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Linking SMEs in the SADC to the African Continental Free Trade Area for enhanced consumption of aquatic foods

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1. Introduction

Through the Programme for Improving Fisheries Governance and Blue Economy Trade Corridors in SADC Region (PROFISHBLUE) , the Southern African Development Community (SADC) is working with small and medium entrepreneurs (SMEs) in fish processing and trade to nourish the region by increasing regional trade in aquatic foods.

This policy brief discusses the challenges SMEs face in leveraging trade opportunities under the African Continental Free Trade Area (AfCFTA). It also discusses measures that can help SMEs access trade benefits under the AfCFTA and contribute to the SADC's health and nutrition agenda through improved access to safe and nutritious aquatic foods.

2. Background

The SADC, a regional economic community comprising 16 member states, has high food and nutritional insecurity. Stunting rates average over 25% in most member states, and iron deficiency in women of reproductive age is a public health concern. Almost 18.6 million children in the region are stunted, representing a third of all stunted children in Africa (SADC 2022). The situation is expected to worsen with increasing population. To address the problem, the SADC is working to connect the region to broader African markets through the AfCFTA to improve trade and, subsequently, consumption of nutritious aquatic foods in the region (Reardon et al. 2021). Improved market connectivity is essential for SMEs to move aquatic foods from net-producing regions to regions with deficits across the continent to improve nutritional outcomes.

2.1. Fish consumption in the SADC

Consumption of aquatic foods in the SADC varies from country to country. From 1992 to 2021, average per capita fish consumption across the region increased from 8.8 kg to 11.8 kg (SADC 2021), but is still below the global average of about 20.5 kg (FAO 2023). Consumption of high-value aquatic foods, such as shrimp, crabs, oysters, mussels and squid, is generally low compared to fish species like tilapia and kapenta (Mapfumo 2022), except in coastal member states where they are locally available and integrated into regional cuisines (Lubembe et al. 2022). High-value aquatic foods are often exported to international markets, reducing local availability and driving up costs domestically. Additionally, cultural preferences limit consumer awareness of the nutritional benefits of aquatic foods, and infrastructure challenges further restrict their consumption (Ngarava et al. 2023). These socioeconomic disparities in the consumption of aquatic foods underscore the need for targeted interventions to enhance access to affordable fish, especially in countries with lower consumption.

2.2. Barriers to higher fish consumption in the SADC

Barriers include the following:

- Some aquatic foods, especially more valuable species, are not affordable, particularly for low-income households (Headey et al. 2018).
- Availability of aquatic foods is low because of infrastructure limitations and underdeveloped cold chain systems (Joy et al. 2015).
- Consumers prefer other animal protein sources and plant-based proteins.
- Supply-side constraints caused by, among other things, overfishing, environmental degradation and climate change limit the production and supply of aquatic foods.
- There is limited consumer awareness on the nutritional benefits of aquatic foods.
- Fragmented supply chains are compounded by poor transportation and storage networks, resulting in high post-harvest losses, poor fish quality and limited market reach.

3. Role of SMEs in processing, trade and consumption of fish

Through PROFISHBLUE, the SADC is working towards connecting SMEs in aquatic food systems with regional markets using the AfCFTA to increase the consumption of aquatic foods. SMEs under the project process and distribute multiple products, such as minced fish, fish sausages and fish-fortified products (porridge, soup, peanut butter, biscuits and cookies) for national and regional markets (Plate 1).

Processed products are easier than raw products to store and to transport from production areas to markets. Easy storage and transportation increases their availability to areas remote from processing facilities and extends their shelf-life, which reduces post-harvest losses. The wide range of aquatic food products offered by SMEs helps cater to diverse consumer tastes and preferences, increasing opportunities for people, from infants to the aged, to consume more aquatic foods.

Plate 1. Various fish- and seaweed-based products produced by SMEs in the SADC.

4. Barriers to growth and market connectivity for SMEs in processing and trading aquatic foods

SMEs involved in processing and trading aquatic foods in SADC face two main barriers that limit them from contributing significantly to nutrition security despite their inventiveness:

1. Inadequate financing: Most SMEs have limited capacity to access financial products to grow their enterprises. This creates a myriad of other challenges, such as failure to embrace efficient and climate-smart processing technologies, which constrain them from scaling their production to meet market demands.
2. Lack of appropriate technologies: Many SMEs depend on inefficient and labour-intensive methods, leading to low productivity. Most do not own infrastructure and equipment such as climate-smart storage facilities and cold chain systems, including refrigerated transportation to move their products over long distances.

The situation is worsened by the inability of SMEs to formalize and systematize their businesses and own collateralizable assets to enhance their ability to borrow from financial institutions instead of relying on donor-funded projects to grow their enterprises. Poor business management skills and low financial literacy among most SMEs complicates the situation further.

4.1. Input and output market barriers

These barriers range from limited access to quality fish or seaweed to restricted access to premium regional and international markets as a result of poor market connectivity, inadequate cold chain and transportation infrastructure networks, and inefficient transportation systems, forcing the SMEs to sell at low prices in local markets. Other barriers are (i) the absence of a reliable fishery market information system to allow SMEs seamless access to market trends, (ii) strict health, safety and quality requirements for formal trade, resulting in high compliance costs, and (iii) continued fragmentation of aquatic food systems, causing production and trade inefficiencies. All these factors make SMEs less competitive and profitable and leave them with no bargaining power. Instead, they operate in silos rather than forming cooperative networks that would increase their leverage. Forming such networks would foster collaborative growth, leading to lower operating costs and, thus, increased profits.

4.2. Limited access to affordable and reliable energy

This limitation constrains SMEs from efficiently processing, storing and delivering products in excellent condition to markets and affects the growth of their enterprises. In instances where energy supply is reliable, most SMEs find power expensive.

4.3. Policy gaps and incoherence

SADC member states lack unified standards for aquatic foods, subjecting SMEs involved in cross-border trade (CBT) to multiple quality, safety and certification standards and making compliance difficult. Policies on nutrition in member states focus little on aquatic foods despite their critical role in fulfilling dietary requirements, resulting in missed opportunities to leverage the nutritional benefits of aquatic foods. There is also a disconnect between industrial and trade policies and fishery policies, causing multiple challenges in integrating aquatic foods into broader economic and trade goals of regional economic frameworks like the AfCFTA.

5. Recommendations

The following recommendations are intended to leverage the AfCFTA and promote CBT and the consumption of aquatic foods in the region and across Africa:

5.1. SADC member states

- Improve the policy environment by harmonizing trade policies, tariff schedules, regulations and quality standards across the region, and simplify licensing and export procedures to motivate SMEs to participate in export markets.
- Develop and expand infrastructure to facilitate trade and connect markets. Governments must scope for innovative financing mechanisms, such as public– private partnerships, to share risks and reduce the cost of financing infrastructure for central government treasuries.
- Enhance capacity-building programs for SMEs on essential technical aspects of food processing and safety to ensure compliance with export requirements.
- Strengthen the business and technical skills of SMEs to enhance their entrepreneurial/ managerial and technical competencies so that they can manage both the technical and business sides of their enterprises. Training programs should target SMEs with potential for business growth and readiness for export and for adoption of digital tools in their enterprises.
- Enhance consumer awareness of the nutritional value of aquatic foods and update national dietary guidelines to prioritize aquatic foods in household dietary diversification. This will promote integration of aquatic foods into school feeding programs and into maternal and child health initiatives to improve nutrition among vulnerable groups.
- Catalyze innovative financing by working with private sector financial institutions and donor communities to create financing mechanisms customized for SMEs in aquatic food systems. This would support their growth and expand access to digital financial services. It would also promote financial inclusion and literacy of SMEs to enhance their access to credit, savings and insurance services, which are essential for business growth.

5.2. SMEs

- In aquatic food systems, creating awareness and capacity to SMEs to take up responsibility and be less dependent in order to grow and scale up their businesses is their responsibility. Other stakeholders, such as governments, donors and other stakeholders, are there to provide an enabling environment and increase their capacity to do business.
- SMEs to participate and engage in local, national or regional information and capacity building networks to improve their business management skills and use business incubation programs operated by state and non-state actors, such as banks and donors.
- SMEs also should embrace partnerships, joint ventures and cooperatives to enhance horizontal and vertical integration to expand their capacities by pooling resources, sharing infrastructure and facilitating access to training and technology.
- They should also leverage the power of technology and innovations to improve their business models market reach.

5.3. SADC measures

- Align the SADC's trade, industrial, agricultural and fisheries policies with the AfCFTA's objectives.
- Improve trade logistics by having SADC invest in ports, logistical centers and transportation corridors.
- To accelerate cross-border movement, the SADC should streamline customs and border procedures through digital platforms, such as the single electronic window system.

- It should also harmonize its aquatic food standards and regulations with the AfCFTA to facilitate CBT without the need for extra certification or testing
- Enhance cooperation between the SADC and the AfCFTA to coordinate policies, improve logistics and resolve trade barriers between the SADC and other AfCFTA regions.
- Accelerate the incorporation of aquatic products into larger AfCFTA supply chains by creating regional centres of excellence and trade hubs designed to support trade of aquatic foods. These centres and hubs must monitor trade flows, increase transparency, identify market possibilities and obstacles, and resolve trade bottlenecks around CBT in aquatic foods.
- Create e-platforms that help SMEs gain access to AfCFTA markets.
- Inspire other stakeholders to invest in data analytics to enable SMEs to gain market insights and create targeted marketing campaigns that optimize their supply chains and better satisfy consumer demands.

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About WorldFish

WorldFish is a leading international research organization working to transform aquatic food systems to reduce hunger, malnutrition and poverty. It collaborates with international, regional and national partners to co-develop and deliver scientific innovations, evidence for policy, and knowledge to enable equitable and inclusive impact for millions who depend on fish for their livelihoods. As a member of CGIAR, WorldFish contributes to building a food- and nutrition-secure future and restoring natural resources. Headquartered in Penang, Malaysia, with country offices across Africa, Asia and the Pacific, WorldFish strives to create resilient and inclusive food systems for shared prosperity.

For more information, please visit www.worldfishcenter.org