Virtual Solutions Session: Towards Inclusive Trade in Africa – Harnessing Digital Innovations to Increase Access to Affordable Financing for Women Entrepreneurs in Africa

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Lead organizer: United Nations Economic Commission for Africa – African Trade Policy Center

Co-organizers: AfCFTA Secretariat (tbc), International Development Research Center Canada, Trade law center

Background

Women have long been recognized as key drivers of not only societal progress but also economic growth. The World Bank estimates that over 90 percent of businesses in Africa are micro, small, and medium enterprises (MSMEs), with women dominating many of the sectors. Yet, despite significant progress with reducing gender gaps in education, access to finance, and employment, structural barriers and entrenched social norms continue to prevent women from fully engaging in trade and building productive economies. Sectoral and occupational segregation pushes many women into low-value adding sectors such as subsistence agriculture and the informal sector. In fact, women make up approximately 70% of informal cross-border traders in Africa.[1] Similarly, female entrepreneurs are often seen as financially risky due to factors such as limited collateral and low financial literacy. This leads to their exclusion from formal financial systems, one of the biggest barriers to women's advancement in trade and enterprise.

Even as their participation in regional value chains gradually increases, deficit in trade financing continues to curtail the potential of women traders. The financing gap for women entrepreneurs, is estimated to be $42 billion in Africa,[2] a figure which cannot be met by grants, subsidies, or development initiatives alone. This gap is further exacerbated by structural inequalities embedded within the broader financial ecosystem. Moreover, the design of public and private financing instruments, as well as digital finance solutions, rarely incorporate gender-responsive considerations. Financial inclusion can empower women with greater control over finances, improved credit access, and lower costs for

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[1] UNDP (2023) The Futures Report: Making the AfCFTA Work for Women and Youth
December 3, 2020. Please see: https://www.undp.org/africa/publications/futures-report-making-afcfta-work-women-and-youth

[2] AfDB (2016). "Affirmative Finance Action for Women in Africa (AFAWA): Unleashing Women's Entrepreneurship Through Strategic Partnerships".

financial services[3] and impact positively Africa's MSMEs where women dominate. To close this financing gap, much of this funding will need to be raised by individual women entrepreneurs themselves as capital, either borrowed against existing assets from formal financial institutions, or through innovative means and new financing models and opportunities.

Fintech innovations, mobile money platforms, venture funds, and other alternative financing models are picking pace and may offer solutions by incorporating gender-responsive considerations. Africa has the highest number of digital finance providers, increasingly providing alternatives for people to transact (ECA, 2022). [4] Digital financial services have the potential to provide women with greater control over their finances and reduce the cost of accessing financial products and services, thereby improving their access to formal credit. However, these products and services remain largely underutilized by many women due to significant gaps in digital and financial literacy, availability of infrastructure and access and affordability of relevant technologies and devices, as well as regulatory protections and fragmentation of policy and coordination across African markets. The AfCFTA Protocol on Women and Youth in Trade provides clear guidelines in addressing these challenges.

Moreover, even where financial instruments exist, cross-border traders encounter major obstacles due to the lack of interoperable financial systems across African borders. A trader in one African country seeking to pay for goods from another often has few options for local currency settlement, leading to inefficiencies and higher transaction costs that further marginalize women in cross-border trade. The Pan-African Payment and Settlement System (PAPSS), launched in 2022, addresses this by integrating national payment platforms and enabling real-time cross-border transactions in local currencies. An increasing number of financial institutions are onboarding onto the platform, attesting to the drive for continent-wide solutions to harmonize fragmented markets. However, despite its early success, its adoption has been so far uneven. If fully implemented, PAPSS will reduce the cost of trade, enhance financial inclusion, especially for women-led MSMEs engaged in intra-African commerce, and foster the harmonization of the legal and regulatory environment across the continent.

Addressing these challenges demands a multi-pronged approach that includes not only expanding access to affordable and innovative financing, but also strengthening gender-

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[3] World Bank Development Research Group, the Better Than Cash Alliance, the Bill & Melinda Gates Foundation and Women's World Banking (2015). *Digital financial solutions to advance women's economic participation: How governments, private sector and development organizations can bring more women into the global economy through digital financial services.*

[4] ECA (2022) African women's report 2021 digital finance ecosystems: pathways to women's economic empowerment in Africa. Please see: https://www.uneca.org/african-women%E2%80%99s-report-2021-digital-finance-ecosystems-pathways-to-women%E2%80%99s-economic-empowerment-in

responsive digital and financial infrastructure, and forging strategic partnerships that prioritize women's inclusion in Africa's trade and development pursuits. This solutions session will bring together women entrepreneurs, policy makers, industry leaders, financial institutions and development partners to generate tangible solutions for closing the gender gap in trade financing and harnessing innovations for the inclusive implementation of the AfCFTA.

Objectives and expected outcomes

The panel aims to:

1. Provide insights into the current financing landscape for women traders and entrepreneurs in Africa, including identifying barriers, opportunities and priority gaps that hinder equitable access to affordable finance.
2. Explore ways in which banks, fintech innovators, and development partners can collaboratively crowd in and scale private finance for women cross-border traders, with particular emphasis on practical, replicable models.
3. Showcase the transformative potential of integrated digital payment platforms such as PAPSS and mobile money solutions to facilitate seamless, low-cost, and widespread access to, and movement of local currency financing for women traders across Africa.
4. Propose tangible solutions to strengthen design and adoption of gender-responsive financing mechanisms towards inclusive implementation of the AfCFTA.

The discussions will put forth a set of actionable policy recommendations to embed gender-responsive approaches into trade financing mechanisms under the AfCFTA framework. These recommendations will ensure that financial instruments, regulations, and support measures effectively address the specific needs of women entrepreneurs.