



AFRICAN
FASHION
DEVELOPMENT
INITIATIVE

INVESTING IN AFRICAN FASHION

How Small Investments Can Drive
Employment, Economic Growth, and
Sustainable Development.

JANUARY 2025
BRIEFING PAPER

Executive Summary

The African fashion sector possesses significant economic potential, although it continues to be undercapitalised. A UNESCO report findings show the continent exports textiles valued at \$15.5 billion annually and imports textiles, clothes, and footwear valued at \$23.1 billion annually. The revenue in the Apparel market this year is projected to reach US\$73.59 billion (Statista, 2025) and in 2020, the African Development Bank estimated the industry's value at roughly \$31 billion. The data clearly demonstrates that the sector has the potential to drive employment, boost the economy, and continue to build a more sustainable future. However, it must be noted that the lack of investment, particularly in micro grants and seed funding, hinders several entrepreneurs from starting let alone expanding their businesses. This paper draws attention to the influence of small investments in the African fashion sector and offers key recommendations for stakeholders.

The revenue in the Apparel market this year is projected to reach US\$73.59 billion

Introduction

The African textile and apparel sector possesses significant economic potential, with its current valuation approximated at \$31 billion, as reported by the African Development Bank (AfDB). Forecasts indicate this amount could rise to \$50 billion by 2030. The thriving sector offers opportunities for employment for millions around the continent, with particular advantages for women and youth. The exportation of African textiles and apparel is consistently increasing, with countries such as Tunisia, Morocco, Mauritius, Ethiopia and South Africa demonstrating the continent's potential when it comes to craftsmanship and innovation.

The future of local production is garnering great anticipation, as the demand for Made-in-Africa apparel increases among multinational brands and consumers that value sustainability and ethical principles. Given these optimistic trends, one major challenge remains: access to money. Traditional bank loans typically entail astronomical interest rates, whereas venture capital investments largely neglect the fashion sector. Small scale investments, like microgrants and seed funds, offer an achievable solution to this capital deficiency, empowering entrepreneurs to scale their businesses and fully leverage the sector's progressive power.

THE ECONOMIC INFLUENCE OF SMALL INVESTMENTS ON AFRICAN FASHION

The African fashion sector is crucial for creating employment opportunities especially for women and youth. The International Labour Organisation (ILO) reports that the garment and textile sector employs over 10 million people on the continent, with over 80% of these workers being female. This positions the industry as a crucial catalyst for gender equality and economic empowerment. Forecasts suggest that the expansion of the local textile industry may create an additional 15 million jobs by 2030, pointing out its capacity and contribution to nations.

The fashion market in Nigeria shows this potential. The National Bureau of Statistics Nigeria (2023) indicates that the sector employs more than 500,000 individuals and accounts for 15% of the Sub-Saharan African fashion market, which is valued at \$4.7 billion. Since 2010, revenues from textiles, apparel, and footwear have continually increased at an average annual rate of 17%.

The African Fashion Development Initiative (AFDI) conducted research by directly engaging with African fashion entrepreneurs to discover the financial resources they used when launching their businesses.

The findings revealed that over 90% of these businesses launched with minimal initial capital, commonly between \$300 and \$1,000. This initial funding was typically allocated for key early-stage requirements, like purchasing of equipment, paying artisans for producing their concepts, building websites, and securing spaces at local marketplaces to sell their products. This illustrates the capacity for change of modest investments in stimulating the growth of fashion businesses throughout the continent.

The International Labour Organisation (ILO) reports that the garment and textile sector employs over 10 million people on the continent, with over 80% of these workers being female.

FORTIFYING LOCAL ECONOMIES

Investing in local fashion businesses offers an immense opportunity to bolster African economies by decreasing dependence on imports and facilitating greater revenue circulation within the continent. The African Continental Free commerce Area (AfCFTA) has the potential to significantly influence this shift, with forecasts suggesting that intra-African commerce in textiles and clothing may rise by more than 50% by 2035. Furthermore, the AfCFTA is projected to enhance the continent's GDP by \$450 billion via industrial expansion, as reported by the World Bank (2023).

Ethiopia demonstrates the economic advantages of such investments. Government actions aimed at advancing the nation's textile industry have generated 60,000 new employment opportunities in garment production, according to UNCTAD (2022). This illustrates how strategic investments and policies may stimulate industrial expansion, provide jobs, and advance the overarching objectives of economic development and self-sufficiency in Africa.

AFRICA AS A LEADING FORCE IN SUSTAINABLE FASHION

With the increasing global demand for sustainable and ethical fashion, Africa is distinctly poised to become a leader in this industry. The continent's abundant history of traditional craftsmanship, utilisation of natural fibres, and implementation of circular economy models establish a robust basis for sustainable innovation. Nonetheless, obstacles such as the used clothing sector remain crucial. Africa presently imports 70% of the globe's secondhand apparel, thus exacerbating environmental waste (Ellen MacArthur Foundation, 2022). Still, some African fashion businesses are initiating change through the use of eco-friendly materials like organic cotton, banana fibres, and repurposed products, showcasing the region's potential for sustainable development.

The ability for sustainable fashion to boost economic development is substantial. According to the RoundUp (2024) investments in sustainable fashion startups are anticipated to generate over 100,000 environmentally responsible jobs by 2030. Rwanda illustrates the profound effects of sustainability-oriented policy. The 2018 ban on secondhand clothing in Rwanda resulted in substantial advancements in its local textile sector. The number of textile and leather businesses rose from fewer than 10 in 2015 to roughly 70 by 2021, generating numerous job chances. Furthermore, output in the regional textile and footwear sectors increased from \$59.5 million in 2015 to \$70.6 million in 2017. These results highlight the influence of sustainability-focused policies on industry expansion and employment generation (Rwanda Today, 2021).

THE FUNCTION OF MINOR INVESTMENTS IN ADVANCING SUSTAINABILITY

Small investments between \$1,000 and \$5,000 can significantly facilitate African fashion businesses in adopting sustainable practices. These funding can assist small businesses in procuring sustainable resources, adopting ethical labour practices, and creating creative goods.

Moreover, investing in recycling and upcycling efforts diminishes textile waste while simultaneously generating revenue and creating employment, highlighting the economic and environmental advantages of sustainable fashion in Africa (CIAFE, 2023).

OBSTACLES TO FINANCING AFRICAN FASHION ENTREPRENEURS

Despite the considerable economic potential of the African fashion industry, entrepreneurs encounter several obstacles in obtaining the resources necessary for business expansion. According to the African Fashion Foundation (2022), just 10% of African fashion entrepreneurs have access to formal bank loans.

Despite the availability of funding options, exorbitant interest rates, reaching as high as 25% in certain countries, make borrowing unsustainable for numerous small businesses. Women-led businesses have significant challenges, as fewer than 3% of venture financing is directed towards female entrepreneurs, hence intensifying gender disparity in the industry.

INFRASTRUCTURE AND REGULATORY OBSTACLES

Insufficient manufacturing infrastructure substantially increases production costs, hindering African fashion business's capacity to compete globally. Volatile trade policies exacerbate challenges in material procurement and export prospects, generating uncertainty for enterprises. The lack of governmental incentives for small fashion businesses restricts their capacity to expand, develop, and impact the wider economy. Overcoming these obstacles is crucial for realising the complete potential of Africa's fashion sector and promoting its sustainable development.

Moreover, investing in recycling and upcycling efforts diminishes textile waste while simultaneously generating revenue and creating employment, highlighting the economic and environmental advantages of sustainable fashion in Africa

RECOMMENDATIONS

Unlocking the full potential of the African fashion industry requires coordinated efforts by investors, governments, and development organisations. The following are specific recommendations for each stakeholder group,

Investors and Financial Institutions,

Governments and Policy Makers

Development Agencies and Non-Governmental Organisations:

FOR INVESTORS AND FINANCIAL INSTITUTIONS

- Develop low-interest micro loan initiatives specifically designed for fashion enterprises, facilitating their access to affordable finance for expansion.
- Allocate resources to impact-oriented investment programs that emphasise ethical and sustainable African fashion, promoting both economic and environmental advantages.
- Enhance financial assistance for women-led fashion firms to rectify gender funding gaps and foster diversity within the industry.

FOR GOVERNMENTS AND POLICY MAKERS

- Implement tax incentives for fashion entrepreneurs who use locally produced materials to promote the development of domestic value chains.
- Invest in fashion education and skills development initiatives to cultivate a robust talent pool and stimulate innovation within the sector.
- Enhance trade policies to promote the integration of African designers into global markets, hence improving export potential and brand recognition.

FOR DEVELOPMENT AGENCIES AND NON-GOVERNMENTAL ORGANISATIONS

- Enhance funding initiatives aimed at small-scale craftspeople and textile manufacturers to facilitate company growth and elevate livelihoods.
- Support research initiatives that investigate sustainable business models in African fashion, providing insights and strategies for long-term success.
- Organise networking events and platforms to link African designers with global investors and industry leaders, promoting collaboration and market entry.

These ideas emphasise the collaborative initiatives necessary to foster sustainable growth in the African fashion sector, while advancing inclusivity and creativity.

