TRADEMARK AFRICA

POLICY BRIEF

Building Resilient and Inclusive Trade Systems in Africa. Policy Imperatives for Shock Responsive Growth under the African Continental Free Trade Area

Executive Summary

African economies are navigating an unprecedented convergence of shocks that continue to test the resilience of markets, institutions, and livelihoods. Climate change, regional conflicts, pandemics, inflationary pressures, debt stress, and fragmentation of global supply chains have created a highly uncertain operating environment. These disruptions disproportionately affect low-income households, women, youth, micro enterprises, and small businesses that depend on trade for income generation and food security. In this context, trade remains a powerful instrument for reducing vulnerability, generating employment, and supporting structural transformation when it is both inclusive and resilient.

The operationalisation of the African Continental Free Trade Area presents a historic opportunity to deepen regional integration, diversify production systems, reduce overdependence on external markets, and create new pathways for shared prosperity. However, these benefits are not automatic. Persistent nontariff barriers, inefficient border systems, weak logistics, limited access to trade finance, digital exclusion, and gendered barriers continue to constrain participation by vulnerable groups and small firms.

Evidence from the Economic Commission for Africa (ECA) estimates that Informal Cross-Border Trade (ICBT) - much of it driven by women and youth - accounts for 7-16% of the total value of intra-African trade. ICBT is estimated to account for 30-72% of the total value of cross-border trade between neighbouring African countries and constitutes 40% of total intra-African trade[1]. Climate related disruptions are also affecting a substantial share of Africa's trade flows (Afreximbank, 2024)[2].

This policy brief argues that targeted investments in One Stop Border Posts, simplified trade regimes, digital customs systems, green logistics, gender responsive border reforms, and SME trade finance can significantly strengthen Africa's resilience while accelerating AfCFTA implementation. It proposes sequenced actions for governments, regional economic communities, development partners, and Trademark Africa to embed resilience and inclusion into Africa's evolving trade architecture.

POLICY BRIEF

1. Background and Context

Africa's long term development trajectory is increasingly tied to its ability to withstand, absorb, and adapt to recurrent shocks. Between 2020 and 2025, African countries experienced simultaneous crises that included the COVID 19 pandemic, severe droughts and floods, supply chain disruptions, conflict related displacement, and rising food and fuel prices. These shocks exposed structural weaknesses in trade systems, logistics corridors, border management, and market integration (World Bank, 2026)[3].

Trade systems are no longer judged solely on efficiency. They must now also be assessed on their capacity to continue functioning during emergencies, protect vulnerable actors, and facilitate recovery. Resilience in trade therefore refers to the ability of trade ecosystems to maintain flows of goods and services during crises while recovering rapidly afterward. Inclusive trade refers to ensuring that women, youth, small enterprises, informal traders, and geographically marginalised communities can participate meaningfully and benefit fairly.

The African Continental Free Trade Area, which became operational in 2021, offers a strategic platform to advance both objectives.

It can help Africa by:

Expanding intra African trade, which remains approximately 16 to 18 percent of total trade, far below levels observed in Europe and Asia (UNECA, 2025).

Promoting regional value chains in agriculture, manufacturing, pharmaceuticals, textiles, and services, thereby reducing reliance on volatile overseas markets.

Creating economies of scale for SMEs, women traders, and youth led enterprises seeking larger regional markets.

Strengthening food security through more integrated agricultural markets.

Yet trade liberalisation alone cannot guarantee inclusive growth. Without deliberate policy design, market integration can reinforce existing inequalities, marginalise informal actors, and expose weak infrastructure to climate risks. The Resilience and Inclusive Trade pillar of Trademark Africa is designed to shape and drive momentum towards closing the gap in these inequalities.

2. Problem Statement: Constraints to Resilient and Inclusive Trade

Despite substantial progress in trade facilitation across parts of Africa, several structural constraints continue to undermine resilience and inclusion.

2.1. High Non-Tariff Barriers

While tariffs have gradually declined, nontariff barriers remain a major obstacle to trade competitiveness. These include burdensome customs procedures, inconsistent product standards, multiple roadblocks, licensing delays, and unpredictable enforcement practices.

According to the World trade organisation (WTO), regulatory and procedural barriers account for at least 14% of trade costs globally, with disproportionately higher impacts in low-income economies[4]. In addition, the United Nations estimates that eliminating NTBs within Africa would raise AfCFTA gains by $20billion[5]. In Africa, these costs discourage export diversification and limit participation by small firms lacking compliance capacity.

2.2. Climate Vulnerability of Trade Infrastructure

Transport corridors, ports, roads, bridges, rail systems, and border posts are increasingly exposed to floods, droughts, storms, and heat stress. Many trade routes lack adequate climate adaptation planning.

Afreximbank (2024) estimates that climate related disruptions affect a significant majority of Africa's trade flows. Damage to transport infrastructure raises logistics costs, delays deliveries, and worsens food insecurity.

2.3. Marginalisation of Informal Cross Border Traders

Informal cross border trade remains a vital but under recognised component of African commerce. In several regions, it accounts for between 30 and 40 percent of intra African trade (UNCTAD, 2019).

Many traders, particularly women, face harassment, informal payments, confiscation of goods, and insecurity at borders. Because this trade often falls outside official statistics, it is frequently excluded from policy planning.

3. World Bank.2026. Africa's Pulse: Regional economic update. Washington, DC.
4. WTO.2024. New WTO database details impact of regulatory barriers, other factors on costs to trade.
https://www.wto.org/english/news_e/news21_e/rese_30apr21_e.htm
5. UNCTAD Annual Report 2021- https://unctad.org/annual-report-2021/tearing-down-trade-barriers-in-africa

2.4. Gender and Youth Exclusion

Women own an estimated 40 percent of SMEs in Africa but receive less than 20 percent of available trade finance (AfDB, 2020)[6] . Youth unemployment and underemployment remain structurally high across many countries.

Regional trade can be a powerful employment pathway, yet barriers to finance, information, technology, and networks limit youth participation in higher value trade activities.

2.5. SME Finance and Logistics Gaps

Small and medium enterprises remain central to Africa's economic future, but many cannot access working capital, export credit, guarantees, or affordable logistics services.

Africa's annual SME financing gap is estimated at approximately USD 330 billion (AfDB, 2025). Without finance, firms cannot scale production, meet export standards, or participate in regional value chains.

2.6. Persistent Border Inefficiencies

Long dwell times, manual procedures, fragmented agency mandates, and weak risk management systems continue to increase costs at many borders. These burdens are especially severe for small traders and perishable goods exporters.

2.7. The Digital Divide

Digital customs systems and online trade platforms are expanding rapidly. However, uneven connectivity, low digital literacy, language barriers, and device affordability mean that many small traders risk exclusion from emerging systems (World Bank, 2025b).

3. Evidence and Key Statistics

Available evidence demonstrates the transformative potential of inclusive trade reforms.

The African Continental Free Trade Area could lift 30 million people out of extreme poverty by 2035 if combined with strong trade facilitation and inclusion reforms (World Bank, 2020).

One Stop Border Posts in East Africa have reduced border crossing times 70% across East Africa, , lowering transport costs and improving reliability (ODI & TradeMark Africa, 2023). TMA's own time-and-traffic evaluation surveys at all TMA-implemented OSBPs in East Africa show a 70% average reduction in border crossing time.

Women informal traders often support an average of six household members, making them critical resilience actors in local economies (UN Women, 2011).

More than 120 million Africans face acute food insecurity, much of it linked to disrupted trade corridors and conflict affected markets (World Bank, 2026).

These figures show that improving trade systems is not merely an economic agenda. It is also a poverty reduction, food security, and resilience agenda.

[6] African Development Bank. (2020). Women and finance in Africa. AfDB

4. Policy Recommendations

Governments, regional institutions, donors, and TradeMark Africa should pursue the following actions:

1. Mainstream climate resilience into trade infrastructure planning, including flood resistant roads, renewable powered border posts, and green logistics.
2. Expand SME trade finance through guarantees, blended finance, receivables financing, and digital trade finance platforms.
3. Accelerate digital trade facilitation while ensuring inclusion safeguards such as multilingual systems, mobile access, and trader training.
4. Strengthen non tariff barrier monitoring, reporting, and rapid resolution systems at national and REC levels.
5. Invest in gender and age disaggregated data systems for formal and informal trade.

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POLICY BRIEF