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National Institute for Governance
& Sustainable Development

FROM POTENTIAL TO POWER:
DRIVING AFRICA'S TRADE-LED TRANSFORMATION

August-September 2025

List of Acronyms

Abbreviation	Reference
AAs	Association Agreements
AfCFTA	African Continental Free Trade Area
AMU	The Arab Maghreb Union
APRM	Africa Peer Review Mechanism
AU	African Union
CEMAC	Economic and Monetary Community of Central Africa
CEN-SAD	Community of Sahel–Saharan States
COMESA	Common Market for Eastern and Southern Africa
CSIS	Center for Strategic and International Studies
EAC	East African Community
ECOWAS	Economic Community of West African States
ECCAS	Economic Community of Central African States
EPAs	Economic Partnership Agreements
EU	European Union
GATS	General Agreement on Trade in Services
IGAD	Intergovernmental Authority on Development
LDCs	Least Developed Countries
NTBs	Non-Tariff Barriers
PAPSS	Pan-African Payment and Settlement System
PWC	PricewaterhouseCoopers
RTA	Regional Trade Agreement
RECs	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SMEs	Small and medium enterprises
SPS	Sanitary and Phytosanitary measures
STEs	State Trading Enterprises
TBTs	Technical Barriers to Trade
UNCTAD	UN Trade and Development
UNECA	United Nations Economic Commission for Africa
WTO	World Trade Organization

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DR. SHERIFA SHERIF

Executive Director of the National Institute for Governance and Sustainable Development (NIGSD)

The National Institute for Governance and Sustainable Development (NIGSD) is committed to advancing the principles of good governance, which are essential to the realization of Egypt's Vision 2030 and the achievement of the United Nations Sustainable Development Goals. The Institute's vision is anchored in supporting, strengthening, and developing governance systems that contribute to sustainable and competitive development. In this context, NIGSD recognizes the vital role that startups play in creating new opportunities—particularly in developing economies—where they serve as key drivers of innovation and sources of creative solutions to pressing local challenges. Startups also contribute significantly to building a competitive business environment, driven by the innovative ideas and products of entrepreneurs, which in turn open up new markets and generate unprecedented economic opportunities. Moreover, startups play a crucial role in creating high-quality employment, especially for skilled youth, thereby improving labor market outcomes and shaping a dynamic and youth-driven macroeconomic vision.

In light of the Egyptian government's ongoing efforts to drive economic growth and development, entrepreneurship and innovation stand at the forefront of these efforts. They are considered two fundamental pillars in stimulating economic development, generating employment opportunities, supporting the emergence of new economic sectors, and enhancing the economy's resilience to external shocks. Recently, there has been a notable increase in the number of startups established in Egypt, alongside growing enthusiasm among youth to launch their own ventures. This trend has the potential to significantly boost the country's economic capacity—provided that a supportive environment is in place to nurture entrepreneurs with fresh, innovative ideas.

In pursuit of this vision, the report *From Potential to Power: Driving Africa's Trade-led Transformation* offers in-depth insights into the continent's evolving trade and integration frameworks and their implications for startups. It underscores the pivotal role of startups in fostering innovation and competitiveness, while advancing a set of actionable recommendations for policymaker and entrepreneurs as guidance for advancing trade across Africa while securing its resilience and sustainability.

DR. HEBA MEDHAT ZAKI

Director of the Egypt Entrepreneurship and Innovation Center (EEIC)

In light of the great concern the Egyptian government gives to sustainability and innovation, Egypt Entrepreneurship and Innovation Center (EEIC) was founded under NIGSD auspices in June 2023 as one of excellence centres. The worlds of sustainability and entrepreneurship are increasingly intertwined. Entrepreneurs act as catalysts for positive change by developing innovative solutions to environmental and social challenges. These solutions can range from renewable energy technologies to waste reduction methods, all while creating new business opportunities. By embracing sustainability, entrepreneurs can not only contribute to a healthier planet but also discover new avenues for growth and success. This symbiotic relationship between sustainability and entrepreneurship paves the way for a more prosperous and responsible future.

Further, entrepreneurship acts as a critical engine for economic growth. By empowering individuals to develop innovative ideas and launch new businesses, it bolsters a dynamic and competitive environment. These startups create new jobs, introduce fresh products and services, and often disrupt established industries, leading to increased efficiency and productivity. Moreover, successful entrepreneurs inspire others, creating a ripple effect that encourages further innovation and economic activity.

Therefore, fostering entrepreneurship in Egypt is crucial for realizing economic growth and job creation. Despite global economic uncertainties, Egypt's startup scene remains vibrant, with a focus on local expansion and innovation in sectors like sustainable fashion, fintech, and EdTech. Egypt's entrepreneurial spirit, combined with a supportive ecosystem, positions the country for continued progress in the ever-evolving startup landscape.

In line with its mandate, the Egypt Entrepreneurship and Innovation Center (EEIC) is pleased to present the report entitled *"From Potential to Power: Driving Africa's Trade-led Transformation."* This report examines the continent's evolving trade and integration frameworks and their implications for startups. It reviews Africa's socio-demographic trends, trade structure, and regional integration mechanisms, with particular focus on the African Continental Free Trade Area (AfCFTA). Beyond trade framework, the report highlights the vital role of startups in driving innovation, diversification, and competitiveness, while harnessing regional integration to scale and participate more effectively in continental markets. By combining evidence-based insights with practical policy recommendations, it seeks to guide policymakers, entrepreneurs, and ecosystem actors toward building an enabling environment where startups can thrive, barriers to trade are reduced, and the AfCFTA becomes a catalyst for sustainable and inclusive growth across Africa.

INTRODUCTION

Africa is a vast and diverse continent comprising 54 countries, each characterized by distinct economic structures, governance systems, and levels of development. These nations also face a complex intersection of political, social, economic, and environmental vulnerabilities that hinder inclusive growth and sustainable development.

Despite being richly endowed with natural resources, a rapidly growing and youthful population, and expanding urban markets, many African countries continue to confront persistent structural challenges. These include limited industrialization, inadequate infrastructure, and a heavy reliance on the export of unprocessed and raw commodities. Nevertheless, recent years have witnessed growing political and economic momentum toward regional cooperation and integration, aimed at unlocking the continent's potential, enhancing resilience to global shocks, and accelerating economic growth.

Given the continent's structural heterogeneity and the persistent challenges facing its development trajectory, regional cooperation has become an essential mechanism for advancing inclusive and sustainable growth in Africa. In this context, intra-African trade and regional economic integration have emerged as key pillars of the continent's development agenda. Flagship initiatives such as the African Continental Free Trade Area (AfCFTA) seek to dismantle longstanding barriers to trade, drive industrial development, and establish a unified continental market. These efforts build on the foundations laid by Regional Economic Communities (RECs), which have made varying progress in reducing tariffs, liberalizing trade, and coordinating infrastructure development. Enhanced intra-African trade holds the promise of diversifying economies, creating employment, and enabling small and medium-sized enterprises (SMEs) and startups to scale and integrate into regional value chains, thereby reducing the continent's exposure to external vulnerabilities.

However, the path toward deeper trade integration remains complex and characterized by numerous challenges. Key impediments include weak productive capacities, high transport and logistics costs and inefficient border procedures. Additionally, overlapping memberships across RECs contribute to institutional inefficiencies and fragmented policy implementation. Political instability, underdeveloped data systems, and the insufficient inclusion of SMEs and startups further constrain the ability of African countries to fully realize the benefits of integration.

This report provides a comprehensive analysis of intra-African trade, regional integration, and their broader economic impacts. It further highlights the opportunities that regional integration offers African startups, enabling them to expand across borders, tap into new markets, and strengthen their role in driving inclusive growth.Section 1 presents an overview of the continent's socio-demographic landscape, emphasizing key trends in population growth, urbanization, and labor market dynamics. It is followed by an in-depth examination of Africa's trade structure and performance, including historical trade patterns and the composition of exports and imports. Section 2 explores Africa's evolving integration frameworks. It begins with an analysis of existing Regional Trade Agreements (RTAs), their institutional foundations, and the role of Regional Economic Communities (RECs) in advancing trade liberalization. The section then turns to the African Continental Free Trade Area (AfCFTA), offering both an overview of its objectives and operational mechanisms, as well as a comparative assessment of its alignment with existing RTAs.

The report then proceeds to Section 3, which explores the potential of Africa's startup ecosystem, with particular emphasis on its role in harnessing the opportunities created by regional integration. This section also highlights the impact of the AfCFTA on startups and examines how it is enabling them to scale, innovate, and participate more effectively in continental markets.

Finally, Section 4 presents a set of strategic policy recommendations that emphasize the pivotal role of startups in building a more resilient and integrated African trade landscape. The recommendations call for empowering startups to drive diversification, overcome trade barriers, and strengthen regional value chains, while ensuring that AfCFTA implementation creates a supportive environment for young enterprises to innovate, scale, and contribute to sustainable growth across the continent.

1. OVERVIEW ABOUT THE CONTINENT

1.1. Socio-Economic Context

Africa is considered the second-largest continent in the world and holds a pivotal position in the global demographic and economic landscape. With its rich diversity of populations and immense economic potential, the continent continues to shape global trends across various sectors, including economics, politics, and culture. Africa comprises 54 countries, the majority of which have low-income levels and primarily agrarian economies. As of 2024, the continent's population is approximately 1.5 billion, accounting for 20% of the global population (UNECA, 2024).

The population is distributed unevenly across the continent, with Eastern Africa having the largest share, comprising about one-third of Africa's total population. Western Africa follows closely, accounting for approximately 30%, while Northern Africa houses 18% of the population. Middle Africa holds 14%, and Southern Africa comprises around 4.8% Africa is experiencing one of the fastest population growth rates globally, with an annual increase of 2.34%, significantly outpacing the global average of 0.85%. This rapid growth underscores the continent's youthful demographic and highlights an ongoing population expansion that is expected to continue in the decades ahead. By 2050, Africa's population is projected to nearly double, reaching an estimated 2.5 billion people (United Nations Population Division, 2024).

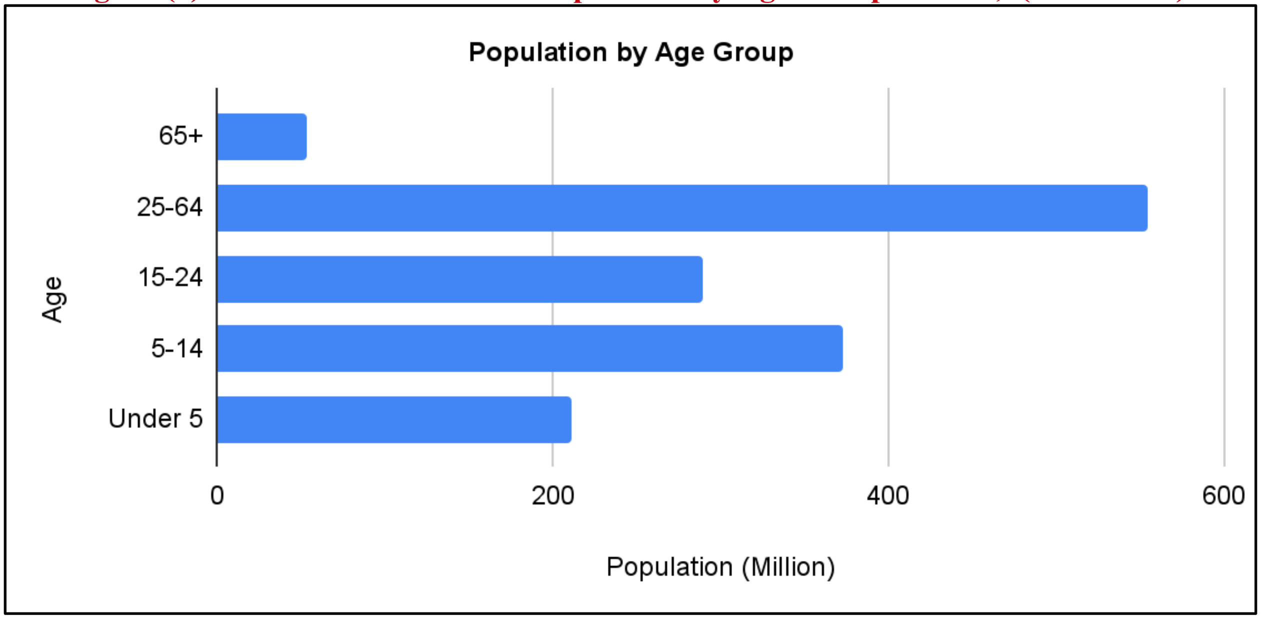
One of the key features of Africa's population is its predominantly young age structure. With a median age of just 19.2 years—compared to over 40 in regions such as Europe—Africa is home to the world's youngest population, with more than 60% under the age of 25 (African Development Bank, 2023). This youthful demographic directly contributes to a rapidly expanding labor force, projected to reach approximately 850 million young people by 2050, making it the largest potential labor force in the world (African Development Bank, 2023).

This demographic shift presents a significant opportunity for a demographic dividend—a period in which a larger working-age population supports fewer dependents, thereby enhancing productivity, raising GDP per capita, and fostering sustained economic growth and development (United Nations Population Fund, 2023). Empirical projections for sub-Saharan Africa indicate that, if these new entrants to the labor force are productively absorbed through job creation and enabling policies, GDP per capita could rise by up to 50% by 2050.(Thakoor, 2016).

However, realizing these gains requires strategic investment in education, skills development, healthcare, and employment opportunities, particularly in high-growth sectors such as digital technology and the green economy (OECD,2024). Without such foundational investments, Africa's youth bulge could exacerbate unemployment, underemployment, and socioeconomic pressures, straining public services and fueling instability (African Development Bank, 2016)

As illustrated in Figure(1), a substantial proportion of Africa's population is under the age of 24. The under 5 and 5-14 age groups together make up 30% of the total population, with 211.43 million and 372.5 million individuals, respectively. This reflects Africa's high birth rates and underscores the need for investments in early childhood education, healthcare, and infrastructure. Additionally, the 15-24 age group, comprising 288.91 million people, represents about 15% of the population and is crucial in shaping Africa's future workforce and economic potential. Meeting the needs of this group in terms of education, skills training, and job creation is essential for fostering sustainable development.

Figure (1) Distribution of Africa's Population by Age Group in 2023, (in Millions)



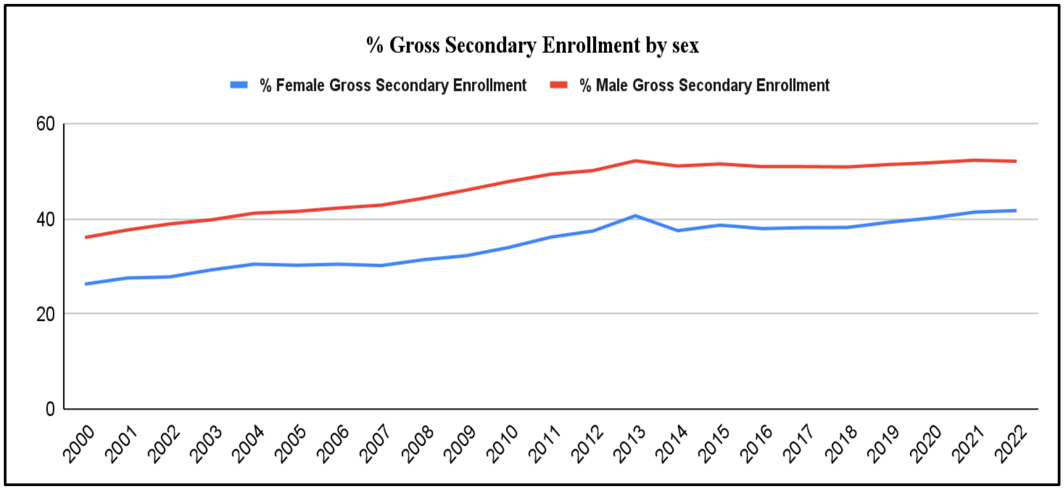
Source: Developed by authors using data from United Nations World Urbanization Prospects (2024)

In terms of gender distribution, Africa shows a relatively balanced composition, with females accounting for 50.17% of the population in 2023. However, notable disparities exist when examining individual countries. For instance, Zimbabwe records the highest proportion of females at 52.72%, while Equatorial Guinea has the lowest at 47.28% (The Global Economy, 2023). These variations can be attributed to factors such as migration flows, fertility trends, birth sex ratios, and disparities in mortality rates, all of which interact to shape the relative proportions of men and women within a given population.

Despite relatively balanced demographic compositions, African women continue to face multiple barriers to realizing their full potential, with social and cultural norms reinforcing gender disparities among the most persistent obstacles. For instance, over 30% of women in Africa justify domestic violence (OECD, 2021), more recent evidence shows that 27% of women still consider wife-beating acceptable (World Health Organization, 2024). Also, 28% of Africans believe men make better leaders, contributing to the continued underrepresentation of women in leadership, with only 24.4% of parliamentary seats held by women in 2023 (OECD, 2021 and Africa Gender Index, 2023). In 2023, however, attitudes showed some improvements, with discriminatory views about women's leadership in politics and the economy falling by 4 and 6 points respectively (OECD, 2023). These norms significantly constrain women's participation and influence in political, economic, and societal arenas. In addition to cultural norms, legal discrimination remains a significant barrier to gender equality. As of 2021, 31 African countries still enforce laws that restrict women's rights to inheritance and property ownership, embedding inequality into formal legal systems (OECD, 2021). However, there are wide variations across the continent: countries such as South Africa, Mozambique, and Namibia record some of the lowest levels of legal gender discrimination, while others like Niger, Guinea, and Mali remain among the most restrictive.

These social and legal barriers profoundly limit women's opportunities across various domains, with education standing out as a particularly critical area where gender inequality remains deeply entrenched. Despite its fundamental role in empowering women and enabling economic participation, female secondary school enrollment rates consistently lag behind those of males. Figure (2) presents male and female secondary enrollment trends in Africa from 2000 to 2022, highlighting the main patterns for both genders and underscoring the persistent gender gap. Over this period, both male and female gross secondary enrollment rates increased gradually, reflecting overall progress in educational access. Female enrollment rose from 26.32% in 2000 to a peak of 40.68% in 2013, dipped to 37.54% in 2014, and recovered to its highest level of 41.77% in 2022. Male enrollment followed a similar upward path but from a higher base, increasing from 36.11% in 2000 to a peak of 52.21% in 2013, and stabilizing around 51–52% thereafter, with the highest rate of 52.33% in 2021. Throughout the period, male enrollment remained 10–15% points higher than female enrollment, highlighting a persistent gender gap, although this gap narrowed slightly as female participation grew at a relatively faster rate.

Figure (2) Female and male Gross Secondary Enrollment in Africa, (2000 to 2022)

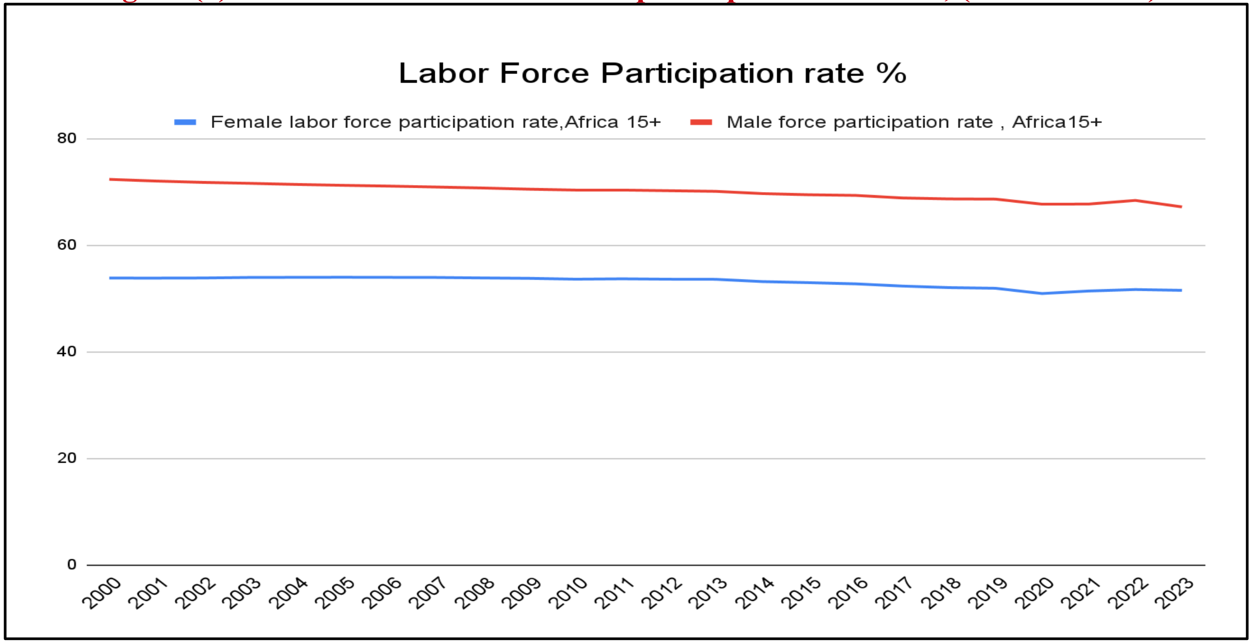


Source: Developed by authors using data from the UNESCO Institute for Statistics (2024)

The persistent gender gap in secondary education directly influences labor market outcomes, as lower educational attainment constrains women's access to formal employment, career advancement, and higher-paying sectors. Consequently, female participation in the labor force tends to lag behind that of males, as lower educational attainment limits access to formal employment opportunities, career advancement, and higher-paying sectors. Figure 3 illustrates this disparity, presenting labor force participation rates for individuals aged 15 and above from 2000 to 2023 across Africa. Over this period, both male and female participation rates exhibit distinct trends, with a clear and enduring gender gap. The participation of females in the labor market is low compared to males in Afric In 2000, male participation stood at 72.32%, significantly higher than the 53.79% recorded for females. While male participation gradually declined to 70.30% in 2010 and further to 67.15% in 2023, female participation remained relatively stable for much of the period, fluctuating slightly before falling from 53.58% in 2012 to 51.49% in 2023. Although the decline in female participation has been less pronounced than that of males, the overall gap remains substantial. This persistent disparity reflects structural barriers—rooted in education, social norms, and labor market conditions—that continue to limit women's full economic engagement across the continent

While gross secondary enrollment and labor force participation rates reveal the extent of the gender gap, it is equally important to examine the nature and quality of women's economic engagement. In terms of occupation, women across much of Africa are disproportionately employed in informal or subsistence-level activities and remain concentrated in lower-productivity sectors such as small-scale retail, agriculture, and personal services. These structural constraints limit their access to high-growth, high-income opportunities. Consequently, even when women own or lead businesses, their average profits are about 34% lower than those of men, reflecting men's stronger presence in more capital-intensive and profitable industries (World Bank, 2023).

Figure (3) Female and male labor force participation in Africa, (2000 to 2023)

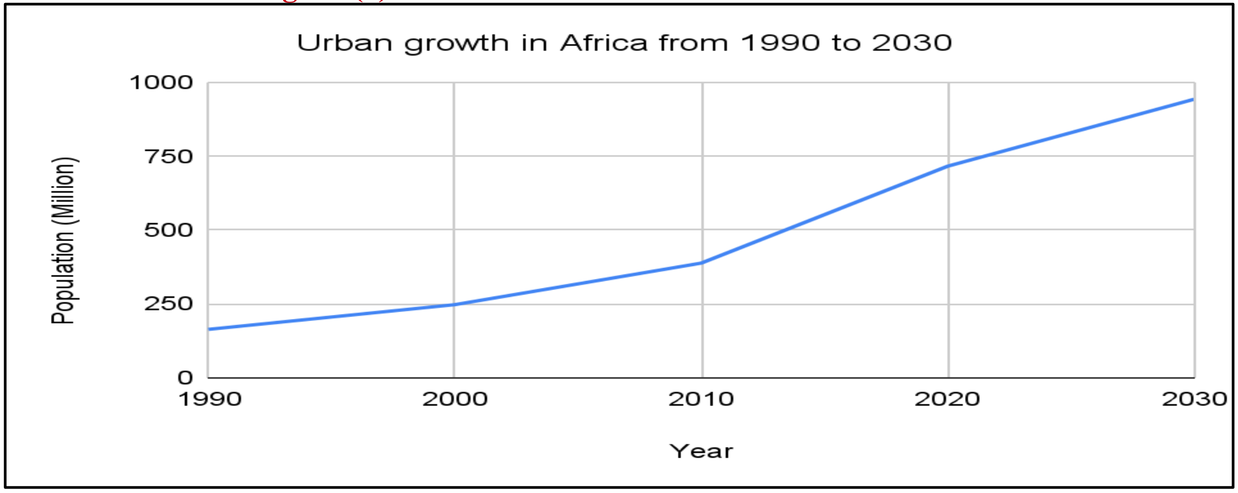


Source: Developed by authors using data from the World Bank Indicators dataset (2023)

In addition to its youthful population, Africa is experiencing one of the fastest urbanization rates in the world. Driven by the migration of people from rural areas to cities in search of better economic opportunities, urbanization is creating new hubs for trade, innovation, and investment. However, this urban growth also emphasizes the need for sustainable infrastructure, affordable housing, and effective urban planning to accommodate the growing population.

Figure(4) illustrates the significant rise in Africa's urban population over the past three decades. The data reveals a consistent upward trend, with the urban population increasing from 163.38 million in 1990 to 716.74 million in 2020. This represents a substantial rise of 553.36 million people living in urban areas over the 30-year period, reflecting the continent's significant shift towards urbanization. The most notable growth occurred between 2010 and 2020, when the urban population grew by 328.64 million, highlighting an accelerated migration from rural to urban areas (Africapolic, 2023).

Figure (4) Urban Growth in Africa from 1990 to 2030



Source: Developed by authors using data from the Africapolis database (2023)

This rapid urbanization underscores the need for targeted policies and investments in infrastructure, housing, and social services to meet the demands of an increasingly urbanized population. As urbanization in Africa is not uniform, regions will face distinct challenges and opportunities based on their geographic, economic, and historical contexts. The disparities between regions in terms of infrastructure, economic development, and service delivery will need to be addressed in order to ensure sustainable development across the continent.

1.2.- Africa's trade structure and performance

Trade plays a crucial role in driving economic growth and development, particularly in developing countries, by fostering industrialization, job creation, and regional integration. Between 1990 and 2024, the share of global exports from developing countries increased significantly, rising from 16% to 41% (UNCTAD, 2025). This expansion in trade has been one of the key drivers behind poverty reduction during this period. Although the benefits of trade have not been distributed evenly across all countries, its overall impact has been transformative. Greater access to international markets has fueled economic expansion, attracted investment, and improved living standards, contributing to lifting more than 1 billion people out of poverty in recent decades (World Bank, 2023).

Moreover, Africa is a marginal player in global trade, with its share of global exports and imports remaining below 3% in 2023 (UNCTAD, 2024). This limited trade volume highlights the continent's economic vulnerability and dependence on more dominant regions, making it particularly susceptible to external shocks. A key factor behind this marginalization lies in the composition of African exports, which continue to rely heavily on raw materials—such as oil, gas, minerals, and primary agricultural products—rather than diversified, value-added goods. This dependence not only constrains export earnings but also exposes economies to the volatility of global commodity prices. Consequently, Africa remains largely positioned upstream in the global value chain, exporting unprocessed raw materials while importing higher-value manufactured goods. This imbalance prevents the continent from moving downstream into processing, manufacturing, and service-oriented activities, where most of the value and employment are generated. As a result, Africa captures only a minimal share of the wealth created along international supply chains. (Economic Development in Africa Report, 2023).

These structural weaknesses were further exposed during recent global crises. The COVID-19 pandemic and the war in Ukraine disrupted international supply chains and triggered spikes in food, fertilizer, and energy prices. For African economies, which already rely on commodity exports and imports of essential goods, these shocks amplified existing vulnerabilities: agricultural production and food security came under severe strain, households faced rising living costs, and governments struggled with fiscal pressures. Although prices have begun to ease, they remain above pre-pandemic levels, underscoring how Africa's limited role in global trade and its dependence on external markets continue to constrain resilience and sustainable growth. (Economic development in Africa report, 2024).

These dynamics are also reflected in Africa's trade performance over the past decade. As shown in Figure (5), African countries' total exports and imports between 2010 and 2022 experienced notable fluctuations. Exports showed a general upward trend, increasing from US$ 396.066 million in 2010 to US$ 702.3 million in 2022, despite a sharp decline in 2015 and 2016, when they dropped to US$429,049 million and US$382,316 million, respectively. However, exports increased significantly in 2021 and 2022, reaching their highest levels, which may be attributed to the post-pandemic recovery and increased global demand for African commodities. On the other hand, imports followed a similar trend but remained consistently higher than exports from 2013 to 2022. It was $660,123 million in 2013 and increased to $708,742 million in 2022. The persistent trade deficit, particularly noticeable between 2013 and 2020, reflects a reliance on foreign goods and services, which could indicate structural challenges in industrial production and self-sufficiency.

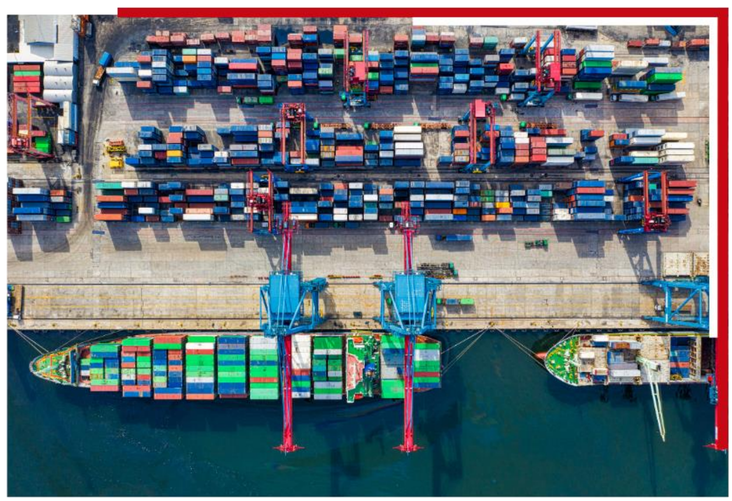
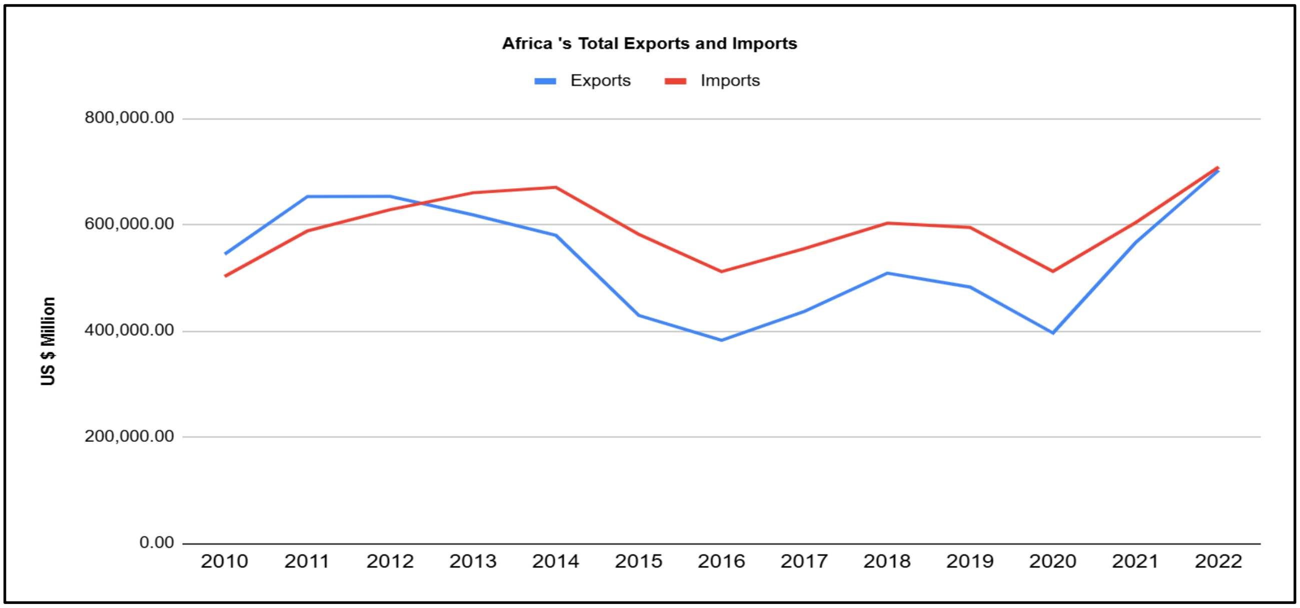


Figure (5): Africa's total exports and imports, (2010-2022)



Source: Developed by authors using data from UNCTAD (2022)

1.2.1. Africa's Export Landscape

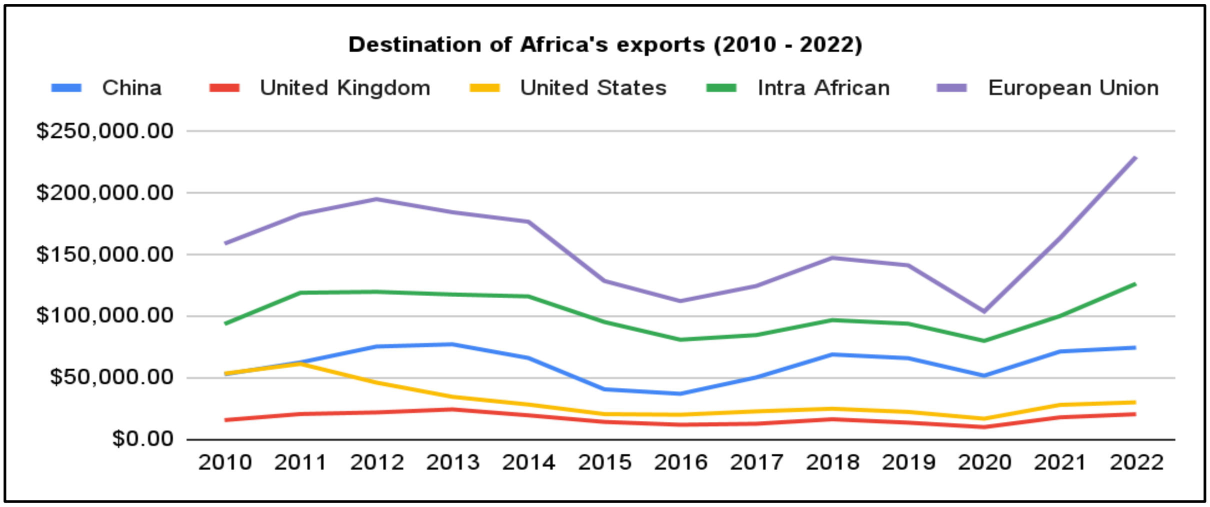
In terms of intra-regional trade, intra-African trade remains significantly lower compared to other regions, despite Africa's abundant natural resources and expanding economies. This underscores the continued reliance of African countries on external markets rather than fostering trade among themselves.

When examining export destinations, analyzing the direction of trade helps identify a country's key trading partners and assess the value of merchandise trade. This provides valuable insights into the final destinations of exports and the primary sources of imports, offering a clearer understanding of Africa's trade flows. As illustrated in Figures (6.a) and (6.b), the European Union (EU) is Africa's largest export destination, accounting for 26% of the continent's total exports by value, followed by intra-African trade at 18% and China at 15% between 2018 and 2020. Based on these data, African countries have historically traded more with Europe, particularly with European Union member states, than with any other region. This strong relationship between them is reinforced by a series of preferential trade agreements. Five Economic Partnership Agreements (EPAs) [1] were established with 14 Sub-Saharan African countries, along with four Association Agreements (AAs). As a result, these frameworks and agreements provide over 90% of African exports with duty-free access to the EU's market (European Commission, 2020). In addition, the rapid economic rise of emerging economies, particularly Asia led by China, has facilitated the

[1] Economic Partnership Agreements (EPAs) are trade and development agreements that create free trade areas(FTAs) between the European Union and the 79 African, Caribbean and Pacific States.

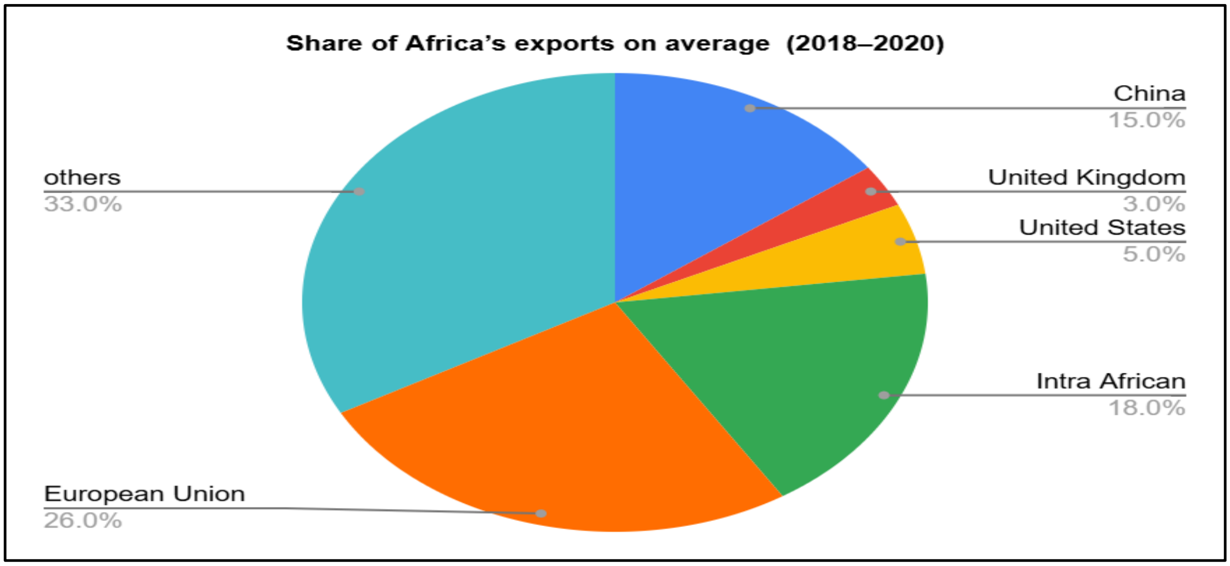
geographical diversification of African countries' trading partners, enabling them to expand their trade networks (Afreximbank, 2022). Meanwhile, the United States and the United Kingdom represent the smallest export destinations, accounting for 5% and 3%, respectively. While the remaining 33% is destined for other global markets.

Figure (6.a): Destination of Africa's exports (2010-2022)



Source: Developed by authors using data from IMF (2022)

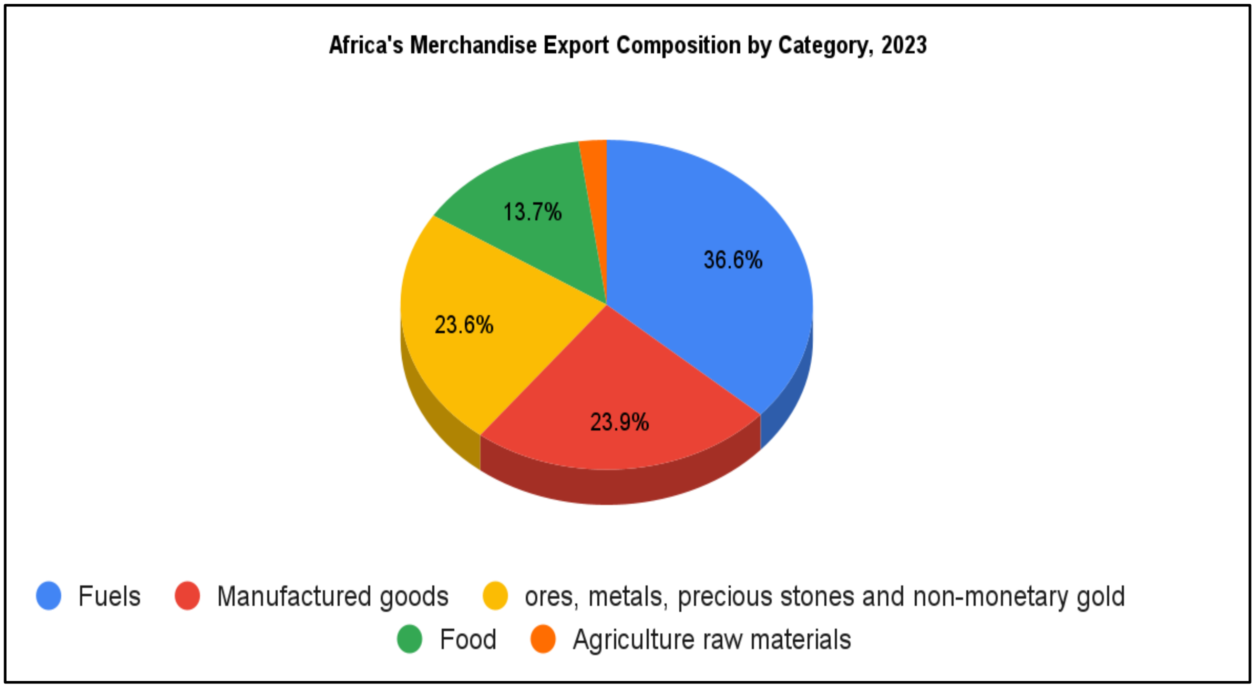
Figure(6.b): Share of Africa's exports on average (2018-2020)



Source: Developed by authors using data from IMF (2022)

In the context of merchandise trade, Africa's export composition remains heavily dominated by primary goods, reflecting the continent's reliance on raw material exports. Primary goods[2] accounted for 76% of Africa's total merchandise exports in 2023. Figure (7.a) shows that fuels represented 36.6% of these exports, while ores, metals, precious stones, and non-monetary gold also contributed significantly. The manufacturing sector accounted for 23.9%. On the other hand, in 2023, Africa's services export landscape exhibited a diverse structure, with travel and transportation services comprising the most significant shares, while other categories contributed smaller portions to the total exports as shown in Figure (7.b), the travel and transportation sectors together accounted for over 60% of the total exports. This pattern indicates that Africa predominantly exports low-skilled services, while higher-skilled services, such as business services, so far have failed to catch up with the global average. This is possibly due to a lack of capacity building for human capital and the proper infrastructure.

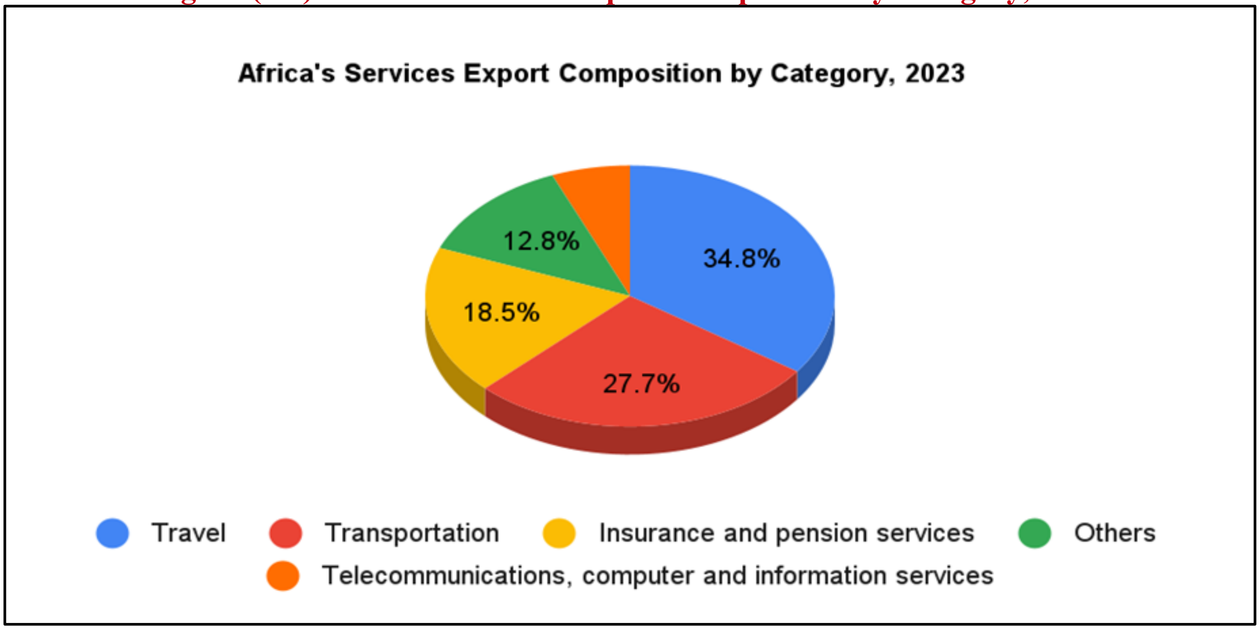
Figure (7.a): Africa's Merchandise Export Composition by Category, 2023



Source: Developed by authors using data from UNCTAD

[2] Primary goods encompassing all merchandise exports except manufactured products

Figure (7.b): Africa's Services Export Composition by Category, 2023



Source: Developed by authors using data from UNCTAD

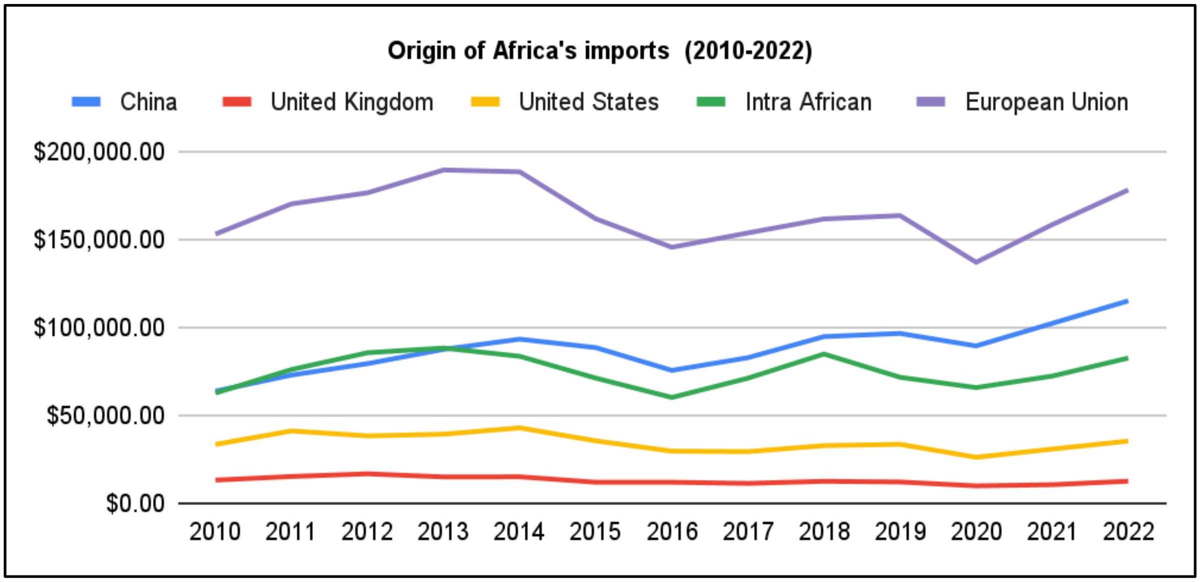
1.2.2. Africa’s Import Landscape

Based on the data presented in Figure (5), African countries rely more on imports than exports in particular on food and manufacturing products. According to the United Nations Conference on Trade and Development, Africa imported approximately $50 billion USD of food each year from outside the continent. By the end of 2025, it could rise to as much as $110 billion USD if no major interventions take place.This increasing dependence on external food sources is a critical concern, especially for a continent that possesses the resources and potential to not only achieve self-sufficiency but also play a substantial role in the global food supply. Despite its vast agricultural potential, Africa remains heavily dependent on food imports, underscoring deep-rooted structural challenges that impede local production, processing and distribution. Beyond food, Africa's import dependency extends to industrial products, with manufactured goods accounting for nearly 60% of total imports (Institute for Security Studies, 2024). Thus, Machinery is the most commonly imported category, serving as a critical component for various sectors. Additionally, engineering products and raw materials required for manufacturing play a significant role in the continent’s import composition, also emphasizing Africa’s reliance on foreign production inputs. This heavy dependence on external sources for both essential food and industrial goods emphasizes the urgent need for policies that promote local production, strengthen supply chains, and enhance regional trade integration.

Africa’s trade patterns reflect a continued reliance on key international partners for imports. The European Union (EU) remains the continent’s largest source of imports, accounting for 26% of total trade, according to Figures (8.a) and (8.b). China follows as the second-largest supplier, contributing 16%, while intra-African trade represents 15% of total imports on average between

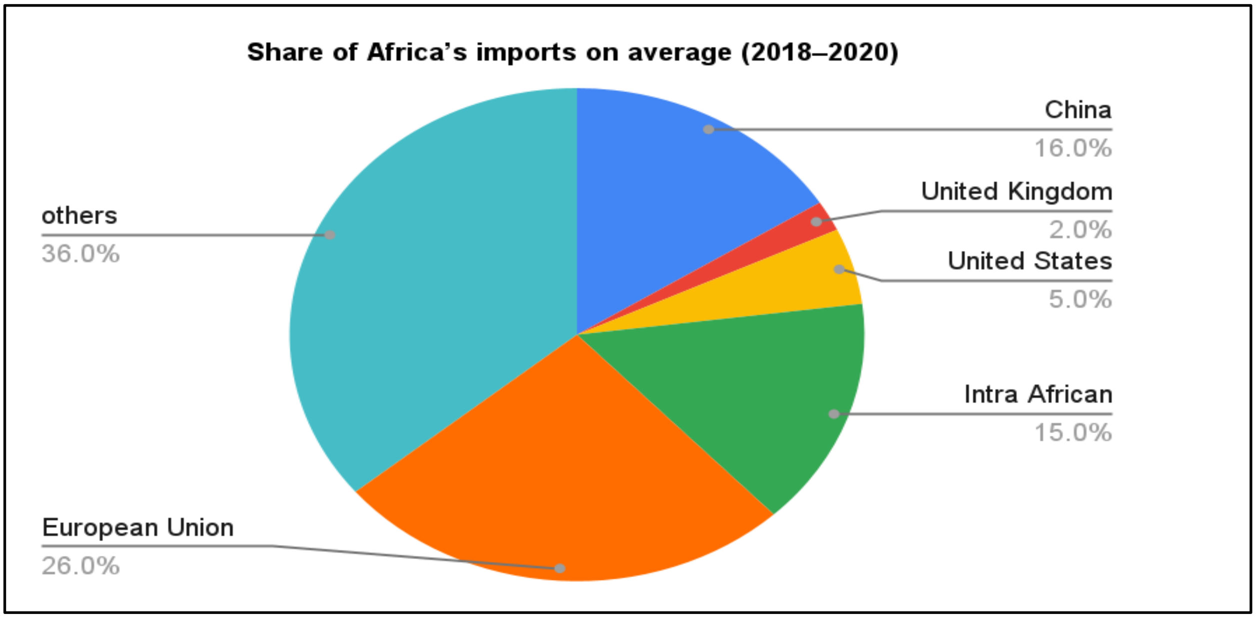
2018 and 2020. Meanwhile, the United States and the United Kingdom account for 5% and 2% of Africa's imports, respectively, with the remaining 36% sourced from various global markets.[3]

Figure (8.a): Origin of Africa's imports (2010-2022)



Source: Developed by authors using data from IMF (2022)

Figure (8.b): Share of Africa's imports on average (2018-2020)



Source: Developed by authors using data from IMF (2022)

[3] https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85&sid=1409151240976

2. REGIONAL TRADE AGREEMENTS AND REGIONAL ECONOMIC COMMUNITIES IN AFRICA

According to the World Bank, a regional trade agreement (RTA) is a treaty between two or more governments that defines trade rules among the signatories. As a form of economic integration, RTAs are essential drivers of development, facilitating trade expansion, reducing barriers, attracting investment, and promoting cooperation. By offering a structured framework for trade liberalization, economic coordination, and policy harmonization, RTAs contribute to sustainable growth and regional stability.

Since gaining independence, most African countries have actively pursued regional and international economic integration to promote trade, expand market access, and strengthen intra-regional trade. As a result, Africa is home to approximately 30 RTAs, with each country belonging to at least four trade agreements, according to the World Bank. Many of these RTAs are embedded within Regional Economic Communities (RECs); which represent institutional frameworks that not only manage trade agreements but also pursue broader objectives such as political cooperation, infrastructure development, and regional stability.

These RECs vary in their depth of integration, ranging from free trade areas to customs unions, common markets, and monetary unions. Key regional blocs include the Economic Community of West African States (ECOWAS) established in 1975; the Southern African Development Community (SADC) formed in 1992; the Common Market for Eastern and Southern Africa (COMESA) founded in 1994; and the East African Community (EAC) re-established in 2000 following its initial dissolution in 1977; Economic Community of Central African States (ECCAS) was established on 18 October 1983; The Arab Maghreb Union (AMU) was created in June 1988; the Intergovernmental Authority on Development (IGAD) formed in 1986 and Community of Sahel-Saharan States (CEN-SAD) was established in 1998.

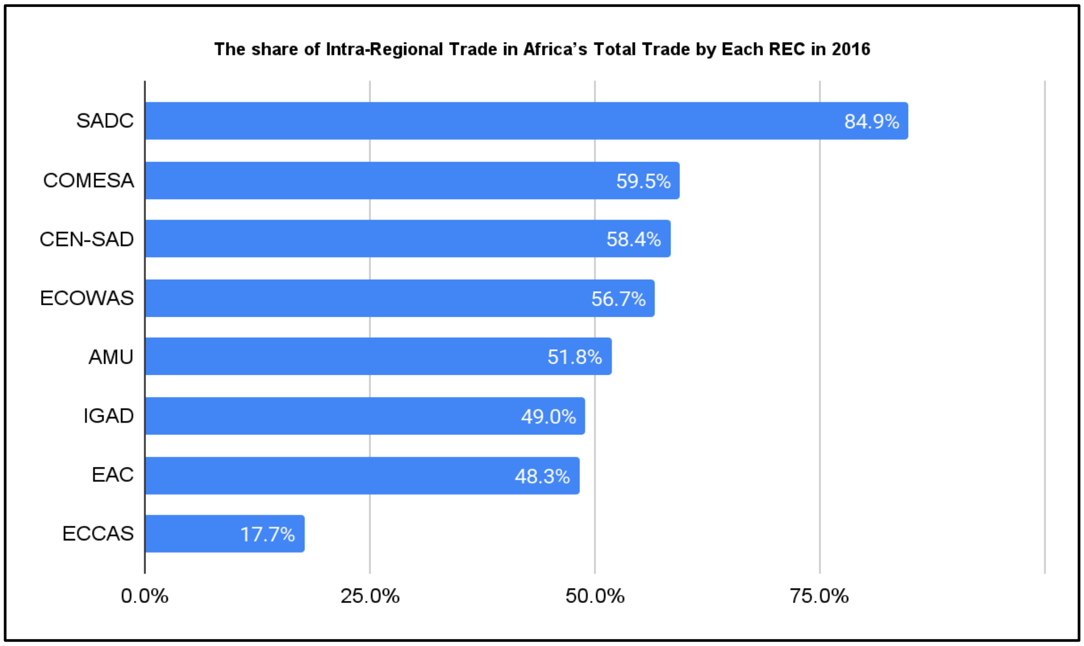
Theoretically, RTAs -under the umbrella of these RECs- are designed to stimulate intra-regional trade by reducing tariff and non-tariff barriers, lowering transaction costs, and improving cross-border trade efficiency. For instance, ECOWAS was created with the primary goal of achieving collective self-sufficiency among its member states through full economic integration. The EAC seeks to establish a Customs Union, a Monetary Union, and eventually a Political Federation of East African States, supported by institutions and protocols such as the Common Market and

Customs Union Protocols. Similarly, COMESA focuses on encouraging private sector development and sustainable growth through regional cooperation, successfully launching a free trade area among fifteen of its member states. Meanwhile, CEN-SAD aims to promote external trade, enhance communication among member states, and eliminate barriers to market integration.

In 2016, a comparative analysis of intra-community trade levels provides insights into the scale of trade activity within each REC, reflecting underlying factors such as membership size, economic capacity, and the extent of trade openness. The Southern African Development Community (SADC) recorded the highest volume of intra-regional trade at $34.7 billion. This was followed by the Community of Sahel–Saharan States (CEN–SAD) with $18.7 billion, the Economic Community of West African States (ECOWAS) at $11.4 billion, the Common Market for Eastern and Southern Africa (COMESA) at $10.7 billion, the Arab Maghreb Union (AMU) at $4.2 billion, the East African Community (EAC) at $3.1 billion, the Intergovernmental Authority on Development (IGAD) at $2.5 billion, and the Economic Community of Central African States (ECCAS) with $0.8 billion (UNCTAD, 2018).

Figure (9) illustrates the share of intra-community trade as a proportion of each REC's total trade in 2016. This measure highlights the level of integration within each REC, demonstrating how much of each bloc's trade is conducted internally compared to trade with external partners. SADC recorded the highest level of trade integration at 84.9 %, followed by COMESA (59.5 %), CEN–SAD (58.4 %), ECOWAS (56.7 %), AMU (51.8 %), IGAD (49 %), EAC (48.3 %), and ECCAS (17.7 %).

Figure (9): The share of intra-regional Trade in Africa's Total Trade by Each RECs, 2016.



Source: Developed by authors using data from UNCTAD

Despite the proliferation of RTAs across Africa, only a limited number of Regional Economic Communities (RECs) have successfully met their intra-regional trade objectives, and even fewer have made substantial progress toward harmonizing labor laws and facilitating the free movement of labor. As highlighted in the previous part, African countries consistently trade more with external partners, particularly the European Union (EU), than with each other. This disparity highlights the gap between the expected benefits of RTAs and the continent's current trade dynamics.

There are several reasons for the low efficiency of RTAs in Africa. First, the multiple memberships held by many countries across different regional trade blocs complicate the trade environment and delay the implementation of integration efforts. This complexity becomes especially evident when goods move across regions governed by different agreements, each with its own set of tariffs, ultimately hindering intra-African trade flows. These overlapping memberships are particularly common in Eastern and Southern Africa. This phenomenon is referred to as the "Spaghetti Bowl Effect," a term coined by economist Jagdish Bhagwati (1991), who likened it to a bowl of tangled spaghetti strands. It reflects the confusion and inefficiency that arise when countries belong to multiple trade agreements. In such cases, countries struggle to benefit fully from any single agreement.

Secondly, this overlap gives rise to the "*Regime Shopping* Effect", where countries selectively adopt the most advantageous set of rules or agreements when they belong to multiple regional or international regimes. This selective adherence can undermine the goal of achieving comprehensive and consistent trade liberalization. Thus, unifying the trade regime across the continent can promote the flow of goods and services within the borders of the continent.

Table(1) in the Annex(1) illustrates the trend of overlapping memberships among African countries across various regional agreements. For example, countries like the Democratic Republic of Congo, Burundi and Kenya participate in more than four different regional blocs. These overlapping commitments can undermine the efficiency and coherence of regional integration efforts.

3. THE AFRICAN CONTINENTAL FREE TRADE AREA (AFCFTA)

3.1. Overview of the AfCFTA

In response to the limitations posed by fragmented and overlapping trade arrangements across the continent, the African Continental Free Trade Area (AfCFTA) was established as a bold step toward unifying Africa's markets and advancing deeper economic integration. At the core of the AfCFTA is a strategy focused on the progressive removal of tariffs and non-tariff barriers, thereby facilitating the free movement of goods and services across borders.To achieve this, the agreement is underpinned by a comprehensive institutional and legal framework that includes protocols, operational instruments, and clearly defined tariff modalities. These mechanisms are designed to ensure fairness, transparency, and consistency in implementation among all State Parties, while providing a solid foundation for building an integrated continental market.

The AfCFTA is not an isolated initiative; it is deeply embedded within Africa's broader integration agenda. It complements the efforts of Regional Economic Communities (RECs) and aligns with the African Union's Agenda 2063, "*The Africa We Want*," which envisions a prosperous and self-reliant continent. In this way, the AfCFTA serves both as a consolidation of past regional achievements and as a forward-looking instrument to accelerate continental transformation. Since its signing in 2018 and entry into force in 2019, the AfCFTA has rapidly gained traction, with 54 of the 55 African Union member states having signed the agreement, creating the world's largest free trade area by number of participating countries. Trading officially commenced in January 2021, covering a combined market of 1.3 billion people and a GDP of approximately US$3.4 trillion. (World Bank, 2022).

Historically, intra-African trade has been constrained by high tariff rates, fragmented regulatory frameworks, inefficient customs procedures, inadequate infrastructure, and logistical bottlenecks. Consequently, the AfCFTA seeks to address these obstacles by reducing both tariff and non-tariff barriers, promoting infrastructure development, facilitating investment, and enhancing regional connectivity. Its overarching goal is to establish a single market for goods and services, supported by the free movement of people and capital. By deepening economic integration across the continent, the agreement aims to accelerate intra-African trade through market liberalization, enhanced competition via economies of scale[4], and improved mobility of labor and capital (PWC, 2022). While the AfCFTA presents opportunities for all sectors, its impact on Small and Medium-sized Enterprises (SMEs) and startups is particularly significant. As the backbone of many African economies, SMEs stand to benefit from expanded market access, reduced trade costs, and new investment opportunities.

In the vein of development, the AfCFTA is already showing early signs of impact while also holding transformative potential for Africa's long-term economic and social trajectory. Intra-African trade rebounded strongly in 2024, reaching $220.3 billion—a 12.4% increase from 2023, according to Afreximbank's African Trade Report 2025. This recovery underscores growing confidence in Africa's integration model under the AfCFTA and signals the beginning of a shift toward deeper regional trade. Looking ahead, if fully implemented, the agreement could expand Africa's economy to an estimated US$29 trillion by 2050, potentially lifting 30 million people out of extreme poverty and increasing the incomes of nearly 68 million more who live on less than $5.50 per day. The agreement is also projected to create approximately 14 million new jobs, with wages expected to rise by 9.8% for skilled workers and 10.3% for unskilled workers (UNECA, 2020). Additionally, gender equality is likely to benefit as well, with women's wages projected to increase by 10.5%, slightly surpassing the 9.9% increase expected for men. By eliminating trade barriers, intra-African trade is projected to grow by 52.3% (World Bank, 2020), while the continent's overall income could increase by US$450 billion by 2035, alongside US$76 billion in additional global gains. These outcomes position the AfCFTA as a powerful engine for inclusive growth, economic diversification, and long-term sustainable development across Africa.

However, while tariff liberalization offers significant opportunities for boosting intra-African trade, enhancing competitiveness, and attracting investment, it also presents potential challenges particularly for local industries, consumers, and workers in less competitive economies. Tariffs have historically served as important policy instruments for protecting emerging sectors, generating fiscal revenue, and shielding vulnerable populations from market shocks. Therefore, the unqualified removal of tariffs, in the absence of appropriate protective measures, may render certain

[4] According to the IMF, Economies of scale are a reduction in costs to a business, which occurs when the company increases the production of their goods and becomes more efficient, which means that as businesses increase in size, it can lower their production costs.

economies vulnerable to economic disruption, job losses, and broader social instability. Recognizing these challenges, the AfCFTA framework incorporates a phased and flexible approach to tariff liberalization. Under the AfCFTA Tariff Modalities, each country or customs union (e.g. ECOWAS, CEMAC, SACU, EAC) is required to submit a schedule of tariff concessions structured into three categories:

- **Category A (Non-sensitive products):** At least 90% of tariff lines must be liberalized, dismantled within 5 years for non-least developed countries (non-LDCs) and within 10 years for least developed countries (LDCs).
- **Category B (Sensitive products):** Up to 7% of tariff lines may be liberalized over a longer period, 10 years for non-LDCs and 13 years for LDCs, allowing countries more time to prepare key sectors for competition.
- **Category C (Exclusion list):** No more than 3% of products may be excluded entirely from liberalization, provided these do not exceed 10% of the total value of imports from other AfCFTA State Parties.

This structure enables countries to protect local industries while progressively opening up to regional trade. Additionally, governments are allowed to select Sensitive and Exclusion List products based on key national criteria such as food security, national security, industrialization, livelihood concerns, and fiscal dependency on tariffs.

Beyond goods, the AfCFTA places significant emphasis on liberalizing trade in services, which has historically been restricted by non-tariff barriers such as inconsistent regulatory frameworks, restrictions on labor mobility, lack of mutual recognition of qualifications, and limits on foreign business operations. These barriers not only raise the cost of service provision but also inhibit innovation and regional value chain development.

To address these challenges, the AfCFTA Protocol on Trade in Services, adopted in 2019, establishes a framework for progressive liberalization of service sectors across member states. The protocol defines four modes of service supply in line with the WTO's General Agreement on Trade in Services (GATS):

- **Cross-border trade (Mode 1)**: Supplying a service from the territory of one member state into another without the movement of persons.
- **Consumption abroad (Mode 2)**: Where the consumer travels to another country to receive a service.
- **Commercial presence (Mode 3)**: A service supplier establishes a commercial enterprise (e.g, branch or subsidiary) in another member state.
- **Presence of natural persons (Mode 4)**: Individuals temporarily travel to another member state to deliver services directly (e.g. doctors or teachers)

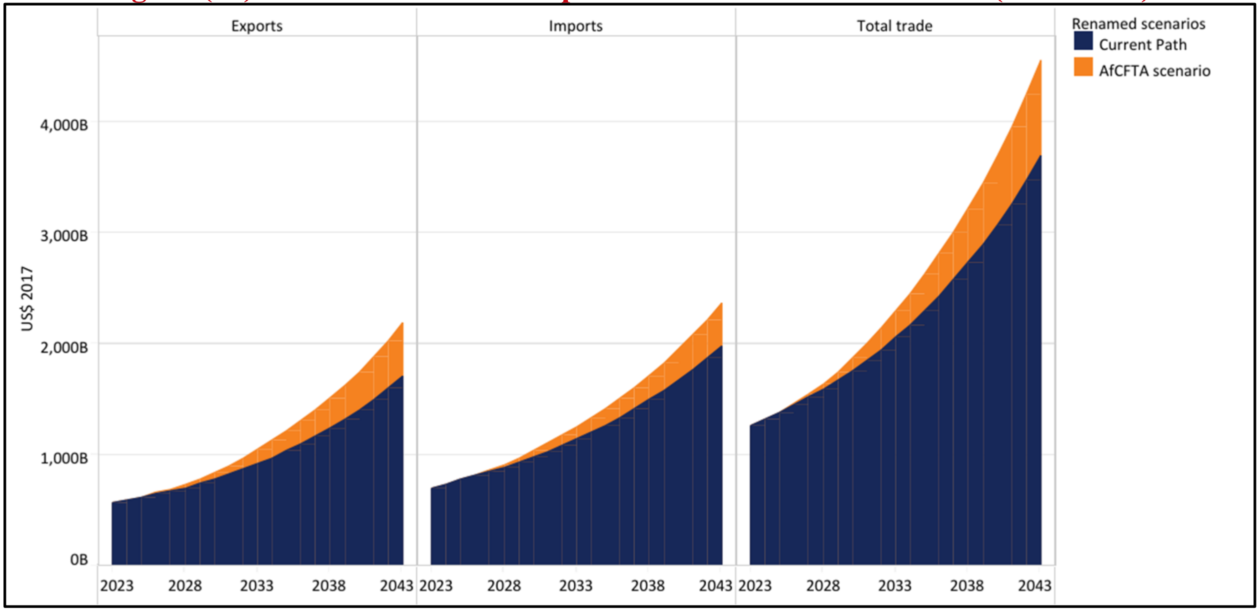
Additionally, the AfCFTA initially targets five priority sectors for liberalization: business services, communications, financial services, transport, and tourism, with plans to gradually expand coverage to additional sectors. The objective is to improve market access, reduce regulatory fragmentation, and promote regulatory cooperation among member states, laying the foundation for a more integrated and competitive African services market.

By facilitating both goods and services trade, this agreement offers a dual pathway to deeper integration, enabling African countries to diversify their economies, strengthen supply chains, and accelerate inclusive and sustainable development.

Furthermore, it is crucial to mention that the full implementation of the AfCFTA is expected to significantly enhance Africa's trade performance, with notable increases in both imports and exports across regions. According to projections (see Figure 10), Africa's total imports under the AfCFTA scenario could reach approximately US$2.4 trillion by 2043, representing a 19.5% increase compared to the Current Path scenario in 2023. Simultaneously, total exports are expected to grow to around US$2.2 trillion, reflecting a 27.7% rise over the same period.

Although the continent is projected to continue running a trade deficit by 2043, the gap would be substantially narrower under the AfCFTA framework. This trend indicates a movement toward a more balanced and sustainable trade environment.

Figure (10): Trade in the current path and the AfCFTA scenario (2023-2043)



Source: Developed by issafrica by using IMF world Economic Outlook (2023)

3.2. Comparison between Regional Trade Agreements and the AfCFTA

In pursuit of a comprehensive comparative analysis, this section examines nine African trade agreements, identifying both areas of convergence and divergence.

The following table (2) provides a comparative overview of these agreements across key trade policy dimensions, including provisions for start-ups, State Trading Enterprises (STEs)[5], technical barriers to trade (TBTs)[6], tariffs on goods, export taxes, competition policy, and sanitary and phytosanitary (SPS) [7] measures. These indicators—encompassing both tariff[8] and non-tariff[9] measures—were selected for their critical influence on market access, trade facilitation, and the overall competitiveness of firms in the region.

This comparison reveals that all agreements include provisions to reduce tariffs on goods. However, ECOWAS, EAC, IGAD, AMU, and CEN-SAD lack explicit measures concerning export taxes. While tariff liberalization promotes greater trade flows, it may also heighten competitive pressures on smaller firms and start-ups. To address this, most agreements—except

[5] Enterprises, whether governmental or not, to which a member has granted exclusive or special rights or privileges, and that in the exercise of those rights or privileges are able to influence the level or direction of imports or exports of goods through their purchases or sales of goods.

[6] Technical Barriers to Trade is an agreement that aims to ensure that technical regulations, standards, and conformity assessment procedures are non-discriminatory and do not create unnecessary obstacles to trade.

[7] Sanitary and phytosanitary (SPS) measures are biosecurity measures designed to protect human, animal or plant life or health from the introduction, establishment and spread of pests, diseases, additives, toxins and contaminants in food and feed.

[8] Tariff Barriers refer to taxes imposed on imports or exports.

[9] Non-Tariff Barriers refer to regulations, standards, and institutional policies that may restrict trade.

ECOWAS, AMU, and CEN-SAD —include competition policy provisions aimed at fostering equitable market conditions and safeguarding the interests of emerging enterprises.

Table (2): Analysis of Trade Policy coverage in African Regional Trade Agreements

	RECs								
	COMESA	SADC	EAC	ECOWAS	ECCAS	IGAD	AMU	CEN-SAD	**AfCFTA**
Opportunities for start-ups				✓					✓
STEs									✓
TBTs	✓	✓	✓			✓	✓	✓	✓
Tariffs on goods	✓	✓	✓	✓	✓	✓	✓	✓	✓
Export taxes	✓	✓			✓				✓
Competition policy	✓	✓	✓		✓	✓			✓
SPS measures	✓	✓	✓			✓			✓

Source: Developed by authors using data from the World Bank group.

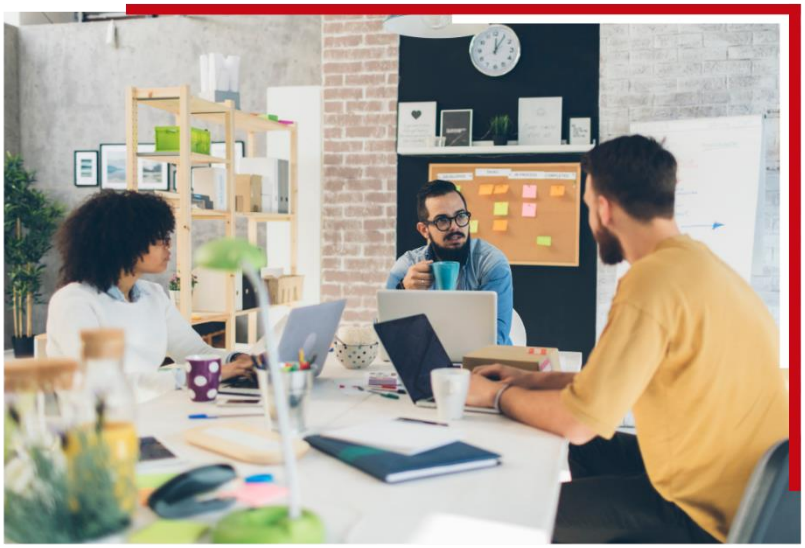
Regarding non-tariff barriers (NTBs), AfCFTA is the first African trade agreement to explicitly regulate State Trading Enterprises (STEs), marking a significant step forward in regional trade governance. Unlike earlier regional agreements, it mandates that STEs operate on commercial terms and ensure equal access for all member states—promoting transparency and fair competition. These provisions are particularly advantageous for small and medium-sized enterprises (SMEs), and start-ups, which often face challenges in concentrated or non-transparent markets. By addressing trade distortions, the agreement enables start-ups to access procurement opportunities and participate more effectively in regional value chains.

The AfCFTA also tackles other critical NTBs, including Technical Barriers to Trade (TBTs) and Sanitary and Phytosanitary (SPS) measures, through harmonized standards that lower compliance costs and facilitate cross-border trade. While such provisions are largely absent in earlier agreements like ECOWAS, their inclusion in AfCFTA reflects a more integrated and forward-looking approach to trade facilitation.

By focusing on Start-ups, it is crucial to mention that they are well-positioned to benefit from this comprehensive framework. Building on the early efforts of ECOWAS to support entrepreneurship in West Africa, the AfCFTA expands these initiatives at a continental scale. This agreement addresses many of the systemic barriers that disproportionately affect young firms. Start-ups often face fragmented regulations, high compliance costs, and limited access to regional networks—challenges that the agreement seeks to ease through harmonized trade rules, streamlined standards, and competition policy provisions that create a fairer business environment. Equally important is the AfCFTA's pioneering work on digital trade, which lays the groundwork for seamless cross-border transactions and regulatory coherence in Africa's emerging digital economy. These measures reduce uncertainty, lower entry barriers, and give start-ups the predictability they need to innovate and attract long-term investment.

4. UNLOCKING AFRICA'S STARTUP ECOSYSTEM

4-1. Africa's Startups Ecosystem: overview



Africa stands as a continent rich in human capital, with a predominantly young population and abundant natural resources. These assets position Africa as a fertile ground for the growth of small and medium-sized enterprises (SMEs) and startups that can operate across diverse sectors and geographies within the continent.

Notably, SMEs have emerged as critical drivers of Africa's economic development in recent years. According to the Center for Strategic and International Studies (CSIS), SMEs are responsible for more than 80% of employment across the continent, underscoring their vital role in job creation and economic growth. Within this landscape, startups have been at the forefront of Africa's innovation surge. According to data from the venture capital firm Partech Partners, the number of African startups securing financial investment grew at an impressive annual rate of 46% between 2015 and 2020, —a pace six times faster than the global average. This momentum was reflected in funding volumes, which rose by 50% between 2019 and 2020, more than doubled (119%) in 2021, and peaked at $5.0 billion in 2022 before declining by 32% to $3.4 billion in 2023 (Infomineo, 2024).

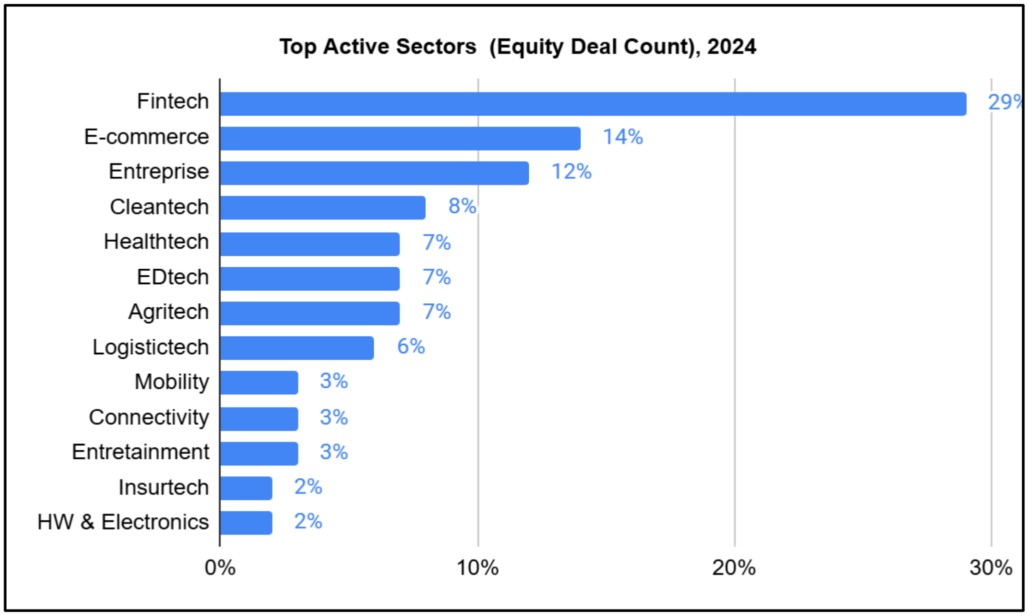
Within this broader landscape, tech startups stood out as the most dynamic segment. Between 2015 and 2022, the number of African tech firms securing funding annually expanded nearly sevenfold, surpassing 700 startups and positioning the continent among the fastest-growing innovation hubs worldwide. Yet this remarkable momentum proved difficult to sustain amid adverse macroeconomic headwinds. By 2024, the number of funded tech startups had contracted to fewer than 400, underscoring the severity of the global venture capital downturn and its repercussions on Africa's once-accelerating startup ecosystem (IFC, 2025).

It is important to emphasize that the AfCFTA presents a significant opportunity for SMEs and startups by facilitating broader access to new markets across the continent. This enables businesses to expand their customer base, enter new regions, and drive sustained growth. Additionally, the agreement promotes investment flows, providing much-needed capital for scaling operations, and facilitates the intra-African importation of raw materials, thereby reducing production costs and enhancing supply chain efficiency. Furthermore, the AfCFTA supports the establishment of assembly operations in other African countries, promoting more affordable production methods and encouraging the development of regional value chains. This fosters industrialization, specialization, and greater integration of African economies. Beyond economic expansion, the agreement advances technological innovation, creating fertile ground for startups and SMEs to develop new solutions and services.

The AfCFTA also signals to international investors that Africa offers a unified and streamlined environment for trade and investment, making it more attractive for businesses looking to scale beyond local markets. This is particularly beneficial for sectors such as fintech, health tech, and edutech, where seamless digital payment solutions are crucial for enabling cross-border e-commerce.. In line with these opportunities, Africa was home to 443 startups that collectively raised approximately US$2.4 billion in 2024, as reported by Partech in its 2024 Africa Tech Venture Capital Report. Among the continent's dynamic startup sectors, fintech remains at the forefront, having significantly transformed financial services across Africa by addressing longstanding gaps in access and developing solutions tailored to local needs.

In 2024, fintech continued to dominate the African startup landscape, securing approximately 60% of total equity funding, equivalent to US$1.3 billion, and accounting for 29% of all recorded transactions with 131 completed deals. As illustrated in Figure 11, fintech was the most active sector in terms of equity deal count, followed by the e-commerce sector. Additionally, the fintech sector also recorded the highest number of funded startups with 26 ventures representing 28.6% of the total in 2022. It was followed by e-commerce (16 funded ventures, 17.6%), while e-health, energy, and logistics sectors each secured funding for seven ventures.

Figure (11): Top active sectors (Equity Deal count), 2024



Source: Developed by the Authors using the data from Partech Analysis 2024.

It is essential to underscore the continued dominance of Africa's "Big Four" startup ecosystems — Nigeria, South Africa, Egypt, and Kenya — which remain pivotal in driving innovation and entrepreneurial activity across the continent. In 2024, these four countries collectively accounted for 67% of the total funding raised in Africa, reaffirming their central role in shaping the region's venture capital landscape.

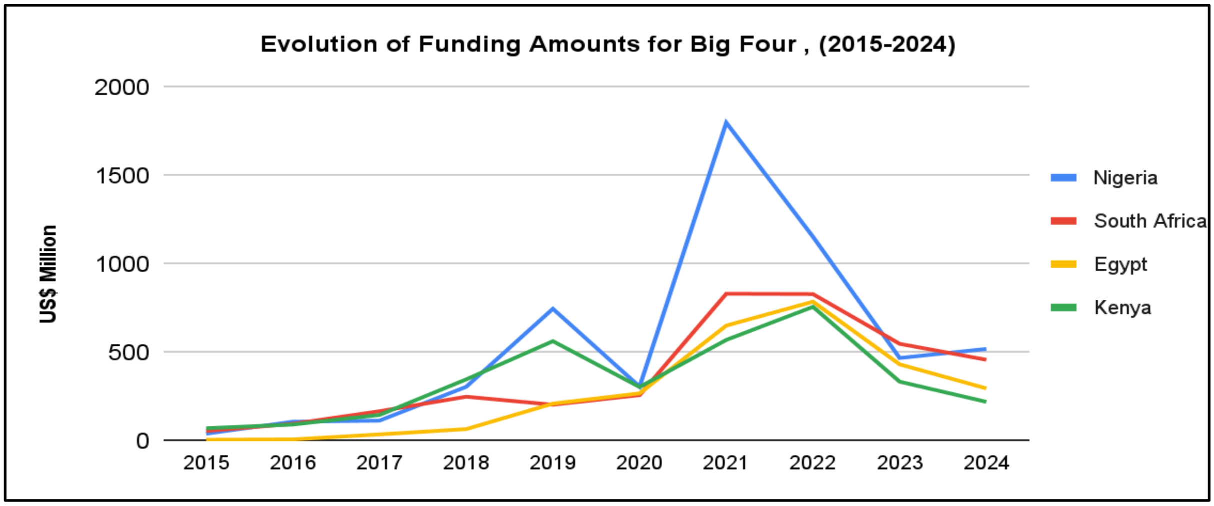
A detailed comparison among the Big Four, as presented in Figure 12 &13, highlights Nigeria's leading position in both funding volumes and deal activity. In 2024, Nigeria successfully reclaimed its status as Africa's top venture capital destination, recording an 11% increase in equity funding year-on-year to reach US$520 million. This growth was significantly underpinned by a series of high-value megadeals, which helped counterbalance the funding contraction witnessed in 2023, when investment levels had dropped to US$469 million.

Despite this positive momentum, Nigeria's 2024 funding performance remains below the record highs achieved in 2021 and 2022, when total funding reached US$1.799 billion and US$1.154 billion, respectively.

In 2024, Egypt demonstrated remarkable resilience, recording a significant 48% year-on-year increase in the number of completed deals, despite a modest decline in total equity funding. Over the years, Egypt secured US$297 million in equity investments across 89 deals, ranking it as the second most active startup ecosystem on the continent by deal volume and third by total funding, following South Africa.

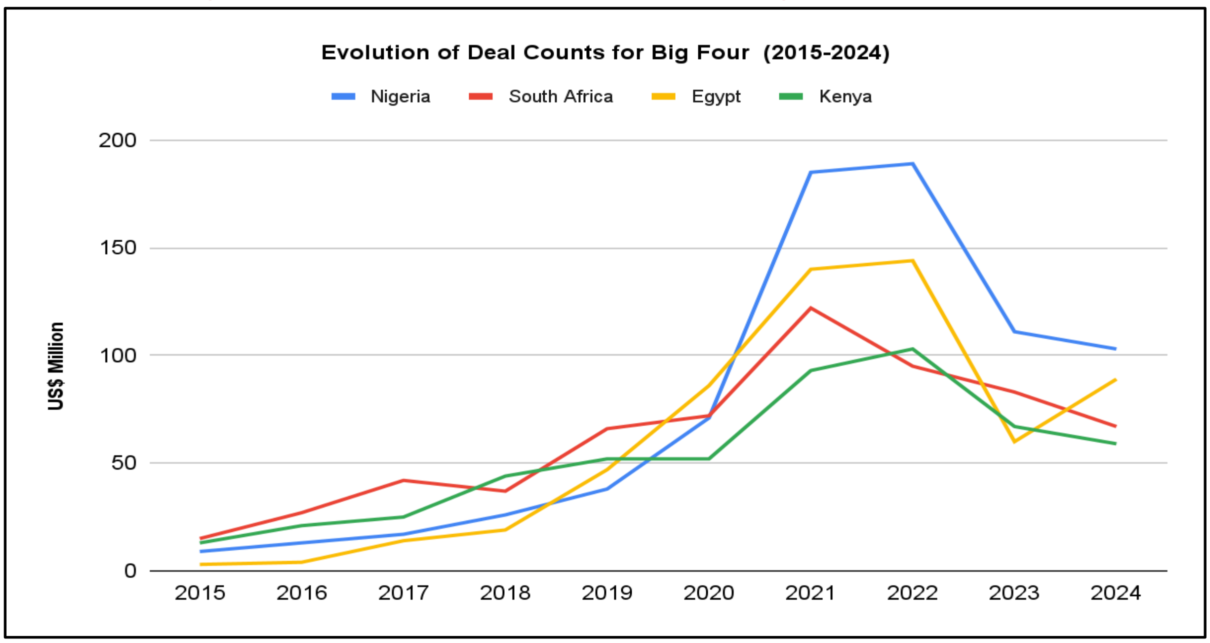
Conversely, South Africa experienced a contraction in its venture capital landscape. Equity funding decreased by 16% year-on-year, reaching US$459 million in 2024, alongside a 19% decline in the number of deals, totaling 67 transactions. Meanwhile, Kenya recorded the sharpest year-on-year decline among the Big Four ecosystems. Equity funding in Kenya fell by 34%, amounting to US$221 million in 2024, while the number of deals dropped by 12%, with only 59 transactions completed. As a result, Kenya slipped to fourth place among Africa's leading startup ecosystems in both funding volume and deal activity, reflecting a more pronounced slowdown compared to its regional peers.

Figure (12): Evolution of Funding Amounts for Big Four (2015-2024)



Source: Developed by authors using data from Partech Analysis 2024.

Figure (13): Evolution of Deal Counts for Big Four (2015-2024)



Source: Developed by authors using data from Partech Analysis 2024.

4.2. Startup Dynamics in the AfCFTA Era: Insights from the Big Four

While the previous sections emphasized AfCFTA's role in reshaping Africa's trade flows, boosting intra-African exports and imports, and unlocking the continent's demographic potential, it is equally important to examine how these dynamics are influencing Africa's startup ecosystem. As agile and innovative actors, startups are often the first to translate these broad opportunities into practice by exploring new markets, building regional value chains, and leveraging initiatives that reduce trade and financial barriers. Through mechanisms such as tariff reduction, startup prizes, pilot trade schemes, and payment integration systems, AfCFTA is creating conditions that enable entrepreneurs to expand beyond domestic markets and tap into the continent's integrated opportunities. Startup Cases from the Big Four economies—Nigeria, Kenya, South Africa, and Egypt—demonstrate how ventures across diverse sectors are beginning to transform continental integration into tangible business growth and broader economic impact.

Nigeria

Despite Nigeria experienced significant economic turbulence as the government implemented market-oriented reforms aimed at restoring macroeconomic stability. Thereby, these measures compounded by record-high inflation, soaring interest rates, and a sharp currency devaluation, substantially increased operational costs for startups, SMEs, and households, resulting in widespread layoffs and business closures. Nevertheless, Nigeria's startup ecosystem demonstrated remarkable resilience as shown in the previous part, with the fintech sector emerging as a particular stronghold.

By 2025, it was home to several unicorns, including Moniepoint and Flutterwave, which have achieved billion-dollar valuations and attracted strong investor confidence despite challenging conditions. These successes highlight Nigeria's position as one of Africa's most dynamic entrepreneurial hubs. Building on this foundation, the AfCFTA offers a powerful framework for other Nigerian startups to scale beyond domestic borders. By reducing trade barriers, harmonizing digital regulations, and enabling the free flow of services, the agreement creates new pathways for startups to expand across the continent.

For instance, Paystack is a fintech startup that has capitalized on AfCFTA's promise of seamless cross-border trade to establish operations in Ghana, Kenya, and South Africa, simplifying digital payments for businesses across borders. Similarly, Andela, a talent development company, has leveraged AfCFTA's provisions on digital trade and labor mobility to expand its recruitment network to Kenya, Uganda, and Egypt. By doing so, it has strengthened its role as a pan-African provider of software talent, building a workforce that serves global clients.

South Africa

South Africa is recognized for its competitive economy, advanced infrastructure and technological capabilities, as well as its substantial market potential. As a democratic nation that upholds the rule of law, it offers a relatively stable environment for investment. Despite ongoing challenges related to crime, social tensions, and corruption, recent economic reforms have enhanced overall stability. The country's key investment advantages include a sound legal system, consistent political governance, rich natural resources, and a readily available labor force.

A testament to South Africa's vibrant startup ecosystem is the rise of TymeBank, launched in 2019 and by 2024 achieving unicorn status with a valuation of $1.5 billion while serving over 10 million customers. Its rapid growth reflects both investor confidence and the opportunities created by AfCFTA's push for financial integration, which enables digital banks to expand affordable services across borders. AfCFTA's role in supporting startups also appears through initiatives such as the AfCFTA Caravan Prize, which provides funding, mentorship, and visibility to promising ventures. Kudoti, a South African waste-tech startup, was among the winners in 2021, benefiting from this support to explore regional scaling opportunities. While its long-term trajectory remains uncertain, Kudoti demonstrates how AfCFTA goes beyond reducing tariffs and trade barriers to actively channel resources toward innovative enterprises, encouraging startups and SMEs to participate in regional value chains and new markets.

Egypt

Egypt's startup ecosystem has garnered international recognition, ranking among the top 10 emerging ecosystems globally, according to the Start-Up Genome Report (2022). This upward trajectory is driven by a range of strategic initiatives aimed at fostering entrepreneurship and innovation. Among these, Egypt's startup ecosystem has also benefited from robust private sector engagement, which has significantly contributed to its development. Private investment funds, corporate venture arms, and industry-led incubators and accelerators have played a critical role in nurturing startups by offering financial capital, technical mentorship, and access to markets. Despite all these opportunities, the entrepreneurs face some challenges, including regulatory barriers, limited funding, and insufficient market data.

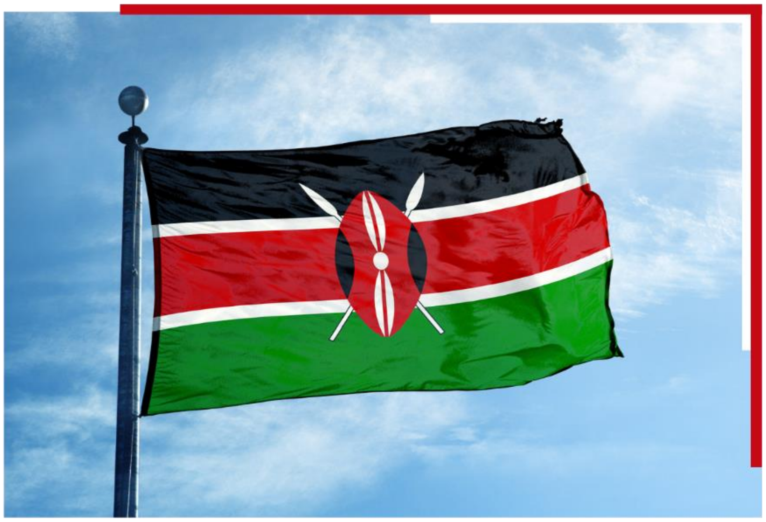
Complementing these efforts, the government has stepped in through Egypt Ventures—an investment platform established in 2017 with seed funding from the Ministry of Investment and International Cooperation, plays a central role in financing early- and growth-stage startups and empowering young entrepreneurs nationwide. Its blended finance model channels capital into accelerators, venture capital firms, and startups directly, thereby strengthening the pipeline of innovative companies and fostering long-term ecosystem development. As of July 2025, Egypt Ventures has invested in 22 companies, including three new deals in the past year, with a primary focus on seed-stage startups. Its portfolio spans diverse sectors ranging from enterprise applications to high-tech and healthtech. Notably, the fund recently led a $3 million seed round for Flend, co-investing with Sukna Ventures and other regional investors.(startuplist, 2025)

Egypt's startup ecosystem has entered a new phase of regional integration with the launch of the African Continental Free Trade Area (AfCFTA). While the direct impact on startups is still difficult to measure due to the lack of data and information, part of this difficulty stems from the fact that many Egyptian entrepreneurs are not yet fully aware of AfCFTA's instruments or how to leverage them effectively. Nevertheless, Egypt's early participation has already generated indirect benefits that are reshaping the entrepreneurial environment. As one of the pilot countries in the AfCFTA's Guided Trade Initiative (GTI), Egypt has introduced mechanisms such as lower tariffs, simplified customs procedures, and harmonized documentation that are supposed to make regional expansion more feasible for startups. In addition, the country's adoption of the Pan-African Payment and Settlement System (PAPSS) and the establishment of export-dedicated free zones for tech startups are measures that should, in principle, ease cross-border transactions and open new channels for scaling across African markets. Collectively, these steps are expected to build a more startup-friendly regional framework that reduces traditional barriers to trade and finance, even if their tangible impact on startups has not yet been fully realized.

Within this evolving context, startups such as MNT-Halan and Trella illustrate Egypt's entrepreneurial potential. While their growth has been primarily driven by local and regional demand and strong investor confidence, AfCFTA-related mechanisms are expected to facilitate their expansion across African markets in the coming years. This highlights both the opportunities and the current limitations: Egypt's startups are well-positioned to benefit, but the measurable outcomes of AfCFTA's implementation have yet to materialize.

Kenya

Kenya is widely recognized as one of Africa's most vibrant and rapidly expanding startup ecosystems. The country currently hosts over 308 active startups, with Nairobi serving as the central innovation hub and accounting for 97.4% of Kenya's tech startups. Fintech is the leading sector, comprising 93 startups (30.2%), followed by agri-tech and e-health (each 10.1% in 2022).



Leveraging this dynamic ecosystem, the African Continental Free Trade Area (AfCFTA) offers Kenyan startups a transformative opportunity to scale. Kenya was notably the first country to ratify the AfCFTA, reflecting its proactive stance toward regional integration. By providing access to a pan-African market of 1.3 billion people, reducing trade barriers, and facilitating cross-border investment, the agreement creates favorable conditions for startups to expand across the continent.

A strong illustration of this impact is Twiga Foods, a Kenyan agri-tech startup that uses a mobile platform to connect farmers with urban markets. By streamlining food supply chains and improving distribution efficiency, Twiga has transformed market access for smallholder farmers. Leveraging the AfCFTA framework, the company has expanded its operations into Tanzania and Uganda, showcasing how Kenyan startups can harness regional integration to scale across borders, address food insecurity, and contribute to sustainable economic growth.

Looking ahead, one area of importance is the upcoming Protocol on Digital Trade under AfCFTA. Kenya is actively advocating for e-commerce–friendly policies such as no customs duties on electronic transmissions and harmonized digital regulations. These measures will directly benefit online startups and digital service providers, ensuring that Kenya's strong base in fintech and digital innovation can thrive in a more integrated African market.(Macroeconomic Policy Supporting Start-ups – Kenya Case Study, 2024)

Although Kenya has yet to produce a unicorn, the ecosystem is brimming with potential. High-performing startups such as M-Kopa in fintech and digital services are well-positioned to achieve unicorn status as AfCFTA implementation progresses. The combination of strong local support, cross-border opportunities, and growing investor confidence positions Kenya to become one of Africa's leading entrepreneurial hubs in the AfCFTA era.

While Africa's startup landscape has seen notable success stories such as Twiga Foods, Moniepoint, and MNT-Halan, it is equally important to acknowledge the challenges that have led to the downfall of several high-potential ventures. These cases provide critical lessons for policymakers, investors, and entrepreneurs. Despite rising investor interest and entrepreneurial dynamism, structural barriers—including limited access to follow-on capital, high operational costs, economic and political volatility, and insufficient awareness among entrepreneurs about the benefits of regional integration and related initiatives—have contributed to the closure of many promising startups. Among these is Dash, a Ghanaian fintech company founded in 2019, which aimed to integrate mobile wallets and bank accounts across Africa. Despite securing $86.1 million in funding, Dash ceased operations due to an unsustainable burn rate and insufficient revenue generation. Similarly, WhereIsMyTransport, a South African data platform focused on mobility in emerging markets, raised $27 million but was unable to secure additional investment, leading to the end of its operations. In Kenya, Sendy was a logistics startup. It raised $26.5 million but fell short of its $100 million fundraising target. Cost-cutting measures and layoffs were ultimately insufficient to maintain operations.

These case studies illustrate both the transformative potential and the persistent vulnerabilities of Africa's startup ecosystem in the AfCFTA era. Success stories from the Big Four economies demonstrate how startups can harness regional integration to scale across borders, strengthen value chains, and contribute to inclusive growth. At the same time, the challenges faced by high-potential but unsuccessful ventures highlight the importance of sound governance, sustainable financing, adaptive business models and building investor confidence. By combining lessons from both trajectories, policymakers and ecosystem actors can design more targeted interventions that empower startups to seize AfCFTA-driven opportunities while mitigating structural risks.

5.RECOMMENDATIONS AND CONCLUSION:

➔ Boosting Diversification and Productive Capacity under the AfCFTA

The AfCFTA provides a unique opportunity for African countries to diversify their economies, strengthen competitiveness, and deepen intra-regional trade. However, supply-side constraints—such as limited productive capacity, narrow export bases, and underdeveloped industrial sectors—continue to hinder the private sector's ability to fully benefit from regional market integration. To address these constraints, member states must adopt coordinated strategies that build productive capabilities and foster economic diversification.

One way to achieve this is by empowering startups to play a central role in regional value chains. Paystack, a Nigerian fintech startup, illustrates this potential: by simplifying digital payments, it has lowered transaction barriers for SMEs and created new opportunities for trade across borders. Similarly, Twiga Foods in Kenya demonstrates how startups can link agriculture with manufacturing and distribution hubs, boosting food supply chains at scale. For Egypt, startups such as Trella in logistics is well-positioned to capitalize on AfCFTA's provisions—particularly lower tariffs, harmonized documentation, and cross-border payment systems—once these are fully operational.

Countries with more diverse exports achieve higher intra-African trade, underlining the need to reduce product similarity and promote innovation. Startups, with their agility and innovation, are key drivers of this process. Targeted industrial policies should therefore focus on infrastructure, technology, skills, and SME support, with special emphasis on fostering startup growth. Finally, aligning AfCFTA implementation with existing REC frameworks through harmonized trade rules and investment regimes will reduce fragmentation and support continent-wide structural transformation.

➔ Reducing Non-Tariff Barriers for young firms and entrepreneurs

Non-tariff barriers (NTBs) remain a major obstacle to intra-African trade, despite progress in reducing tariffs. Inconsistent customs procedures, divergent regulations, and burdensome border controls continue to raise trade costs and delay the movement of goods—particularly harming SMEs and startups, which lack the resources to navigate these complexities. While some NTBs are designed to protect domestic industries, their persistence often undermines the objectives of regional integration and limits opportunities for young firms to scale across borders.

To address these challenges, AfCFTA implementation should prioritize the digitalization and harmonization of trade procedures through unified customs systems, mutual recognition of standards, and coordinated border operations. In parallel, startup-friendly trade corridors should be rolled out to ease entry into regional markets. Expanding the adoption of the Pan-African Payment and Settlement System (PAPSS) will further enable fintech and e-commerce startups to conduct seamless, low-cost cross-border transactions, strengthening their ability to operate regionally.

➔ Boost Startup Awareness and Knowledge Sharing through APRM

A major barrier for African startups is limited awareness of AfCFTA instruments and related initiatives, as seen in Egypt and South Africa where many entrepreneurs remain unclear on how to leverage the agreement's benefits. To address this, governments and the AfCFTA Secretariat should launch structured awareness programs—through incubators, accelerators, and digital platforms—that translate AfCFTA provisions into practical opportunities for startups. At the same time, the Africa Peer Review Mechanism (APRM) can be harnessed as a continental platform to exchange best practices on ecosystem development, from fintech regulation to venture funding models. By combining awareness efforts with APRM's peer-learning capacity, member states can better equip startups to engage in regional value chains, expand across borders, and contribute to inclusive, trade-led growth.

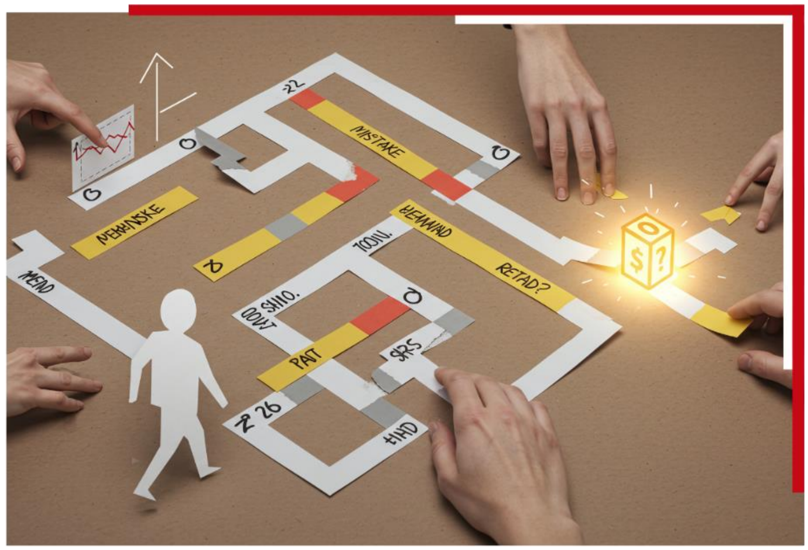
➔ Empower SMEs and Startups to Participate in Regional Trade

SMEs and startups are critical for inclusive growth, yet structural barriers still constrain their ability to engage in regional markets. Beyond reducing tariffs, member states should create incentives for startups to participate in regional value chains, such as preferential access to procurement schemes linked to the AfCFTA and Regional Economic Communities (RECs), co-financing opportunities, and tax benefits for cross-border operations.

To ensure startups can seize these opportunities, governments and continental institutions should also invest in upskilling programs under the AfCFTA, African Union, and REC frameworks. These programs should strengthen the technical, managerial, and digital capacities of startups, enabling them to integrate effectively into both regional and global supply chains. At the same time, expanding access to trade finance, promoting participation in public procurement and digital trade platforms, and developing export-readiness and incubation programs will further enhance startup competitiveness. Facilitating linkages between startups and larger firms in regional value chains will not only drive innovation but also accelerate Africa's trade-led transformation across multiple integration frameworks.

➔ Enhance Institutional Coherence through Harmonized Trade Regimes and Simplified Procedures

Overlapping memberships between the AfCFTA and Regional Economic Communities (RECs) have created fragmented and duplicative trade rules that hinder intra-African trade. To address this, member states should harmonize trade rules, and customs procedures across AfCFTA and REC frameworks. A key step is to introduce simplified, aligned procedures that integrate the requirements of both AfCFTA and regional trade agreements. This will reduce administrative burdens, particularly for SMEs and startups and create a more predictable trading environment.



To conclude, Africa possesses the fundamental assets for inclusive and sustainable development, including abundant natural resources, a rapidly expanding consumer market, and a vibrant youth population. Yet, the continent’s economic structure remains heavily dependent on the export of unprocessed raw materials and the import of finished goods, primarily from Europe and other external partners. This reliance on primary commodities exposes African economies to global price volatility and external shocks, reinforcing the urgency of economic diversification, industrial upgrading, and structural transformation.

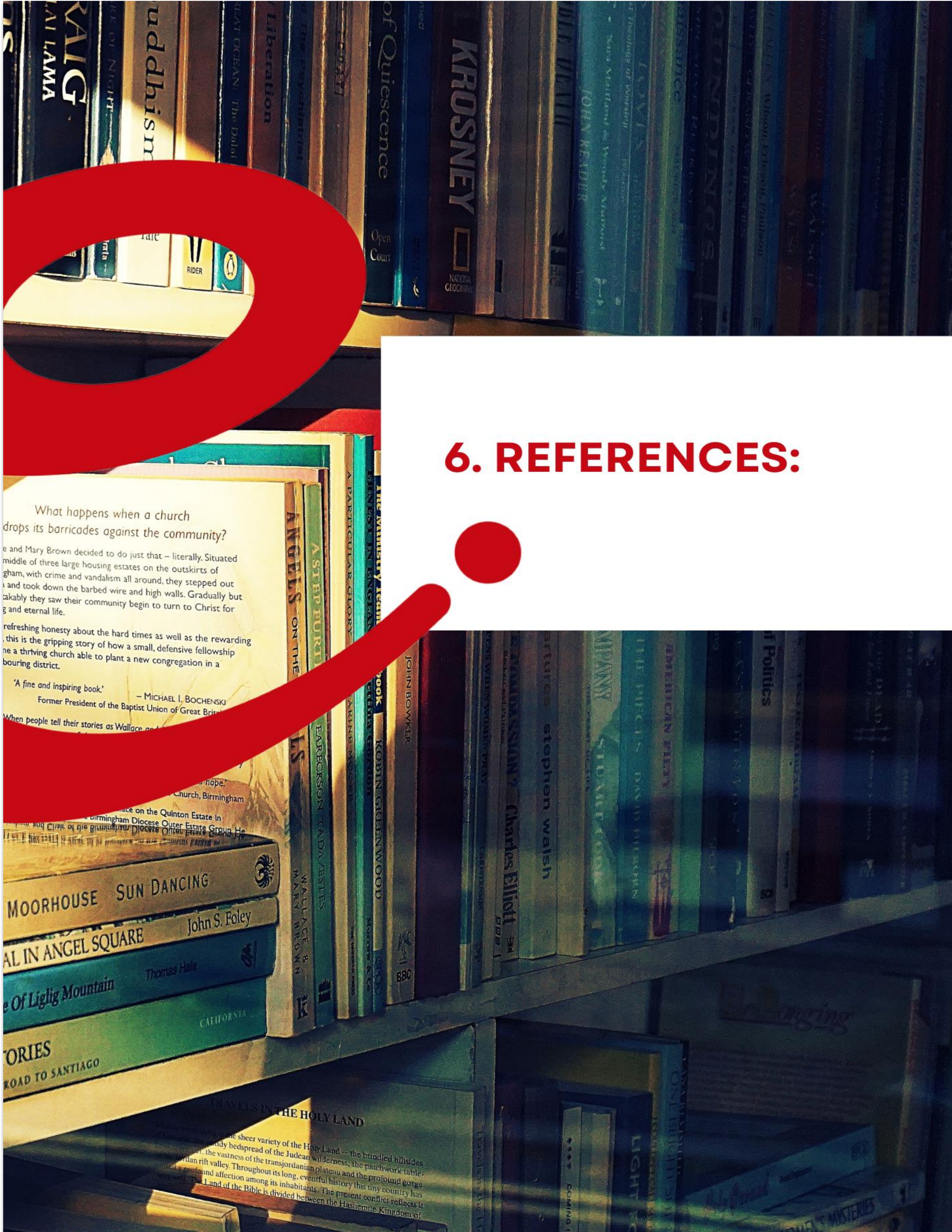
In this context, intra-African trade offers a transformative pathway to reduce dependence on external markets, enhance economic integration, and build resilience. The African Continental Free Trade Area (AfCFTA) is a crucial framework for realizing this vision by establishing a unified market, driving industrialization, and strengthening regional value chains. Beyond its macroeconomic benefits, the AfCFTA holds particular promise for startups and SMEs, which are among the most dynamic actors in Africa’s economies. By granting them access to broader markets, reducing trade barriers, and enabling their integration into regional value chains, the agreement creates new opportunities for innovation, growth, and competitiveness.

By empowering startups to expand across borders, AfCFTA can become a catalyst for economic diversification, job creation, and inclusive development. These enterprises—agile, youth-driven, and innovation-focused—are uniquely positioned to reimagine Africa’s value chains and accelerate the continent’s transition from raw commodity dependence to a knowledge- and technology-driven economy.

However, realizing these benefits requires addressing persistent challenges, including complex regulatory environments, inadequate infrastructure, and gaps in cross-border compliance. To unlock the full potential of the AfCFTA, targeted investments are needed in infrastructure development, regulatory harmonization, and capacity-building initiatives—particularly those that equip startups and SMEs with the tools to compete regionally. Equally important is the alignment of AfCFTA with existing regional frameworks to reduce duplication, enhance policy coherence, and accelerate implementation across the continent.

Achieving the AfCFTA's objectives will require a coordinated effort among governments, the private sector, and international partners. Continental mechanisms such as the Africa Peer Review Mechanism (APRM) can play a pivotal role in this process by facilitating peer learning, knowledge sharing, and the dissemination of best practices in trade policy and entrepreneurial ecosystem development. With sustained commitment, strategic coordination, and a deliberate focus on youth-driven entrepreneurship and innovation, Africa can transform the AfCFTA into a powerful engine of sustainable growth. Startups such as Paystack and Twiga Foods already demonstrate the potential of African enterprises to scale across borders, integrate into regional value chains, and contribute to inclusive development.

From potential to power, Africa's trade-led transformation depends on the alignment of integration frameworks, supportive policies, and entrepreneurial dynamism. By empowering startups and SMEs, the continent can unlock sustainable growth, build resilience, and position itself as a globally competitive and innovation-driven economy.



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Annex 1 :

Table (1): Overlapping Memberships in different Regional Trade Blocs.

Countries	**Regional Trade Blocs**							
	COMESA	SADC	EAC	ECOWAS	ECCAS	IGAD	AMU	CEN-SAD
Burundi	✓		✓		✓			✓
Comoros	✓	✓						✓
D.R Congo	✓	✓	✓		✓			✓
Djibouti	✓						✓	✓
Egypt	✓							✓
Eritrea	✓						✓	✓
Eswatini	✓	✓						✓
Ethiopia	✓						✓	✓
Kenya	✓		✓			✓	✓	✓
Libya	✓						✓	✓
Madagascar	✓	✓						✓
Malawi	✓	✓						✓
Mauritius	✓	✓						✓
Rwanda	✓		✓		✓			✓
Seychelles	✓	✓						✓
Somalia	✓		✓			✓		✓
Sudan	✓		✓				✓	✓
Tunisia	✓						✓	✓
Uganda	✓		✓				✓	✓

Zambia	✓	✓						✓
Zimbabwe	✓	✓						✓
Angola		✓			✓			✓
Kingdom of Lesotho		✓						✓
Mozambique		✓						✓
Namibia		✓						✓
South Africa		✓						✓
United of Republic Tanzania		✓	✓					✓
Benin				✓				✓
Cabo Verde				✓				✓
Côte d'Ivoire				✓				✓
The Gambia				✓				✓
Ghana				✓				✓
Guinea				✓	✓			✓
Guinea Bissau				✓				✓
Liberia				✓				✓
Nigeria				✓				✓
Senegal				✓				✓
Sierra Leone				✓				✓
Togo				✓				
Cameroon					✓			✓
Central African					✓			✓

Republic								
Republic of Congo					✓			✓
Gabon					✓			✓
Sao Tome and Principe					✓			✓
Chad					✓			✓
South Sudan						✓		✓
Algeria							✓	✓
Mauritania							✓	
Morocco							✓	

Source: Developed by authors.

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