Micro and Small Enterprises Authority

Report on Enhancing MSME Participation in AfCFTA Through Improved Trade Logistics

Based on

the Kenya Association of Manufacturers Logistics Study Report

May 2026

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1 OVERVIEW

The African Continental Free Trade Area (AfCFTA) presents a transformative opportunity for Kenyan Micro, Small and Medium Enterprises (MSMEs) to access continental markets estimated at over 1.4 billion consumers. However, the study by Kenya Association of Manufacturers (KAM) finds that logistics inefficiencies (not tariffs) are now the primary barriers limiting MSMEs competitiveness in African export markets.

The study assessed four strategic export corridors relevant to Kenyan exporters:

1. Lusaka Corridor (Zambia) – gateway to Southern Africa
2. Moyale Corridor (Ethiopia) – link to the Horn of Africa
3. Maritime Route to West Africa (Ghana & Nigeria)
4. Air Freight Markets – for high-value exports

The findings reveal that MSMEs face disproportionately high logistics costs, unpredictable transit timelines, fragmented regulatory systems, and limited cargo aggregation mechanisms, all of which significantly reduce their competitiveness under AfCFTA. Current logistics systems are primarily calibrated for high-volume exporters, leaving Micro, Small and Medium Enterprises (MSMEs) to face disproportionately high compliance costs and operational inefficiencies.

For MSEA, the report presents a strategic opportunity to reposition itself as a leading agency in supporting MSMEs market linkages through supporting MSME export readiness, logistics facilitation, market linkage development, and promoting regional trade integration in collaboration with other public and private sector agencies.

2 STRATEGIC ISSUES FOR MSEA

The study demonstrates that AfCFTA benefits will largely accrue to firms that can:

1. Move goods efficiently and predictably
2. Consolidate shipments
3. Access regional logistics networks
4. Meet regulatory and standards requirements
5. Reduce export transaction costs

Currently, most Kenyan MSMEs are unable to effectively participate in AfcTA due to the following constraints;

Key MSME Constraints

S/no	Constraint	Impact on MSMEs
1.	High transport costs	Reduces profit margins and price competitiveness

S/no	Constraint	Impact on MSMEs
2.	Small shipment volumes	Increases per-unit logistics costs
3.	Border delays	Causes working capital lock-up
4.	Fragmented export procedures	Raises compliance burden
5.	Limited warehousing/distribution infrastructure	Restricts regional market penetration
6.	Weak market intelligence	Limits export readiness
7.	Limited digital trade adoption	Reduces market access opportunities

3 KEY FINDINGS FROM THE STUDY

3.1 LUSAKA CORRIDOR (ZAMBIA)- GATEWAY TO SOUTHERN AFRICA

The Nairobi–Lusaka route is one of the most commercially active corridors into Southern Africa but remains expensive and unpredictable for MSMEs.

3.1.1 Major Findings

1. Freight costs range between USD 3,500–7,000 per container
2. Transit times vary from 8–30 days
3. Average border clearance at Nakonde/Tunduma is approximately 2.5 days
4. Backhaul inefficiencies significantly inflate freight charges
5. MSMEs lack cargo consolidation platforms and shared distribution systems

3.1.2 Strategic Implication

There is strong justification for MSMEs to be supported on:

1. MSME export aggregation centers
2. Shared warehousing facilities
3. Cooperative export logistics models
4. Consolidated cargo systems

3.2 MOYALE CORRIDOR (ETHIOPIA)- LINK TO HORN OF AFRICA

The Ethiopia corridor offers strong market potential but operational inefficiencies undermine competitiveness.

3.2.1 Major Findings

1. Security checkpoints and inconsistent border operations delay cargo
2. Incomplete operationalization of the Moyale One Stop Border Post (OSBP)
3. Lack of scanners and weighbridges
4. Informal cross-border trade remains dominant

5. Freight predictability remains low despite improved road infrastructure

3.2.2 Strategic Implication

MSMEs require support on:

1. Cross-border trade formalization
2. MSME export facilitation desks
3. Border trade information systems
4. Capacity building for pastoral and informal traders

3.3 Maritime Corridor to West Africa

West Africa represents a high-potential market, especially Nigeria, but maritime connectivity is weak.

3.3.1 Major Findings

1. No efficient direct shipping routes between East and West Africa
2. Cargo transshipment increases costs and delays
3. Port inefficiencies increase landed costs
4. MSMEs struggle with small-volume shipment economics

3.3.2 Strategic Implication

There is need for MSMEs support on:

1. Regional trade partnerships
2. Shared export warehousing
3. Export consortium models
4. Strategic engagement with shipping lines and logistics providers

3.4 Air Freight Markets

Air freight provides speed but remains commercially inaccessible for most MSMEs due to high cost.

3.4.1 Major Findings

1. African aviation markets are import-dominant
2. Freight tariffs remain high
3. Limited implementation of the Single African Air Transport Market (SAATM)
4. Regulatory charges significantly increase export costs

3.4.2 Strategic Implication

MSMEs require support on:

1. Export promotion for high-value products
2. Promotion of aggregated air cargo models
3. Facilitation on export readiness for perishables and premium products

4 Cross-Cutting Structural Issues Affecting MSMEs

The study identifies systemic constraints affecting MSME export competitiveness across all corridors:

1. **Shipment Scale Fragmentation:** MSMEs incur similar compliance and logistics costs as large firms but cannot spread these costs across larger volumes.
2. **Institutional Fragmentation:** Multiple agencies and uncoordinated border systems increase transaction costs and delays.
3. **Cost Layering:** Cumulative logistics costs accumulated through: Inland freight; Border charges; Documentation fees; Storage costs; Port charges; and Informal payments
4. **Weak Cargo Aggregation Systems:** Lack of shared logistics platforms prevents MSMEs from achieving economies of scale.
5. **Reliability Tax:** Variability in transit times functions as an implicit tax, disrupting MSME cash flows and delivery schedules.

5 Strategic Opportunities for MSEA

The findings strongly align with MSEA's mandate on MSME development, market access, competitiveness, and enterprise growth.

5.1 Proposed Strategic Interventions

1) Establish MSME export aggregation & distribution hubs:
2) Develop an MSME Export Logistics Support Programme
3) Promote Export Cooperatives and Consortiums
4) Digitize MSME Export Readiness
5) Strengthen Public-Private Coordination

5.2 Policy Recommendations

1) Development of an MSME Export Logistics Strategy
2) Establish an MSME Export promotion Unit within MSEA
3) Develop an MSME export readiness and logistics support programme
4) Strengthen partnerships with logistics and trade facilitation agencies
5) Establish regional MSME trade hubs
6) Support digital trade and e-commerce integration
7) Formalize MSME export associations
8) Advocate for simplified trade and border procedures for MSMEs

6 Conclusion

The AfCFTA presents significant growth opportunities for Kenyan MSMEs, but logistics inefficiencies threaten to exclude MSMEs from realizing these benefits.

The KAM study clearly demonstrates that competitiveness under AfCFTA will depend less on tariff preferences and more on:

1) Logistics efficiency;
2) Cargo consolidation;
3) Delivery reliability; and
4) Institutional coordination.

MSEA therefore has a strategic opportunity to play a national leadership role in:

1) Advocation for reduction in MSME export barriers;
2) Capacity building MSMEs on export markets to strengthen regional trade participation,
3) Promoting export aggregation models,
4) Positioning Kenyan MSMEs as competitive continental exporters.

A coordinated logistics facilitation strategy could significantly improve MSME participation in regional value chains, expand export earnings, and contribute to Kenya's industrialization agenda under Vision 2030 and AfCFTA.