

POLICY BRIEF



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The Fragmented Support Systems Hindering Trade in Africa: Challenges Faced by SMEs

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Dalton Makepeace, Founder, Promote: Global (US)
Ijidolapo Ijiwoye, Founder and CEO, Tradeflow Africa (Nigeria)



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Trade and
Investment



Abstract

South Africa's historic G20 presidency under the theme "Solidarity, Equality, and Sustainability" presents an unprecedented opportunity to address fragmented support systems hindering African trade and investment. This study examines the specific challenges faced by small and medium-sized enterprises (SMEs). Intra-African trade remains at only 14%, compared to 68% in intra-European trade and 59% intra-Asian trade.¹ This is primarily due to inconsistent regulations and customs procedures, as well as policies across borders. Supporting institutions also have limited visibility on which companies are interested in engaging in international projects. With a majority of exporting and international companies being SMEs,² it is difficult for these institutions and facilitators to scale their support to hundreds of thousands of enterprises in need of trade assistance. Africa's untapped export potential is estimated at \$21.9 billion, of which the potential for intra-African trade is \$9.2 billion through the African Continental Free Trade Area.³ Fragmented support systems, such as disparate information and inefficient processes, increase transaction costs and limit SMEs' market access. The G20 can play a catalytic role in facilitating collaboration between African nations, international development partners, and SMEs. Increased intra-African trade would also present benefits for G20 economies by diversifying trade partnerships and improving global value chains. This policy brief calls on the G20 to prioritise intra-African trade initiatives to foster inclusive growth, support the global trading system, and create better economic opportunities. It offers six actionable, SME-centred recommendations that contribute to trade reform objectives by strengthening trade infrastructure, aligning national and regional policy frameworks, and enabling more inclusive engagement with global trade rules.

Keywords: Intra-African Trade, AfCFTA, SMEs, Market Access, Trade Reform

¹ United Nations Conference on Trade and Development, "Intra-African Trade: Facts and Figures," accessed 20 March 2025, <https://unctad.org/press-material/facts-figures-0>.

² U.S. Small Business Administration, Office of Advocacy, "Issue Brief No. 19: Small Business Exports," March 2024, <https://advocacy.sba.gov/wp-content/uploads/2024/03/Issue-Brief-No.-19-Small-Business-Exports.pdf>.

³ United Nations Conference on Trade and Development, "Boosting Intra-African Trade: Unlocking Africa's Untapped Export Potential," Policy Brief, 2022, https://unctad.org/system/files/official-document/presspb2022d2_en.pdf.

Diagnosis

The 2025 South African G20 presidency marks the first African-hosted summit, with the commitment to “put Africa’s development at the top of the agenda” directly aligning with addressing fragmented small and medium-sized enterprise (SME) support systems. South Africa’s emphasis on digital public infrastructure (DPI) as a critical enabler for African SMEs provides a strategic entry point for digital infrastructure. This builds on existing World Trade Organization (WTO) initiatives such as the joint International Trade Centre, UN Conference on Trade and Development, and WTO Global Trade Helpdesk. However, with limited African participation in e-commerce negotiations and low African Continental Free Trade Area (AfCFTA) awareness among SMEs, enhanced national frameworks are needed to bridge information gaps.

Reforming the multilateral trading system to serve the needs of all economies requires more than institutional restructuring. It requires addressing the systemic barriers that exclude African SMEs from participating in trade. While many African countries have embraced the AfCFTA, fragmented support systems, policy misalignment, and limited cross-border coordination continue to hinder SME integration into global markets.

Manufactured goods currently make up 43% of intra-African exports, contrasting with exports to other regions dominated by primary commodities. This higher value-added trade between African nations demonstrates the potential for growth in more sophisticated industries when barriers are reduced. Particularly promising is the services sector, which accounts for 55% of Africa’s GDP and one-

third of formal employment, with transport services alone potentially contributing up to 25% of projected AfCFTA gains.⁴

Recommendations

Support national-level frameworks for institutionalised market intelligence and trade data governance

The G20 should support national policies in African countries that institutionalise the collection, documentation, and dissemination of trade-related market data to promote SME-friendly trade arrangements. This includes information on price trends, trade opportunities, logistics networks, standards requirements, and buyer preferences across domestic, regional, and global markets.

Building on the WTO's Global Trade Helpdesk initiative and the Joint Statement Initiative on micro, small, and medium enterprises (MSMEs), these frameworks enable cross-border knowledge sharing to boost SME competitiveness and align with WTO goals on transparency and trade facilitation, while increasing African participation in e-commerce negotiations.

Promote regional trade interoperability beyond payments

The G20 should support African efforts to promote broader trade system interoperability – including customs systems, standards recognition, logistics frameworks, trade facilitation protocols, and digital platforms. By investing in the harmonisation of these systems through regional economic communities and the

⁴ United Nations Development Programme, *Forging an African Services Market: Accelerating the Continental Free Trade Area's Benefits*, 23 January 2025, https://www.undp.org/sites/g/files/zskgke326/files/2025-01/forging_an_african_services_mar_23012025_final.pdf.

AfCFTA Secretariat, the G20 would be reinforcing its 2017 G20 Africa Partnership initiative and accelerating the Compact with Africa.

This builds upon the WTO Trade Facilitation Agreement's provisions for single windows and authorised economic operators. Africa's varied implementation success demonstrates that technology deployment requires robust stakeholder engagement and institutional collaboration.

Invest in digital public infrastructure and capacity building to enable scalable, inclusive SME participation in trade

The G20 should support a unified DPI for trade across Africa, streamline SME access to essential services such as customs procedures, export documentation, market intelligence, trade finance, and logistics. This interoperable infrastructure should serve as an open-source gateway, providing modular components such as customs, logistics, finance, and compliance tools. These components can be implemented individually or in combination, allowing countries to adopt and scale based on their readiness while adhering to shared standards for data security and interoperability.

While the AfCFTA Digital Trade Protocol establishes digital trade frameworks, its effectiveness depends on national implementation and bridging infrastructure gaps.

This recommendation strongly resonates with South Africa's G20 presidential priority on "AI for Africa" and its explicit focus on DPI. The G20 acknowledges DPI as a fundamental enabler of digital transformation and its ability "to unleash the potential of MSMEs".⁵ The recommendation further addresses Africa's limited digital economy participation and aligns with WTO reform objectives for digital trade modernisation. With only nine out of the 43 African WTO members

⁵ G20, *Digital Economy*, accessed 23 May 2025, <https://g20.org/track/digital-economy-2/>.

participating in the Joint Statement Initiative on e-commerce, investing in foundational digital infrastructure will ensure inclusive development and strengthen participation in WTO's Information Technology Agreement.

Support inclusive trade policy reform to reflect the realities of African SMEs

The G20 should support African governments in reforming trade policies to address the unique needs of African SMEs across diverse sectors and regions, including informal traders, micro-enterprises, and women-led businesses.

This recommendation, which addresses the critical need for meaningful SME participation, builds upon the 2015 G20 Inclusive Business Framework and 2010 G20 Development Working Group, which emphasise inclusive growth and the integration of low-income populations into value chains.

Furthermore, the recommendation aligns with and deepens the impact of the WTO Trade Facilitation Agreement and the WTO 2017 Informal Working Group on MSMEs, the latter having a primary objective to integrate MSMEs into the global trading system.

To address this, the G20 can facilitate the development of SME-sensitive policy frameworks in alignment with AfCFTA frameworks and provide technical assistance for national policy reviews, with far-reaching impact in ensuring a more inclusive, development-oriented multilateral trading system.

Establish regional peer review and accountability mechanisms for SME trade support implementation

The G20 should support a regional peer accountability framework, where national governments and trade support institutions monitor SME-focused trade policy implementation. These mechanisms would enable national trade agencies, export promotion bodies, and civil society groups to assess the implementation of

SME-related trade policies, while learning from their counterparts across borders. This framework would promote transparency and knowledge sharing without infringing on national sovereignty.

Drawing inspiration from the G20 Peer Review Mechanisms – albeit used in areas like energy and financial regulation reforms – and the WTO’s foundational Monitoring and Evaluation logic, particularly its Trade Policy Review Mechanism, which mandates all WTO members to undergo periodic reviews with the Trade Policy Review Body, this approach offers a valuable model for establishing regional peer review and accountability mechanisms for SME trade support implementation across Africa.⁶ This recommendation emphasises the need for the establishment of a similar structure under the AfCFTA.

This enhances transparency and accountability in implementing WTO obligations, fostering policy learning and better compliance with trade rules and development provisions.

Strengthen intra-African trade and investment to build regional self-reliance and resilience

The G20 should support Africa’s efforts to deepen intra-continental trade and investment as a pillar of regional resilience and economic self-reliance. This recommendation builds on existing initiatives such as the WTO’s Aid for Trade and Trade Facilitation, as well as the 2016 G20 Action Plan on Industrialisation in Africa and Least Developed Countries, both of which prioritise industrialisation through trade and public–private partnerships with direct benefits for SMEs.

This recommendation aligns with the objectives of the AfCFTA to boost intra-Africa trade through the development of regional value chains, and a robust intra-African market that creates regional stability and investment opportunities for

⁶ World Trade Organization, *Trade Policy Review Mechanism*, accessed 23 May 2025, https://www.wto.org/english/tratop_e/tpr_e/tprm_e.htm.

diversified G20 partnerships. G20 partners can play a catalytic role by aligning their investment, financing, and trade facilitation programmes accordingly.

The G20 should support the creation of Pan-African Export and Investment Promotion Networks to coordinate cross-border trade and investment opportunities, strengthening the AfCFTA as a regional building block for deeper African integration into the multilateral trading system.

Conclusion

Unlocking African SMEs' potential requires shifting from fragmented approaches to coordinated reforms rooted in regional ownership. The recommendations presented offer practical pathways toward institutionalised market intelligence, policy reform, digital infrastructure, interoperability, and intra-African trade.

Implementation requires collaboration between governments, regional bodies, and multilateral institutions. World Bank projections indicate that comprehensive AfCFTA implementation could increase intra-continental exports by 81% by 2035.⁷ These gains are contingent upon comprehensive implementation, effective trade facilitation, and the removal of non-tariff barriers. Such efforts would significantly enhance SME competitiveness.

By achieving the outcomes of these recommendations, the G20 will directly support Africa's economic resilience and SME inclusion, advancing its presidency priorities of "Solidarity, Equality, and Sustainability".

⁷ World Bank, Making the Most of the African Continental Free Trade Area: Leveraging Trade and Foreign Direct Investment to Boost Growth and Reduce Poverty, <https://openknowledge.worldbank.org/entities/publication/09f9bbdd-3bf0-5196-879b-b1a9f328b825>

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For publication enquiries, please contact t20@t20southafrica.org

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