

ONE TRADE AFRICA

Empowering African Businesses



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AfCFTA PRIVATE SECTOR MAPPING

The AfCFTA offers an intra-African export potential of US\$22 billion waiting to be tapped by Africa's business community.

The AfCFTA Secretariat recognises the vital role of the private sector in driving intra-Africa trade and boosting Africa's industrial capacity, and in this regard seeks to fully engage this key stakeholder to ensure it has ownership of the implementation process and takes advantage of new market opportunities. The AfCFTA Private Sector strategy focuses on four initial promising priority value chain sectors: pharmaceuticals, automotive, agro-processing, transport and logistics.

To support the operationalisation of the strategy, ITC has partnered with the Secretariat to provide a mapping of the relevant constituents of the African private sector, the trade challenges they report to face, and the business ecosystem that supports them. The mapping accords particular attention to small and medium-sized enterprises (SMEs) which account for over 90% of enterprises and 80% of jobs, disproportionately employing women, youth, and vulnerable groups.

"The AfCFTA places the private sector at the core of its implementation strategy and is committed to supporting the development of our SMEs, youth and women-led businesses to ensure their integration into the regional and continental value chains. To achieve this, we ought to understand the African SME landscape, the supporting ecosystem, and its competitiveness for effective and optimal engagement."

Wamkele Mene, AfCFTA Secretary General

APPROACH

To kick start the assessment, a preliminary mapping exercise was conducted in 2022 drawing from a breadth of ITC data sources and methodologies including:

- Surveys of competitiveness strengths and weaknesses of a representative sample of 4,683 enterprises in 11 African countries conducted since 2015
- Survey data on non-tariff measures identified through 10,000 company interviews from 22 African countries conducted since 2011
- A continental value chain diagnostic involving 1,275 interviews with businesses, business support organisations and web-based consultations, covering 46 African countries
- A mapping of Business Support Organisations (BSOs)



KEY MESSAGES

1 – There is considerable potential in AfCFTA priority sectors if trade barriers can be addressed

Africa's transport and logistics import market is worth \$65 billion and its automotive market \$42 billion. Africa's pharmaceutical sector has realised just 35% of its export potential and agro-processing sectors, like food preparations for infants, currently sources just 10% of their inputs from intra-African suppliers. Addressing trade barriers related to rules of origin in the manufacturing sector and conformity assessment in processed food will help increase intra-African trade.

2 – Businesses need more support to take advantage of the AfCFTA

- *Improving their capacity to compete* entails using the AfCFTA to improve the competitiveness of logistics services, harmonising standards systems, and helping businesses to effectively use financial resources while accessing external trade credit.
- *Improving their capacity to connect* involves improving awareness and information resources on the AfCFTA, while strengthening business networks, and supporting businesses in e-marketing.
- *Improving their capacity to change* requires supporting enterprises in practical aspects such as developing business plans, designing efficient skills recruitment processes, and leveraging innovation-support.

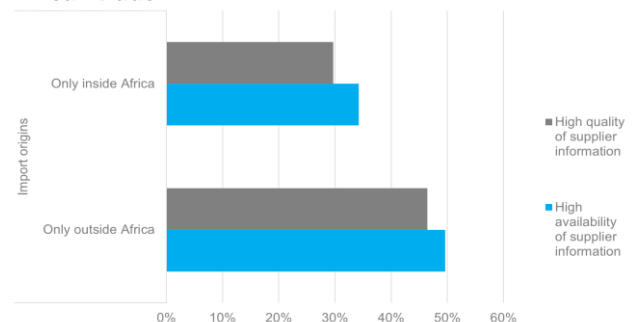
3 – To amplify support for businesses, BSOs can be used as impact multipliers

- *"From the bottom-up"* by compiling the needs and perspectives of Africa's private sector to inform policymaking and contribute to the effective implementation of the AfCFTA.
- *"Laterally"* to improve connectivity between regional bodies and private sector operators.
- *"From the top-down"* to disseminate services and information to businesses, supporting them in taking advantage of the AfCFTA.

FACTS AND FIGURES

- **75%** of businesses in Francophone Africa are yet to hear about the AfCFTA
- **42%** of micro-sized firms, and **34%** of small firms, struggle delivering products and services on time, compared to just **18%** of large firms
- Less than **60%** of firms have business bank accounts in some African countries, though in most countries over **80%** of firms own a bank account
- Just **32%** of African firms report having a business website, with women-led and informal firms being **15 percentage points** and **28 percentage points** less likely respectively
- Only **28%** of micro-sized and **37%** of small firms report high availability of information on standards and certificates, and this information is less available for firms exporting within Africa
- Only **34%** of African firms that import from other African countries report a high availability of information on potential suppliers, while **30%** find this information of high quality
- Companies that engage BSOs are **13 percentage points** more likely to report having high availability market information on potential buyers and suppliers
- Firms with a high share of export sales are **22 percentage points** more likely to report excellent skills matching between employees and company needs, compared to firms with a low share
- Exporting firms are more likely to innovate, with **42%** of African exporting firms investing heavily in R&D, compared to only **24%** of non-exporting firms

Information on potential suppliers is lower in intra-African trade



NEXT STEPS

This preliminary mapping is an initial step towards a full assessment of Africa's private sector. It is based on the views, perspective and priorities shared by businesses from an initial round of data collection or pre-existing data. Further consolidation is planned to provide deeper insight and ensure more comprehensive coverage of sectors and countries. Through better understanding the composition of the private sector, an outline of its trade challenges, and the ecosystem of its support organisations, the AfCFTA Private Sector Engagement Strategy can be optimised for greater impact.



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