

Introduction

The evolution of African urban economies is increasingly predicated on the efficient integration of domestic value chains with improved mobility across the continent—a transformation whose macroeconomic implications are profound. The cashew processing sector, a critical component of Africa’s agro-industrial landscape, exemplifies both the challenges and opportunities inherent in this integration. In many West African countries, raw cashew nuts (RCN) processing firms report that disproportionate distances between RCN sources and processing facilities have rendered operations economically unsustainable.

For instance, factories that source RCN from states in southern Nigeria and transport them over long distances to Kaduna, (a state north of the FCT) for processing—followed by exportation via Lagos—incur logistics costs so high that operations were suspended even before targeted interventions, such as those implemented under the Nigeria Expanded Trade and Transport (NEXTT) initiative, can take effect. In one instance, a company shut down entirely because the cost structure did not support the lengthy supply chain and the associated transport expenses.

A detailed due diligence exercise conducted by consultants from the Africa Cashew Alliance revealed that as much as 70% of RCN transported in this value chain are waste or substandard products. This inefficiency underscores the urgent need to reposition processing facilities closer to high-quality raw material sources.

Although NEXTT has facilitated attempts to relocate these facilities—highlighted by efforts to shift operations to industrial zones in Kwara state—contractual disputes and unsuitable local facility arrangements have frequently undermined progress. Consequently, the mismatch between production locations and processing sites continues to burden firms with unsustainable costs, thereby inhibiting overall sector competitiveness.

Another dimension of the challenge is the financing gap that besets many cashew processors. The inability to secure timely, affordable credit means that firms cannot purchase or stockpile sufficient quantities of RCN to sustain year-round operations. Financing difficulties are compounded by porous borders that enable the smuggling of raw materials, thereby distorting market signals.

For example, attempts to source RCN from Guinea-Bissau have often failed due to the extended transit times—containers may travel to Europe before arriving in Nigeria, taking as long as 40 days compared to 35 days for shipments to processing hubs in India. Such delays not only increase transportation costs but also exacerbate inventory shortages, further constraining production capacity.

Discussion

Infrastructural deficiencies remain one of the most persistent barriers to mobility and efficient value chain operation in Africa. Urban centers such as Lagos serve as critical nodes in the continental trade network, yet the connecting corridors are often marred by poor road conditions, inefficient customs procedures, and frequent bureaucratic delays. For example, while transporting goods from production clusters in Kogi or Benue to Lagos may be relatively straightforward due to the high commercial density in Lagos, the reverse journey—from production areas to less commercial regions like Kwara—often incurs double costs because trucks return empty, thereby amplifying logistics expenses. Such inefficiencies not only elevate operational costs but also diminish the competitiveness of local industries on the global stage.

The challenges at border crossings further compound these problems. Operators frequently report encountering multiple checkpoints and extortion practices that lead to unpredictable delays and additional costs.

One operator recounted that even when shipping containers left on time, delays at customs meant that transit times could extend unpredictably, with shipments sometimes taking as long as 45 days to reach destinations like New York. Such delays underscore the critical need for streamlined border procedures and harmonized regulatory frameworks across regional economic communities. Without these improvements, the inherent inefficiencies in African trade mobility will continue to depress export performance and erode profit margins.

Urban centers bear the brunt of these supply chain inefficiencies. When firms are forced to contend with high logistics costs and infrastructural bottlenecks, urban economic growth is stifled. The resultant inefficiencies reduce overall productivity and constrain wage growth, thereby impeding job creation. In a context where intra-African trade currently represents only about 15% of total African trade, projections under the African Continental Free Trade Area (AfCFTA) framework are particularly compelling: intra-African trade could increase by up to 109% by 2035, with wage levels potentially rising by 9.8% for men and 11.2% for women in some regions. However, realizing these gains depends critically on addressing the infrastructural and regulatory deficiencies that currently limit the mobility of goods and services.

The AfCFTA framework represents a transformative opportunity to recalibrate these dynamics. By reducing tariffs and harmonizing trade regulations, the AfCFTA is designed to lower transaction costs and facilitate more predictable cross-border flows. For instance, estimates suggest that if non-tariff barriers are effectively removed, the resultant boost in trade could be up to four times more significant than that achieved by tariff reductions alone. Moreover, the AfCFTA is projected to lift approximately 30 million Africans out of extreme poverty and add as much as US\$450 billion to the continent's income by 2035, assuming that critical infrastructural and regulatory reforms are implemented in tandem.

Capacity-building initiatives such as those spearheaded by NEXTT provide a useful case study of how targeted interventions can address some of these entrenched challenges. NEXTT has focused on training staff in modern processing techniques and certification procedures, thereby enhancing productivity and ensuring adherence to international quality standards. These capacity-building measures have not only improved operational performance but have also highlighted the economic benefits of situating processing facilities closer to raw material sources. However, while these interventions have yielded some positive outcomes, persistent challenges in securing affordable financing and in bridging infrastructural gaps remain.

The financing constraints are particularly severe. Reports indicate that interest rates for cashew processors in countries like Ghana can reach as high as 30–35%, compared with 7–8% in competitive markets such as

India and Vietnam. This disparity significantly hampers the ability of local firms to upgrade technology, expand production capacity, or invest in more efficient logistics systems. Inadequate access to capital perpetuates a cycle of under-utilization of processing capacity and stifles innovation, ultimately reducing the sector's competitiveness in the global market.

Moreover, the fragmented nature of intra-regional trade further exacerbates financing gaps. Although regional bodies like the Economic Community of West African States (ECOWAS) have attempted to streamline trade procedures, these efforts are often undermined by inconsistent policies and administrative inefficiencies. Informal trade networks, while providing a temporary workaround for many firms, are not a substitute for robust, formalized trade mechanisms. The persistence of practices such as bribery and smuggling not only leads to revenue leakages but also creates an unpredictable business environment that discourages long-term investment.

Gender dimensions also play a critical role in the cashew value chain. Women, who constitute approximately 80–90% of the workforce in cashew processing, are disproportionately affected by the systemic challenges in the sector. Limited access to credit, inadequate training opportunities, and sociocultural constraints prevent many women from advancing to higher managerial or technical positions. The persistent gender gap in access to economic opportunities means that the macroeconomic benefits of increased trade and improved value chain efficiencies are not equitably distributed. Tailored interventions—such as gender-sensitive training programs and targeted credit facilities for women entrepreneurs—are therefore essential for harnessing the full potential of the cashew processing sector and ensuring that improvements in productivity translate into broader social benefits.

The macroeconomic implications of these challenges are wide-ranging. Inefficiencies in the cashew value chain contribute directly to higher consumer prices, reduced export competitiveness, and slower economic growth in urban centers. When firms are forced to operate with high logistics costs and inefficient transport networks, they are less likely to expand or invest in new technologies. This dynamic not only suppresses job creation but also limits the overall productivity of the economy, creating a negative feedback loop that hinders sustainable development.

Addressing these issues requires a multifaceted policy response. Significant investments in modern infrastructure—particularly in road networks, energy supply, storage, and border facilities—are paramount. Such investments would reduce the cost of moving goods and facilitate more reliable trade flows, ultimately enhancing the competitiveness of domestic industries. Regulatory reforms that harmonize customs procedures and reduce bureaucratic delays are equally essential. A coherent policy framework that streamlines trade across borders can significantly lower transaction costs and encourage greater intra-African trade.

Additionally, capacity-building initiatives must be scaled up to address the technical and managerial deficits in the sector. Programs that enhance skills in modern processing techniques, quality assurance, and financial management are critical for ensuring that domestic firms can compete on a continental scale. These initiatives should be complemented by targeted financing mechanisms that lower borrowing costs and provide the necessary capital for investment in new technologies and infrastructure.

The AfCFTA, by promoting reduced tariffs, streamlined trade facilitation, and improved cross-border cooperation, provides an overarching framework that can catalyze these reforms. Its successful implementation hinges on the commitment of member states to invest in infrastructure, harmonize regulations, and adopt modern trade facilitation measures.

The empirical projections associated with the AfCFTA—such as a 52.3% increase in intra-African trade by 2025 and substantial wage gains—underscore the transformative potential of these reforms. However, these

gains will only materialize if the underlying structural challenges, including high logistics costs and fragmented financing mechanisms, are addressed in a comprehensive and coordinated manner.

Conclusion

In conclusion, the macroeconomic transformation of African cities and regional economies is closely linked to the performance of domestic value chains and the efficacy of continental integration frameworks. The cashew processing sector, with its intricate web of logistical challenges, financing constraints, and infrastructural deficiencies, serves as a microcosm of the broader economic challenges facing Africa today. While initiatives such as NEXTT have demonstrated the potential benefits of targeted capacity building and strategic facility relocation, the ultimate success of these efforts depends on a broader policy agenda that encompasses infrastructural investments, regulatory harmonization, and innovative financing solutions. The AfCFTA framework, by reducing trade barriers and fostering deeper regional integration, offers a promising pathway for enhancing mobility and transforming value chains. For development and macroeconomic experts, the imperative is clear: an integrated, multi-pronged approach that combines modern infrastructure, regulatory reforms, and capacity-building measures is essential for unlocking the full macroeconomic potential of Africa's domestic value chains and ensuring sustainable, inclusive growth across the continent.

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