



PAFO-COLEAD INNOVATIONS SERIES: Innovations and successes of African farmer-led businesses and SMEs

SESSION N°17

The potential of African regional markets: Successes from SMEs and Smallholders

Wednesday 21 February 2024 – 12:00-14:00 UTC / 13:00-15:00 CET

Online ([Zoom](#))

English-French-Portuguese interpretation available

1. Context

One of the key drivers of food systems transformation in Africa lies in the potential of African regional markets, where Small and Medium-sized Enterprises (SMEs) and smallholders can play an important role.

Agricultural trade in Africa has been consistently growing over time and import demand has been particularly strong. Between 1999 and 2019, the value of agricultural imports in Africa grew at an average annual rate of 7.4 percent compared with a 6.0 percent growth rate for agricultural exports. Over the same period, intraregional trade (trade with other African countries) also has been growing, a trend that is expected to continue to accelerate with the African Continental Free Trade Area (AfCFTA)'s implementation.¹ The share of intra-African agricultural trade has been consistently below 20 percent in recent decades.² Comparable figures for intraregional agricultural trade are higher for Asia and Europe (more than 60 percent).³

The African agricultural and food market is expanding quickly as indicated by World Bank projections that show that the value of Africa's agriculture and agribusiness industry is expected to more than triple to reach USD 1 trillion by 2030, compared to 2010.⁴ The export of higher value-added products made in Africa is greater in regional markets than in external markets outside Africa, which are typically dominated by raw material exports.

The share of intra-African exports as a percentage of total African exports has increased from about 10 percent in 1995 to around 17 percent in 2017, but it remains low compared to levels in Europe

¹ Michael E. Johnson, Stephen Morgan, and Jarrad Farris. US Department of Agriculture. Economic Research Service. [Market Opportunities Expanding for Agricultural Trade and Investment in Africa](#). 2023.

² FAO and AUC. 2021. [Framework for boosting intra-African trade in agricultural commodities and services](#). Addis Ababa.

³ Ibid.

⁴ The World Bank. [Africa's Food Markets Could Create One Trillion Dollar Opportunity by 2030](#). 2013.

(69 percent), Asia (59 percent), and North America (31 percent). This is an important reason to expect that trade will be a key driver of growth in Africa.⁵

2. New opportunities offered by the AfCFTA

Launched on 1st January 2021, AfCFTA is the world's largest free trade area bringing together the 55 countries of the African Union (AU) and eight Regional Economic Communities (RECs). The overall mandate of the AfCFTA is to create a single continental market with a population of about 1.3 billion people and a combined gross domestic product (GDP) of approximately USD 3.4 trillion.⁶ The AfCFTA is expected to help expand new trade opportunities through economic integration, intraregional trade, and investment among member countries. It aims to eliminate trade barriers and boost intra-Africa trade, advance trade in value-added production across all service sectors of the African economy. The free trade agreement is expected to harmonise regulatory requirements across borders, which will help operators in African countries to do business across the region and the continent at a cheaper price. New opportunities for investment in food production, processing, and delivery across Africa are expected to benefit the entire value chain.

Regional integration is also gaining momentum as evidenced by progress in the creation of customs unions and the initial steps in setting up a common external tariff at the regional level in several RECs such as the East African Community (EAC) and the Economic Community of West African States (ECOWAS).

According to modelling results by the ECA,⁷ the AfCFTA is projected to increase the value of intra-African exports. AfCFTA will be a game changer for stimulating intra-African trade. It is projected, through the sole removal of tariffs on goods, to increase the value of intra-African trade by between 15 percent (or USD 50 billion) and 25 percent (or USD 70 billion), depending on liberalisation efforts, in 2040, compared to a situation with no AfCFTA in place. Recent evidence by ECA shows that when African countries trade with themselves they exchange more manufactured and processed goods, have more knowledge transfer, and create more value. In fact, manufactured goods make up a much higher proportion of regional exports than those leaving the continent—41.9 compared to 14.8 percent in 2014. The real test of the AfCFTA, however, will be how quickly African countries can accelerate export diversification and product sophistication and make trade more inclusive. ECA's modelling projects that by 2040, the AfCFTA will increase intra-African trade in agricultural products by between 20 and 30 percent, with the highest gains in sugar, vegetables, fruit, nuts, beverages, and dairy products.⁸ The agreement is expected to expand access to markets at the regional and international levels, thus generating state revenue, increasing farmer income, and expanding both farmer and country capacity to invest in modernising the agricultural sector through processing and mechanisation.

3. Opportunities for SMEs in African regional markets

SMEs contribute significantly to job creation, innovation, and economic diversification in the agrifood sector and play a crucial role in promoting regional and intra-regional trade.

Recent evidence suggests that the export of agroprocessed and other value-added goods made in Africa is greater in regional markets than in external markets outside Africa, typically dominated by mostly low-value raw material exports.⁹

⁵ [Foresight Africa: Top Priorities for the Continent in 2019](#). Africa Growth Initiative, Brookings Institution, 2019.

⁶ About AfCFTA. <https://au-afcfta.org/about/>

⁷ United Nations Economic Commission for Africa. 2018. "[An Empirical assessment of the African Continental Free Trade Area Modalities on Goods](#)." UNECA.

⁸ Ibid.

⁹ FAO and AUC. 2021. [Framework for boosting intra-African trade in agricultural commodities and services](#). Addis Ababa.

One-stop border posts, also known as joint border posts, have been introduced under the New Partnership for Africa’s Development to reduce formalities, costs and delays at border crossings. Currently, one-stop border posts are being rolled out across Africa as part of the regional integration agenda and to complement the implementation of simplified trade regimes. More than 80 one-stop border posts have been planned or implemented in various parts of Africa, however, not all of them have aligned operations.¹⁰ Studies suggest that, in Sub-Saharan Africa, an average reduction of 5 percent in the time spent at the border could achieve a 10 percent increase in regional exports. By simplifying trading requirements and procedures and harmonising border policies, such as those regarding visas and immigration, one-stop border posts could encourage the formalisation of trade.¹¹

There are various opportunities for **leveraging technology and digital platforms** to connect SMEs and smallholders with regional markets. Mobile banking, e-commerce platforms, and data-driven solutions can bridge existing gaps, making it easier for these entities to access finance, reach consumers, and participate in the regional supply chain. By deploying digital technologies, countries can participate more efficiently in intra-African trade within the context of AfCFTA.¹²

Diversification should also lead to increased sophistication¹³ of export products. Africa has significant growth potential due to an expanding middle class, which occurs simultaneously with an expanding but young and rapidly urbanising population.¹⁴ Moreover, Africa’s GDP growth in recent years has been favorable.¹⁵ Thus, an increasing number of people can now buy locally produced value-added goods and services. The growing demand for “Made in Africa” products offers a great opportunity to boost local production, create much-needed jobs and strengthen intra-African trade relations.¹⁶ Manufactured goods already account for a large share of intra-African exports and increased demand from the middle class could further support value-added production and exports.¹⁷ With increased urbanisation and middle class comes shifts in consumer preferences. As incomes also rise in urban settings, consumers seek a greater diversity of food in their diet, especially animal-based protein, prepared cereals, fats and sugars, and fruits and vegetables.

Remaining Challenges to maximise the potential of regional markets

In the agricultural services sector, several factors contribute to increased trade costs of services and decreased competitiveness, including compliance costs, regulatory barriers and language differences. Tariffs, non-tariff barriers (NTBs), gender inequality and poor skills limit access to the formal economy and therefore contribute to poor compliance with sanitary and phytosanitary (SPS) measures and high levels of informality such that informal cross-border trade.

¹⁰ African Export-Import Bank (Afreximbank). [Annual report 2020](#).

¹¹ UNCTAD. Economic Development in Africa Report 2021. [Reaping the Potential Benefits of the African Continental Free Trade Area for Inclusive Growth](#).

¹² UN. Africa Dialogue Series 2023. ADS2023. Policy Brief. [Growing Middle Class and Import Substitution Connecting the Dots to Unlock Made in Africa](#).

¹³ Product sophistication refers to the share of value addition in a product, or product upgrading.

¹⁴ Presently, 60 percent of Africa’s 1.25 billion people are less than 25 years old, the highest of any region in the world, and this is expected to gain 20 percent by 2030. Projections suggest that by 2030, 17 African cities will have over 5 million inhabitants and a further 90 cities will have at least one million. See [Foresight Africa: Top Priorities for the Continent in 2019](#). Africa Growth Initiative, Brookings Institution, 2019.

¹⁵ Data from the IMF World Economic Outlook Database in April 2022 shows that between 2019 and 2022, Africa’s GDP grew at an annual average of 3.12 percent, compared to the global average of 2.42 percent. While global average GDP declined by 3.04 percent in 2020 due to the COVID-19 pandemic, Africa’s GDP showed more resilience, declining by only 1.62 percent.

¹⁶ The World Bank. [Free Trade Deal Boosts Africa's Economic Development](#). 2022.

¹⁷ African countries generally trade more in manufactures with themselves than they do with the rest of the world. In 2014, manufactured goods made up 41.9 percent of intra-African exports compared to 14.8 percent of exports to the rest of the world. See <https://www.brookings.edu/research/intra-african-trade-a-path-to-economic-diversification-and-inclusion/> for a longer discussion.

Intra-African trade faces higher costs compared with other regions due to insufficient infrastructure and the cost of doing business and existing trade barriers. The harmonisation of regulatory measures, infrastructure development and lowering tariffs and non-tariff measures, will help to reduce costs for businesses.¹⁸

The use of bank loans in Sub-Saharan Africa is lower than in other developing regions of the world.¹⁹ As documented in the AU's 2019 Biennial Review²⁰ and other sources, the poor state of infrastructure in Africa such as water, roads and telecommunications has reduced economic growth by 2 percent and lowered productivity by as much as 40 percent annually. Meeting the growing demand for trade and investment in the agricultural sector remains a major challenge in Africa, where it is estimated that only 10 percent of farmers have access to credit.

Making it easier for businesses to trade within Africa and benefit from their own growing market would have transformative effects for MSMEs. Increased knowledge of AfCFTA by entrepreneurs will allow them to seize new markets and develop new products, otherwise the benefits will only go to larger agribusiness and exclude MSMEs. Policy and private actors should raise awareness amongst African entrepreneurs on how they can benefit from the agreement, and what they need to do to comply with the legislation.

4. The way forward

While there have been notable successes, challenges persist in unlocking the full potential of African regional markets. A greater emphasis on deeper intraregional trade, cross-border investments in infrastructure and fostering "made in Africa" trade and industrialisation policies is key to the continent's future prosperity and resilience to global financial, food-related, climatic and pandemic-related shocks. For the AfCFTA to be a game changer, countries in Africa need to adopt policies that enhance consistency between trade measures, diversification objectives and inclusivity.²¹

Infrastructure deficits, regulatory complexities, and access to finance remain significant obstacles for SMEs and smallholders. Addressing these challenges requires a collaborative effort from governments, international organisations, and the private sector. Transformation can be achieved through improvements in farm-level productivity, inputs, mechanisation and post-harvest management driven by investment, innovation and technology within a coordinated and effectively executed policy framework.²² For the AfCFTA to be a game changer, countries in Africa need to adopt policies that enhance consistency between trade measures, diversification objectives and inclusivity.²³

Key points for discussion:

- What are the opportunities in regional markets for African SMEs and businesses?
- What innovations are required to succeed in regional markets?
- What incentives can be provided to SMEs and smallholders to engage in regional markets?

¹⁸ USDA Economic Research Service. Michael E. Johnson, Stephen Morgan, and Jarrad Farris. [Market Opportunities Expanding for Agricultural Trade and Investment in Africa](#). 2023.

¹⁹ The World Bank Group. 2014. SME Finance in Africa. Thorsten Beck. Robert Cull. Policy Research Working Paper 7018. <https://documents1.worldbank.org/curated/en/294741468006614213/pdf/WPS7018.pdf>

²⁰ AU. Biennial Review. 2019. https://au.int/sites/default/files/documents/38119-doc-2019_biennial_review-en.pdf.

²¹ UNCTAD. [Economic Development in Africa Report 2021: Reaping the Potential Benefits of the African Continental Free Trade Area for Inclusive Growth](#). 2021.

²² FAO and AUC. 2021. [Framework for boosting intra-African trade in agricultural commodities and services](#). Addis Ababa.

²³ UNCTAD. [Economic Development in Africa Report 2021: Reaping the Potential Benefits of the African Continental Free Trade Area for Inclusive Growth](#). 2021.

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Agenda

12:00-12:10 Introduction: *Dr. Babafemi Oyewole, CEO, PAFO*

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

12:10-13:00 Panel: successes in African regional markets led by smallholders and businesses

- *Harry Malichi, Co-Founder and Managing Director, Wuchi Wami, Zambia*
- *Victoria Mwafulirwa, Founder and Managing Director, Homes Industries Ltd, Malawi*
- *Maimouna Coulibaly, Founder and Managing Director, FASO KABA, Mali*
- *Ntwali Ismael, Operations Manager, S&I FRESH LTD, Rwanda*

13:00-13:20 Discussants

- *Khalifa Aladji Abdoulaye Thiam, Manager, JOULEU, Senegal*
- *Andrew Ahiaku, Director & Head of Financial Sector, Aceli Africa*

13:20-13:50 Debate

13:50-14:00 Key takeaways and conclusion

- *Jeremy Knops, Délégué Général, COLEAD*



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