemic inequalities, ensuring that women entrepreneurs and workers gain from the increased market access and economic activities spurred by AfCFTA. This Trade Brief, a continuation of a previous Trade Report¹ explores how the

¹ van der Nest, G. (2024). *Empowering Women in Trade: Charting Female Leadership and Entrepreneurship in Africa's Service Sector*. tralac Trade Brief, IDRC24TR01/2024.

AfCFTA can serve as a catalyst for empowering women in the service sector, highlighting the opportunities it creates and the challenges that need addressing to make this empowerment a reality.

AfCFTA and the Service Sector – Opportunities for Women

The AfCFTA is strategically designed to facilitate the trading of services across Africa by significantly reducing barriers and simplifying cross-border transactions. This pan-African agreement harmonises regulations, reduces tariffs, and removes quotas, allowing services to flow more freely among member countries. By establishing a unified legal framework, AfCFTA aims to increase transparency and predictability, fostering a more conducive environment for service providers to expand their reach across borders.

For women-led businesses, these reductions in trade barriers present a pivotal opportunity for growth and expansion. Traditionally, women entrepreneurs have faced disproportionate challenges, including limited access to international markets and high costs of trade. AfCFTA potentially mitigates these issues, offering a more level playing field. For instance, simpler customs procedures and lower tariff barriers make it more feasible for small and medium-sized enterprises (SMEs) – many of which are women-led – to participate in regional and global markets.

Certain sectors within the service industry are poised to benefit significantly from these developments. Fintech, for example, stands out as a dynamic sector where African women are already making their mark. With AfCFTA, fintech companies can scale operations across Africa more efficiently, benefiting from streamlined regulations and an expanded customer base. This is particularly crucial in a continent where financial inclusion is a key driver of economic empowerment for women.

Education is another sector where AfCFTA could make a substantial impact. The facilitation of cross-border educational services and online learning platforms can reach a broader audience. Women entrepreneurs can leverage this expansion to provide innovative educational solutions, from e-learning platforms to vocational training programs, tailored to diverse needs across the continent.

Lastly, the healthcare sector also presents vast opportunities. AfCFTA could enable women-led businesses to distribute healthcare services and medical products more efficiently across African borders. Improved market access is especially critical for healthcare providers, allowing them to offer telemedicine services and distribute pharmaceuticals and medical equipment, essential for addressing the continent's diverse health challenges.

In essence, AfCFTA not only supports the broader framework of economic growth but also specifically empowers women by providing tangible opportunities to lead and expand in the high-potential service sectors of fintech, education, and healthcare. These changes promise to catalyse a new wave of female entrepreneurship, crucial for inclusive and sustainable economic development across Africa.

Addressing Gender Disparities in Trade

Despite the growth of Africa's service sector and the promising opportunities presented by the AfCFTA, women in trade continue to face significant challenges that limit their full participation and benefits. Two of the most critical barriers are access to capital and access to training and development resources.

- **Access to Capital:** Women entrepreneurs often struggle to secure the financial resources needed to start and scale their businesses. Traditional banking systems frequently impose stringent requirements for credit, such as collateral, which women are less likely to have. Additionally, societal norms and biases can influence lending decisions, further exacerbating the gender gap in financial inclusion. This financial barrier is particularly acute in the service industry, where initial capital outlays for technology and market entry can be substantial.
- **Access to Training and Development:** Equally challenging is the disparity in access to training and professional development. Women often have fewer opportunities for skill enhancement and professional networking than their male counterparts. This gap limits their ability to innovate and compete effectively in the service market, especially in high-skill sectors like fintech and healthcare.

The AfCFTA has the potential to significantly mitigate these disparities through the implementation of gender-focused policies. By integrating specific measures that support women's economic participation, the agreement can help ensure that the benefits of freer trade are more evenly distributed. Here are a few strategies that could be effective:

- **Gender-Sensitive Financial Policies:** AfCFTA could advocate for policies that encourage financial institutions to develop gender-sensitive lending criteria, which do not disproportionately disadvantage women. This could include lower collateral requirements for women-owned businesses and the creation of credit guarantee schemes specifically for female entrepreneurs.

- **Capacity Building and Training Initiatives:** The agreement can support the establishment of training programs targeted at women, helping them to acquire the skills needed to thrive in the service industry. This could involve partnerships with educational institutions and private sector stakeholders to offer courses and workshops that are accessible and relevant to women's needs.
- **Advocacy and Awareness Programs:** Raising awareness about the importance of gender equality in trade can also be a crucial part of AfCFTA's strategy. By promoting success stories and the economic benefits of female inclusion in the service sector, AfCFTA can help shift cultural norms and inspire more women to enter the trade.

By addressing these key areas, AfCFTA can not only enhance the role of women in Africa's service industry but also ensure that trade growth contributes to broader social and economic goals, including gender equality. This proactive approach to integrating gender considerations into trade policies will be essential for creating a more inclusive economic landscape across the continent.

Value Chain Development and Industrialisation

The concept of value chain development refers to the process of enhancing the steps in the production process where businesses add value to their products or services before offering them to the market. This can include everything from initial design and production to marketing and after-sales support. In the context of industrialisation, developing efficient and competitive value chains is crucial as it helps firms move up the economic ladder from simple to more complex productive activities, thereby driving economic growth and development.

For African nations, robust value chain development is essential for sustainable industrialisation. It enables countries to diversify their economies, reduce dependency on raw materials, and build resilience against global economic shocks. By strengthening value chains, countries can create higher-value employment opportunities, increase incomes, and improve trade balances.

Women play an indispensable role in the development of value chains, particularly in the service sector. Their involvement is crucial not only for achieving gender equality but also for driving broader economic growth. Women often bring unique perspectives and innovation to value chains, which can lead to more competitive and inclusive market environments. Under the AfCFTA, enhancing women's participation in value chains can lead to greater economic diversification and more resilient economies across the continent.

Integrating women into value chain development is not just a matter of equity but also a strategic economic imperative. As AfCFTA continues to unfold, it is crucial that policies and practices actively support and leverage the unique contributions of women to drive more inclusive and sustainable industrialisation across Africa.

Strategies for Empowering Women through AfCFTA

To fully realise the potential of AfCFTA in empowering women, both governments and non-governmental organisations (NGOs) must implement targeted strategies that address the unique challenges faced by female entrepreneurs. Here are some effective strategies that could be adopted:

1. Access to Funding:

- **Government Grants and Subsidies:** Governments can establish funds specifically aimed at supporting women-owned businesses, particularly in the initial stages of business development. These funds could provide the capital needed to scale up operations and expand into new markets.
- **NGO-led Microfinance Programs:** NGOs can play a crucial role by providing microloans to women entrepreneurs. These loans, often small and without the stringent requirements of traditional banking, can be pivotal for women starting out in business or looking to grow their small enterprises.

2. Mentorship and Capacity Building:

- **Mentorship Programs:** Establishing mentorship programs that connect established business leaders with emerging female entrepreneurs can help bridge the knowledge gap. Mentors can provide guidance, business advice, and networking opportunities that are crucial for success.
- **Capacity Building Workshops:** Governments and NGOs should also invest in training programs and workshops that equip women with necessary skills, such as financial literacy, digital skills, and specific industry knowledge.

3. Policy Advocacy:

- **Gender-Sensitive Policy Frameworks:** Advocate for and implement policies that specifically support women's business endeavours. This could include tax incentives for businesses that support women's employment or prioritising women-led businesses in government procurement.

4. Strengthening Market Access:

- **Trade Fairs and Digital Marketplaces:** Organise trade fairs and create online platforms specifically for women entrepreneurs to showcase their products and services, helping them to access broader markets both domestically and across borders.

Role of Digital Technology in Empowering Women Economically

Digital technology is a powerful enabler for economic empowerment, particularly under AfCFTA. By leveraging technology, women can overcome some traditional barriers such as:

- **Access to Markets:** E-commerce platforms enable women to sell products and services beyond their immediate geographical areas. This is especially important in a continent as vast as Africa, where physical market access can be a significant challenge.
- **Financial Services:** Fintech solutions provide women with more accessible financial services, from mobile money accounts that do not require physical banking facilities to apps that help manage business finances and transactions.
- **Capacity Building:** Digital platforms offer remote learning opportunities, allowing women to gain skills and qualifications without the constraints of physical attendance, which can be limited by family responsibilities or lack of local educational facilities.
- **Networking and Collaboration:** Social media and professional networking sites offer a space for women to connect, share experiences, and collaborate across borders, fostering a supportive community of women entrepreneurs.

Implementing these strategies requires concerted effort from both public and private sectors. By embracing a holistic approach that combines funding, mentorship, policy support, and the strategic use of digital technologies, AfCFTA can be a significant catalyst for empowering women economically across Africa.

Conclusion

The African Continental Free Trade Area (AfCFTA) represents a landmark shift towards greater economic integration across Africa, and it holds significant promise for the empowerment of women in the service sector. By reducing trade barriers and harmonising regulations, AfCFTA facilitates easier access to regional markets, presenting unique opportunities for women entrepreneurs to scale their businesses and enter new markets. The potential benefits are vast – ranging from increased economic participation and improved access to capital, to greater inclusion in high-value service industries like fintech, healthcare, and education.

However, the success of AfCFTA in promoting gender equality is not automatic. It requires deliberate and concerted efforts from all stakeholders, including governments, NGOs, the private sector, and international partners. To truly harness the potential of AfCFTA for women's economic empowerment, it is crucial that gender inclusivity is woven into every layer of trade policies and implementation strategies. This means advocating for and implementing policies that address the specific challenges faced by women in business, such as access to finance, digital inclusion, and capacity building.