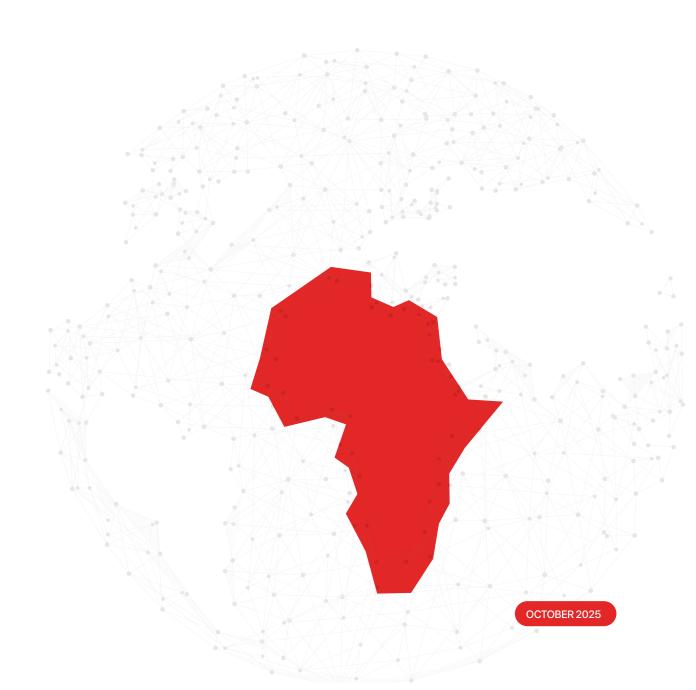


Banking on Africa's Future:

Unlocking Capital and Partnerships for Sustainable Growth



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October 2025





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Abbreviations and Acronyms

Acronym	Full Term
AfCFTA	African Continental Free Trade Area
AfDB	African Development Bank
AFC	Africa Finance Corporation
AFD	Agence Française de Développement (French Development Agency)
AFCON	Africa Cup of Nations
Afrexim Bank	African Export-Import Bank
ASEA	African Securities Exchanges Association
BII	British International Investment
BRI	Belt and Road Initiative
CEPA	Comprehensive Economic Partnership Agreement
DBT	Department for Business and Trade (UK)
DFC	U.S. International Development Finance Corporation
DFI	Development Finance Institution
DPI	Digital Public Infrastructure
EBRD	European Bank for Reconstruction and Development
ECA	United Nations Economic Commission for Africa
EDCF	Economic Development Cooperation Fund (South Korea)
ESG	Environmental, Social, and Governance
FDI	Foreign Direct Investment
FOIP	Free and Open Indo-Pacific
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GIIF	Ghana Infrastructure Investment Fund
GTI	Guided Trade Initiative
ICC	International Chamber of Commerce

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Acronym	Full Term
IFC	International Finance Corporation
IMF	International Monetary Fund
JNHP	Julius Nyerere Hydropower Project
KEPFIC	Kenya Pension Funds Investment Consortium
KOICA	Korea International Cooperation Agency
LSE	London Stock Exchange
MDB	Multilateral Development Bank
MLETR	Model Law on Electronic Transferable Records
NNPC	Nigerian National Petroleum Company
NSIA	Nigeria Sovereign Investment Authority
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PACM	African Currency Marketplace
PAPSS	Pan-African Payment and Settlement System
PAVM	Partnership for African Vaccine Manufacturing
PGI	Partnership for Global Infrastructure and Investment
PPP	Public-Private Partnership
RTGS	Real-Time Gross Settlement
SCF	Supply Chain Finance
SDG	Sustainable Development Goal
SME	Small and Medium-sized Enterprise
SOE	State-Owned Enterprise
TICAD	Tokyo International Conference on African Development
UBA	United Bank for Africa
UNCTAD	United Nations Conference on Trade and Development
USAID	U.S. Agency for International Development
WAMZ	West African Monetary Zone

Foreword



Development finance, as the world has known it for decades, is being reimagined. For Africa, this places us at a transformational crossroads, a chance to take control of our own economic destiny.

Our continent, home to over 1.4 billion people, carries a paradox. Too many still live without electricity. Too many of our young men and women remain unemployed, their potential unfulfilled. Yet, this same youthful majority embodies boundless resilience, creativity, and ambition. Combined with our natural resources and entrepreneurial energy, Africa is rich in all that is required to secure prosperity, that is if we mobilize effectively.

I have long championed the philosophy of Africapitalism: the conviction that Africa's private sector, when empowered with vision, capital, and responsibility, can drive sustainable growth that creates both economic prosperity and social wealth. Development finance must therefore evolve. It must move from aid dependency to investment partnerships; from short-term interventions to long-term commitments that deliver measurable social impact alongside financial returns. At UBA, we know this is possible. We have demonstrated it, consistently, for over 75 years.

African financial institutions must be at the centre of this evolution. With deep local knowledge and global reach, institutions like UBA are uniquely positioned to bridge capital, connect opportunities, and de-risk investments. This whitepaper, Banking on Africa's Future, offers evidence-based insights and practical case studies, showing what is possible when we innovate and collaborate.

We are not alone on this journey. The African Continental Free Trade Area (AfCFTA) and the Pan-African Payment and Settlement System (PAPSS) already signal the power of collective action. New global alliances, from the Gulf to Asia and beyond, are expanding opportunities for Africa's private sector to lead. The old proverb reminds us: "If you want to go fast, go alone. If you want to go far, go together." Africa is choosing to go far.

At UBA, we see our role clearly: as a bridge between domestic and global capital, between Africa and the world, between today's challenges and tomorrow's possibilities. With operations in 20 African countries and a strategic presence in the global financial centers of New York, London, Paris, and Dubai, we are committed to enabling Africa's economic sovereignty and prosperity.

This is a call to action. To policymakers, DFIs, investors, and fellow African financial institutions: let us partner differently, invest boldly, and act with urgency. Together, we can ensure that Africa's future is shaped by Africa itself, and that it is sustainable, inclusive, and driven by the aspirations of our people.

Tony O. Elumelu, CFR

GROUP CHAIR, UBA GROUP

Executive Summary

For decades, narratives about commercial investment in Africa have been shaped by external risk perceptions that often misrepresent local market realities. While Development Finance Institutions (DFIs) have engaged with these risks, the focus on external capital has obscured a fundamental truth: Africa's own financial institutions and capital holders are best placed to assess opportunities, price risks appropriately, and deploy capital effectively.

This paper reframes the challenge from a one-track traditional paradigm reliant solely on attracting external capital for growth, to a multipronged strategy with the mobilization of Africa's domestic financial assets as its core through innovative, African-led financing mechanisms.

This shift is urgent as traditional aid flows decline, geopolitical tensions reshape investment patterns, and technology redirects capital towards new sectors. While prioritizing domestic resources, this strategy also seeks to build international partnerships, reinforcing the principle that the future of global growth has a strong African identity.

The core thesis of this new approach is the opportunity to unlock an estimated \$4 trillion¹ in domestic capital. Strategically deployed, these funds could significantly reduce the continent's reliance on external funding and, more importantly, enhance its economic independence. The deployment of this capital where domestic development priorities are identified, will also act as a catalyst for external capital flows that aligns with the vision charted by national authorities.

This approach can help secure partnerships for foreign direct investment by tapping into vast global capital pools including \$63.1 trillion in global pension funds², \$105.9 trillion in global banking assets, and \$127 trillion in global equity markets.³ This figure represents the total value of all publicly traded companies globally, with the United States holding a significant portion, valued at approximately \$62.2 trillion. Tapping into even a small fraction of these resources could have a transformative impact on the continent.

According to the African Finance Corporation's (AFC) 2025 State of Africa's Infrastructure Report, this capital includes approximately \$2.5 trillion in commercial bank assets, over \$1.1 trillion in long-term institutional capital (pensions, insurance, sovereign wealth), and \$470 billion in reserves.⁴ Remittances supplement these resources significantly: in 2023, Sub-Saharan Africa received \$54 billion and North Africa \$36.8 billion, totaling \$91 billion, more than double the continent's net bilateral official development assistance.⁵

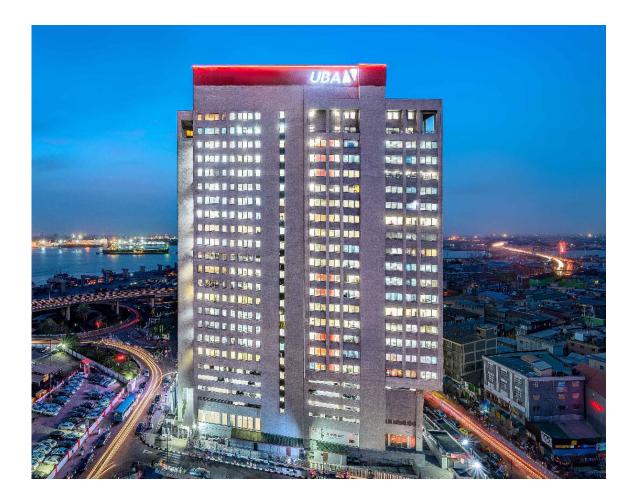
 $^{^{1}}$ AFC Champions Shift of \$4 Trillion in Domestic Savings into Africa's Infrastructure Transformation.

 $^{^2\,\}text{OECD}$ (2024), Pension Markets in Focus 2024, OECD Publishing, Paris.

 $^{^3}$ Visual Capitalist. (2025, August 25). The \$127 trillion global stock market in one giant chart. Visual Capitalist.

⁴ Africa Finance Corporation (2025). Africa's Capital Outlook Report. Lagos: AFC.

⁵ World Bank (2024). Migration and Remittances Factbook. Washington, DC: World Bank.



While not all this capital is immediately deployable, strategically channeling even a fraction can unlock transformative investment in infrastructure, energy, and social development. This initial investment creates a multiplier, attracting additional resources from global FDI flows and helping Africa achieve its growth potential.

Mobilizing domestic resources aligns directly with the United Nations Sustainable Development Goals (SDGs), including those focused on energy (SDG 7), economic growth (SDG 8), infrastructure (SDG 9), and climate action (SDG 13). By redirecting local assets into these transformative sectors, African financial institutions can drive fundamental economic change and help achieve global development objectives.

The insights in this white paper are drawn from United Bank for Africa (UBA Group)'s direct operational experience in 20 African countries and our presence in global financial centers like New York, London, Paris, and Dubai. As a leading African financial institution, our perspective is grounded in practical execution, a deep understanding of local markets, and a firm commitment to Africa's economic and social development.

We argue that financial institutions can catalyze Africa's structural transformation by harnessing untapped domestic capital through structured, blended, impact-aligned finance, and directing global capital flows toward national growth priorities. Unlocking Growth Potential from Within Africa's Transformation Begins at Home

The continent is not capital-scarce but instead faces structural gaps in financial intermediation that limit the flow of domestic resources to productive investments.

These gaps include a mismatch between short-term bank liabilities and the long-term needs of infrastructure projects; regulatory restrictions that limit pension fund investments in crucial asset classes like infrastructure; and a scarcity of de-risking instruments that can be managed by local institutions with the deep local insight required to accurately price and mitigate on-the-ground risks. Furthermore, household financial assets in many African economies remain far below OECD levels. Annual infrastructure investment also lags at an average of only 3.5% of GDP, well below the 5-6% benchmark needed to close the infrastructure gap.



 $^{^{\}rm 6}$ OECD (2023). Household Financial Assets Database. Paris: OECD.

⁷ Gutman, J., Sy, A., & Chattopadhyay, S. (2015). Financing African Infrastructure: Can the World Deliver? Washington, DC: Brookings Institution.

Realizing Africa's potential requires coordinated action across its finance, development, economic, and political sectors. This action must be underpinned by **three fundamental shifts:** from aid heavy models to investment partnership, from over-reliance on external funding to domestic capital mobilization (while still attracting global capital), and from conventional banking to innovative, solution-led finance.

Market Transformation and New Partnership Models

The development finance landscape is evolving. New collaboration models are being tailored to African contexts to foster greater local ownership.

This shift is clearly visible in the recent actions of Development Finance Institutions (DFIs), which in 2024 scaled up their African commitments to over \$25 billion. The International Finance Corporation (IFC) led with a record commitment of \$14.2 billion (a 23% year-on-year increase) spread across 45 countries and targeting infrastructure, climate finance, and fintech.

The African Development Bank (AfDB) followed with approximately \$11 billion in new investments focused on energy, transport, climate resilience, and financial inclusion. This trend was further highlighted when the European Bank for Reconstruction and Development's (EBRD) recently announced it would expand its investment mandate into several African markets. These developments signal a definitive shift in investor priorities toward the continent.

These flows increasingly rely on blended finance models that combine concessional and commercial capital to de-risk projects and attract private-sector participation. For instance, Kenya's Lake Turkana Wind Power Project, Africa's largest wind farm, mobilized US\$620 million through a mix of development loans, guarantees, and private equity.¹⁰

Crucially, this model is evolving further, demonstrating the power of African-led capital mobilization. For example, the 2,115 MW Julius Nyerere Hydroelectric Power Project in Tanzania was financed entirely by a consortium of African institutions¹¹, including UBA Plc. This illustrates a powerful new paradigm where African risk-sharing mechanisms can unlock commercially viable projects, driving development from within.

⁸ International Finance Corporation. (2024, October 30). IFC invests record financing in 45 African countries in fiscal year 2024. Retrieved from IFC News Release African Development Bank Group. (2025, May 28). African Development Bank hits record \$11 billion in new investments for 2024 (Annual Development Effectiveness Review). Retrieved from AfDB.

 $^{^9\,}https://www.ebrd.com/home/news-and-events/news/2025/benin--cote-d-ivoire-and-nigeria-announced-as-new-coos.html$

¹⁰ African Development Bank. "AfDB convenes lenders to secure Kenya's largest private sector investment." March 25, 2014

[&]quot;United Bank for Africa Tanzania. "UBA Extends Support to Nyerere Hydropower Project." November 30, 2020. https://il.tzembassy.go.tz/resources/view/uba-extends-support-to-nyerere-hydropower-project

This project-level innovation is amplified by transformative continental integration. Initiatives like the African Continental Free Trade Area (AfCFTA) and the Pan-African Payment and Settlement System (PAPSS) are creating a more unified market. PAPSS, for instance, now allows instant cross-border payments—settling in as little as 120 seconds—and is projected to save the continent \$5 billion annually in transaction costs.¹²

However, these frameworks require robust financial plumbing to function. Financing the arteries of commerce is as critical as building the infrastructure itself. The success of AfCFTA hinges on the capacity of African banks to provide accessible trade and supply chain finance to small and medium-sized enterprises (SMEs) looking to expand into regional markets.

The Future Framework

To realize this potential, African financial institutions, governments, and investors should:

- **Establish** and scale blended finance mechanisms to de-risk large-scale projects and attract domestic and international capital.
- **Strengthen** African-led financing consortia, building cross-border capital pools and incentivizing partnerships among banks and institutional investors.
- **Design** new investment vehicles that enable domestic institutions, including pensions, insurance, and remittance channels, to progressively reduce external dependence.
- Accelerate regulatory harmonization across regional blocs to create investment-ready corridors and standardize project preparation processes.
- Deploy digital platforms to enhance transaction speed, transparency, project bankability, and investor confidence.

By serving as architects of their economic destiny, African institutions can channel domestic resources into sustainable growth pathways that benefit both investors and communities.

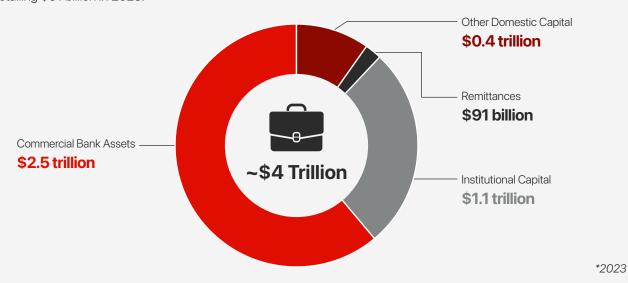
This white paper explores how Africa's own financial institutions serve as vital enablers in unlocking the continent's potential. These financial champions leverage domestic capital as the foundation, amplifying impact through strategic partnerships and global investment to architect a more prosperous, self-determined continent.

¹² Reuters. (2025, June 20). Under shadow of Trump warning, Africa pioneer's non-dollar payments systems. Reuters. Retrieved from Reuters News



Past investment narratives in Africa have been based on external risk perceptions that don't reflect local realities. The focus should shift from solely attracting external capital to mobilising Africa's financial resources.

Africa is not capital-scarce, but faces structural gaps that prevent domestic funds from being channelled into productive investments. The continent has an estimated \$4 trillion in domestic capital, including \$2.5 trillion in commercial bank assets and over \$1.1 trillion in institutional capital. Remittances also contribute significantly, totalling \$91 billion in 2023.





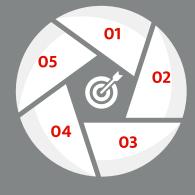
The strategy is to use domestic financial assets as a core foundation for growth. This approach not only enhances economic independence but also acts as a catalyst for attracting external investment that aligns with national development priorities.

To realise this potential, these five key actions are recommended:

Scale blended finance to de-risk projects and attract capita

Deploy digital platforms to improve speed, transparency, and confidence.

Accelerate regulatory harmonisation to create investment-ready corridors.



Strengthen African-led consortia to build cross-border capital pools.

Design new investment vehicles to reduce dependence on external funding.



Global Capital Shifts and New Partnerships

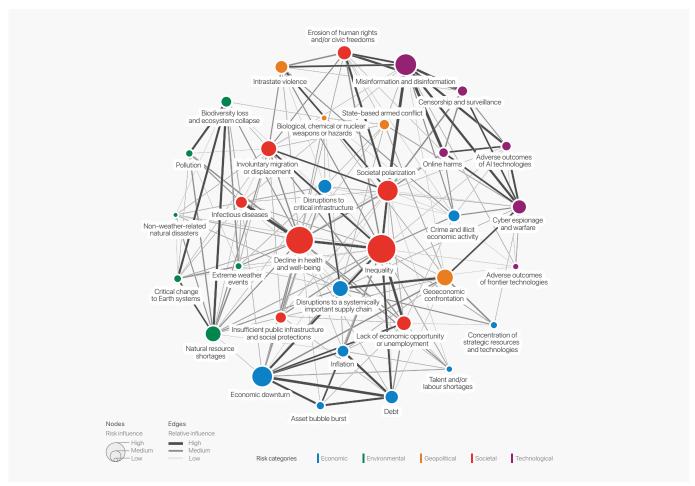
1.1 A New Macroeconomic and Financial Reality

The global economy is confronting unprecedented structural headwinds that demand a fundamental strategic shift.

A primary concern is a protracted slowdown in global growth. The World Bank issues its weakest five-year outlook in nearly two decades, its most pessimistic forecast outside of an actual global recession.

Similarly, the IMF projects that growth will stagnate at 3.3% through 2026, significantly below the 3.7% historical average recorded between 2000-2019. 13

FIGURE 1: A Systems-Based View of Global Risks



SOURCE: World Economic Forum, Global Risks Perception Survey 2024-2025

¹³ International Monetary Fund. (2025). World Economic Outlook.

This slowdown is exacerbated by persistent inflation, heightened policy uncertainty and rising geopolitical friction. While the IMF expects global inflation to moderate, this trend masks significant regional pressures that constrain monetary flexibility and dampen investment momentum. The World Economic Forum's 2025 Global Risks Report illustrates this web of interconnected threats. 14

These headwinds affect Africa differently. The continent has consistently outperformed the global average, with GDP expanding by 3.8% in 2024 compared to the 3.2% global rate. ¹⁵ Africa experienced a 75% surge in FDI, hitting \$97 billion in 2024, driven primarily by a mega urban-development deal in Egypt. Excluding this outlier, FDI across the rest of the continent still grew by 12% to about \$62 billion. ¹⁶

Meanwhile, least-developed African countries (LDCs)—again excluding Egypt's surge—enjoyed a 9% increase in FDI year-on-year, driven by diversification into manufacturing, renewable energy,

and digital infrastructure.

This divergence creates a strategic opportunity to reposition Africa as a growth engine and a more influential actor in the global economy. However, Africa is not immune to specific, high-impact risks.

The continent's vulnerabilities include geo-economic confrontation, sovereign debt distress, inflation and currency devaluation, and supply chain disruptions. As research from the European Investment Bank highlights, this growth comes after a marked slowdown from the high-growth period of the 2000s and is set against a backdrop of steadily increasing public debt since 2012.¹⁷ This underlying fiscal pressure is a key vulnerability and makes the pivot toward domestic capital mobilization not just an opportunity, but a structural necessity.

Evolving global banking regulations, such as Basel III.1, are also likely to raise the cost of capital for sub-investment grade and unrated entities, which includes

FIGURE 2: Global Status of the Sustainable Development Goals



SOURCE: World Economic Forum, Global Risks Perception Survey 2024-2025

 $^{^{14}} World Economic Forum. (2025, January 15). The Global Risks Report 2025 (20 th ed.). \\ https://www.weforum.org/reports/the-global-risks-report-2025 (20 th ed.). \\ https://www.weforum.org/report-2025 (20 th ed.).$

¹⁵ International Monetary Fund. (2024). World Economic Outlook.

¹⁶ UNCTAD. (2025, January). Global Investment Trends Monitor No. 48.

¹⁷ European Investment Bank, is crowding out of private sector credit inhibiting Africa's growth? (Luxembourg: EIB, 23 November 2022).

many African corporates. By increasing banks' capital requirements for higher-risk exposures, these rules may constrain domestic lending, slow infrastructure and industrial investment, and heighten the urgency for innovative, African-led financing solutions to mobilize local resources effectively.¹⁸

Official Development Assistance (ODA) to Africa is under increasing pressure, as constrained donor budget limit funding to the continent's least developed countries.¹⁹ At the same time, FDI remains volatile and insufficient for Africa's estimated \$130-170 billion annual infrastructure financing gaps. Recent commitments have been approximately \$80 billion per year, with donor contributions accounting for about 35% of total commitments.²⁰

This funding deficit has profound implications for sustainable development. According to the United Nations' 2025 SDG Progress Report, only 35% of SDG targets are on track or showing moderate progress, while 47% are insufficient, and 18% have regressed below 2015 baseline levels. The COVID-19 pandemic, coupled with rising debt servicing costs, has exacerbated these challenges, diverting resources away from development priorities.²¹

This reality signals a fundamental recalibration of development finance. We are witnessing a fundamental rebalancing from an aid-centric framework toward an investment-led growth paradigm, where official development assistance is increasingly utilized as a catalyst to de-risk and mobilize private capital at scale.



Key Takeaway

Global economic challenges necessitate a new African financial strategy focused on domestic capital and partnerships.

Capital Realignment and Partnerships

Against this macroeconomic backdrop, Africa stands at the centre of a global capital realignment. The continent has become a strategic arena in a multipolar economic order, where Gulf investors, Asian partners, Western DFIs, and African institutions converge. This shift reflects a broader realignment in global finance: the erosion of models of heavy aid-dependency and the rise of commercially disciplined partnerships that embed mutual interest and long-term sustainability.

UNCTAD's World Investment Report 2025 underscores this transition. Africa attracted record FDI inflows of \$97 billion in 2024, a 75 percent year-onyear increase, in contrast to declining flows to many emerging markets.²² Significantly, more than half of these inflows took the form of infrastructure project finance, energy investments, and digital networks, indicating that capital is following Africa's integration agenda rather than aid conditionalities. This dynamic is rapidly becoming a dynamic race to define modern

¹⁸ Saleh, N. J. (2025, May 31). Innovative Investment Models in Africa: Structural & Cyclical Context [Presentation]. LBS Africa Business Summit, London, UK

¹⁹ UNCTAD. (2025). Trade and development foresights 2025: Under pressure – Uncertainty reshapes global development finance.

²⁰ AUDA-NEPAD. (2025). Unlocking sustainable infrastructure financing in Africa. African Union Development Agency – New Partnership for Africa's Development.

²¹ United Nations. The Sustainable Development Goals Report 2025. United Nations Statistics Division, 2025.

²² UNCTAD, World Investment Report 2025 + press release "Africa: Foreign Investment Hit Record High in 2024," June 19, 2025.

trade routes, establish technological standards, and build the physical infrastructure that will shape Africa's economic future.

Flagship projects illustrate this new reality. The US-backed Lobito Corridor, UAE-finance Port of Ndayane, and Japan-supported Nacala Corridor are creating new geopolitical dynamics, altering regional power balances, and rerouting global trade flows. Each represents not just infrastructure investment, but strategic positioning in Africa's economic transformation.

While this landscape carries risks of geopolitical fragmentation and debt sustainability concerns, it is also empowering African nations with more agency. No longer passive recipients, African leaders are increasingly leveraging this global competition to negotiate more favorable, value-additive partnerships that prioritize industrialization and local economic development, marking a pivotal moment in the continent's relationship with the world.

FIGURE 3: Africa's Capital Shift from Aid to Multipolar Partnerships

OLD MODEL

Aid-Led, North-South

- Conditional assistance
- Donor-recipient hierarchy
- Short-term project grants
- Fragmented capital flows and ownership

THE MULTIPOLAR ERA

Africa attracts Record \$97bn FDI in 2024, +75% y/y (UNCTAD)



Aid → Strategic investment Grants → Increased partnerships Dependency → Autonomy agency

NEW MODEL Multipolar Partnerships GCC US US EU Blended finance & risk sharing Co-investment with African institutions Alignment with Agenda 2063 &-AfCFTA Focus on infrastructure, industry, digital ecosystems

1.2 United States: Commercial Diplomacy and Strategic Investment Partnerships

Among the major global partners reshaping their Africa engagement, the United States represents perhaps the most dramatic strategic pivot.

The United States has strategically realigned its foreign policy toward Africa, transitioning from traditional development assistance toward a commercially oriented model emphasizing "trade, not aid." This approach prioritizes commercial diplomacy and private-sector partnerships to advance mutual economic interests, while expanding strategic cooperation opportunities.

The policy evolution has included comprehensive restructuring of development assistance programs, with modifications to over 5,300 projects and the significant reorganization of the U.S. Agency for International Development (USAID) to align with new strategic priorities.²⁴

The Lobito Corridor, a transformative infrastructure project connecting the mineral-rich interiors of the Democratic Republic of Congo (DRC) and Zambia to Angola's Atlantic coast has become the flagship example of this shift. Despite being a Biden-era initiative under the G7's Partnership for Global Infrastructure and Investment (PGI), the corridor's strategic value aligns perfectly with the Trump administration's focus on securing critical mineral supply chains for the global energy transition and competing with China's Belt and Road Initiative. Highlevel officials have repeatedly reaffirmed U.S. support for the project, framing it as a key priority.

However, this rhetorical support contrasts with the administration's simultaneous aid cuts, which have created significant uncertainty. Nearly \$20 million in USAID-led programs intended to build "soft infrastructure" along the corridor, including initiatives for transparency, agricultural development, anticorruption, and mobile money have been suspended.

Furthermore, the disbursement of a crucial \$553 million loan from the U.S. International Development Finance Corporation (DFC) has been delayed. While DFC officials maintain that negotiations are ongoing and the project has "business as usual" status, these funding freezes have created challenges for the corridor's planned 2026 ground-breaking.

The U.S administration's approach to addressing these funding gaps demonstrates its new commercial diplomacy model in practice. At the U.S.-Africa Business Summit in Luanda, American companies announced private-sector deals valued at \$2.5 billion for projects along the Lobito Corridor, including grain silo terminals, a 1,200-km power transmission line, and digital infrastructure development.²⁶

This represents the "trade, not aid" policy operationalized: leveraging U.S. commercial power to achieve strategic objectives without direct government assistance. Rather than traditional development aid, the approach is designed to mobilize American corporate capabilities to build critical infrastructue while advancing U.S. strategic interests.

 $^{^{23}}$ Reuters, "U.S. shifts Africa strategy to 'trade, not aid,' envoy says," May 15, 2025

²⁴ The Guardian, "Rubio says purge of USAID programs complete, with 83% of agency's programs gone," March 2025

²⁵ African Business/Economy, "U.S. Commitment to Lobito Corridor Faces Setback Amid China's Rise," July 23, 2025; Railway supply, "Lobito Corridor Railway Project Faces Uncertainty Amid U.S. Aid Freeze," February 18, 2025.

²⁶ U.S. State Department, "Record Breaking U.S. Africa Business Summit Yields \$2.5 Billion in Deals and Commitments," June 30, 2025; Reuters, "U.S. Shifting Africa Strategy to 'Trade, not Aid,' Envoy Says," May 15, 2025.

This represents a fundamental shift in how the United States exercises influence in Africa: through market mechanisms, creating partnerships based on mutual commercial interest rather than donor-recipient relationships.

The effectiveness of this approach will ultimately depend on whether American companies can deliver the scale and consistency that African partners require; a challenge that other global powers are simultaneously attempting to meet through their own strategic models.



1.3 European Recalibration: From Donor to Development Partner

While the United States pursues bilateral commercial diplomacy, Europe is taking a more institutional approach to transforming its Africa relationship. Europe is recalibrating its engagement with Africa, moving decisively from a donor-recipient paradigm toward structured economic partnership.

This strategic evolution reflects a fundamental recognition that Europe's economic future, particularly its green transition and supply chain resilience, is increasingly intertwined with Africa's development trajectory. The emphasis is no longer on fragmented aid but on co-investment, risk-sharing, and integration with continental frameworks like the AfCFTA.

The centerpiece of this new doctrine is the €150 billion Africa–Europe Investment Package (2021–2027), implemented under the EU's Global Gateway strategy. ²⁷ Of its 225 projects, 116 are dedicated to Africa, covering renewable energy, digital connectivity, sustainable transport, and skills. This continent-level approach contrasts with previous bilateral programs, signaling Europe's recognition that Africa's growth trajectory will be driven by regional integration and infrastructure corridors rather than piecemeal national interventions.

Europe's recalibration is also institutional. In 2025, the European Bank for Reconstruction and Development (EBRD) announced its first full entry into Sub-Saharan Africa, beginning operations in Benin, Côte d'Ivoire, and Nigeria, with Kenya and Senegal joining as shareholders. ²⁸ Alongside this, the EU allocated €15 million in project preparation grants through the EBRD to support feasibility studies in energy, agribusiness, digital, and critical minerals.

France has been at the forefront of operationalizing this shift through its development agency (AFD) and private-sector arm (Proparco), which have scaled up blended finance to crowd in private capital. This European strategy, however, requires sophisticated local intermediaries to be effective.²⁹

The success of Europe's new partnership model is inter-dependent on sophisticated local financial intermediaries capable of translating European capital into African economic impact.

Pan-African banks serve as the indispensable conduits, combining global compliance standards with deep local market expertise. UBA exemplifies this intermediary role through is strategic partnership with European DFIs. As a beneficiary of AFD's ARIZ/EURIZ guarantee schemes, UBA has extended credit to underserved SMEs with up to 70% of the risk covered. Similarly, a \$50 million portfolio guarantee from Proparco unlocked approximately \$100 million in new SME lending, with a focus on women-led and climate-aligned businesses.³⁰

These collaborations demonstrate a refined risk-sharing model: European institutions provide capital and guarantees while African banks contribute local market knowledge, regulatory expertise, and distribution networks. This partnership structure allows European development objectives to be achieved through commercially sustainable banking relationships rather than traditional aid mechanisms.

 $^{^{27}\,\}text{European Commission.} (2025). \,\text{Global Gateway: The Africa-Europe Investment Package.} \,\text{Publications Office of the European Union Commission.} \,$

²⁸ European Bank for Reconstruction and Development. (2025, March 5). EBRD expands to Sub-Saharan Africa, starting with Benin, Côte d'Ivoire, and Nigeria.

²⁹ Proparco. (2025). Choose Africa: Partnering with African entrepreneurs.

³⁰ UBA. (2020, September 3). UBA, AFD SIGN PARTNERSHIP TO SUPPORT SMES IN AFRICA | UBA Lion King Blog. UBA Lion King Blog.

1.4 The United Kingdom's Post-Brexit African Strategy

The United Kingdom represents yet another distinct approach to this new era of Africa partnerships, one that leverages the City of London's unique position in global finance.

The UK's post-Brexit approach to Africa marks a recalibration designed to maximize Britain's comparative advantages in the global economy. Rather than competing on aid volumes or infrastructure scale, the UK deploys a two-pronged strategy that leverages its distinctive financial strengths, world-class development finance capabilities and unparalleled access to global capital markets.

This approach reflects the UK's recognition that its post-Brexit influence will depend on providing services and expertise that other partners cannot easily replicate, particularly in complex financial structuring and capital market access.

The first pillar is its development finance institution, British International Investment (BII). The rebranded successor to the CDC Group, BII unveiled £1.31 billion in new commitments in 2023, with £725 million directed toward African enterprises, highlighting its continued leadership.³¹ This is complemented by broader commercial engagement, such as the UK-Africa Investment Summit which generated £6.5 billion in deals.

A prime example of BII's targeted approach is its \$50 million trade finance facility with Ghana International Bank (GHIB). This initiative provides risk-sharing on financial instruments to expand liquidity for SMEs

in seven frontier African markets, tackling the continent's persistent trade finance gap directly.³² This independent approach creates opportunities for UK-Africa partnerships that emphasize commercial viability, while contributing to development objectives through market-driven mechanisms.

The second pillar of the UK's strategy leverages the distinct competitive advantage of the City of London's capital markets. Through its Department for Business and Trade (DBT), the UK is executing a deliberate initiative to position the London Stock Exchange (LSE) as the premier global capital market for African companies seeking public listings.

This strategy is being accelerated by watershed changes in UK capital markets that create unprecedented opportunities for African businesses. The Mansion House Compact's 2030 deadline will mobilize an estimated 5% of the UK's £6.0 trillion in pension and institutional savings into unlisted equities, including overseas investments.³³

Simultaneously, the London Stock Exchange Group (LSEG) secured FCA approval in August 2025 to operate the first PISCES platform, formally known as the Private Intermittent Securities and Capital Exchange System. This regulated marketplace enables periodic trading of private company shares, creating a structured pathway for companies, including African firms, to access liquidity in the midsized range (\$1–5 billion) without pursuing full public listings.³⁴

 $^{^{\}rm 31}$ Nation. (2024, July 31). UK okays fresh £725m investment for Africa. The Nation Newspaper.

³² Atkins, F. T. a. J. (2025, May 8). Bll launches US\$50mn trade finance package with Ghana International Bank. Global Trade Review (GTR).

³³ Mansion House Accord (2025 – 10% to Private Markets, 5% UK by 2030; Mobilizing £50 billion) Investor Intelligence. (2025, May 14).

³⁴ MoneyWeek. (2025, August 20). London Stock Exchange's PISCES: The world's first regulated private stock market. MoneyWeek.

The initiative explicitly pivots from traditional resource investments to capture the long-term value of Africa's burgeoning innovation economy. The DBT actively engages with companies in Technology, AI, Biotechnology, and Clean Tech, building on London's success in listing corporations like Helios Towers and Airtel Africa to attract the next wave of tech "unicorns," such as Flutterwave.

These capital market innovations, combined with recent regulatory reforms that have removed barriers to fintech innovation, position London as an ideal gateway for African companies seeking complex funding structures and dual-listing opportunities. By attracting Africa's future corporate champions, the UK integrates these companies into its legal, regulatory, and financial ecosystem, thereby creating a powerful, long-term gravitational pull.

As these African companies scale globally, their connections with the City of London foster sustained economic partnerships that drive mutual prosperity. This approach showcases how advanced financial services and capital market expertise can work alongside infrastructure-focused models from other partners, offering African businesses multiple avenues for growth and capital access.

? Key Takeaway

Western engagement in Africa is undergoing a fundamental transformation from aid-dependent relationships to commercially sustainable partnerships.

The U.S. leverages commercial diplomacy to build resilient supply chains; Europe deploys blended finance through Global Gateway and EBRD to support regional integration; and the UK mobilizes Bll alongside London's capital markets to expand financial access and connect African innovators with international investors.

Together, these strategies highlight a recalibration of Africa-Western relationships toward partnerships that combine commercial viability with development impact, emphasizing expertise transfer, risk-sharing, and market development over traditional capital provision.

1.5 Gulf States: Growing Strategic Engagement

Complementing these Western partnership models, Gulf Cooperation Council (GCC) states represent another significant dimension of Africa's evolving investment landscape.

Gulf states are deploying capital systematically across Africa through a coordinated approach that extends far beyond individual commercial ventures. The UAE, Saudi Arabia, and Qatar are pursuing long-term economic strategies designed to diversify their economies beyond oil dependency, enhance food and energy security, and strengthen their positions in global trade networks.

This engagement reflects long-term strategic economic planning. Gulf investors are building comprehensive relationships that span infrastructure developmment, agricultural value chains, logistics networks, and financial services, creating integrated economic corridors that serve both Gulf strategic interests and African development priorities. The

Gulf approach is distinguished by its ecosystem development model.

Rather than focusing on isolated projects, these partnerships create entire value chains that generate beneficial interdependencies between regions. Investments target critical sectors including port development, agricultural production, energy infrastructure, and digital connectivity—areas where Gulf economic security needs align directly with Africa's development requirements.

The commitment scale demonstrates this strategic approach. The UAE, Saudi Arabia, and Qatar collectively announced over \$100 billion in African greenfield projects between 2012-2022, with the UAE accounting for \$59 billion, Saudi Arabia \$25 billion, and Qatar \$7 billion, along with other Gulf states. This momentum continues accelerating as global trade corridors evolve and economic priorities realign.³⁵

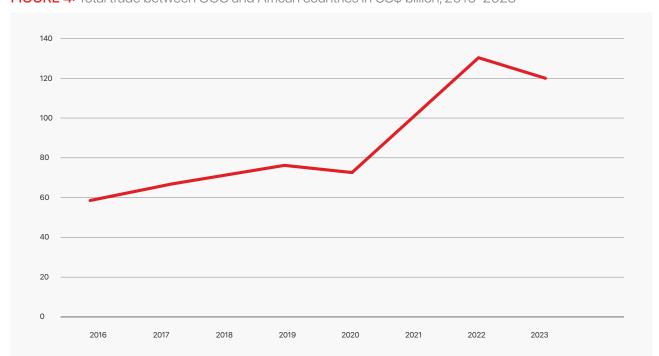


FIGURE 4: Total trade between GCC and African countries in US\$ billion, 2016-2023

³⁵ Africa and the Gulf states: A new economic partnership. (2025, June 3). World Economic Forum.

FIGURE 5: FDI flows from GCC to Africa by value, in US\$ billion: Top 5 source countries

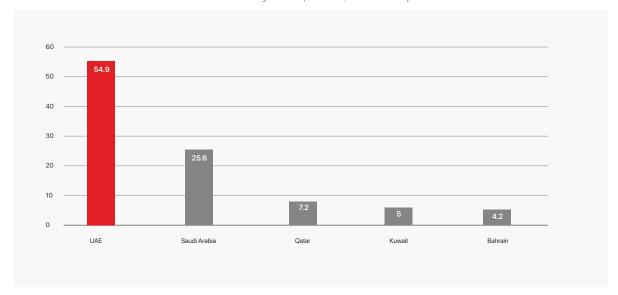


FIGURE 6: FDI flows from GCC to Africa by value, in US\$ billion: Top 5 destination countries

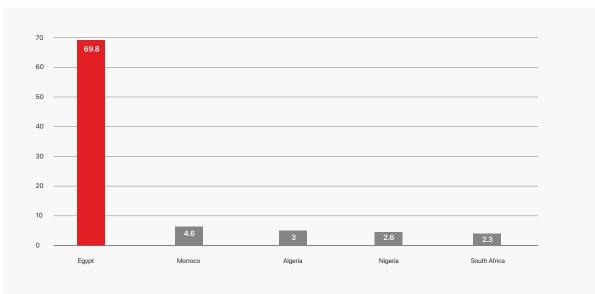
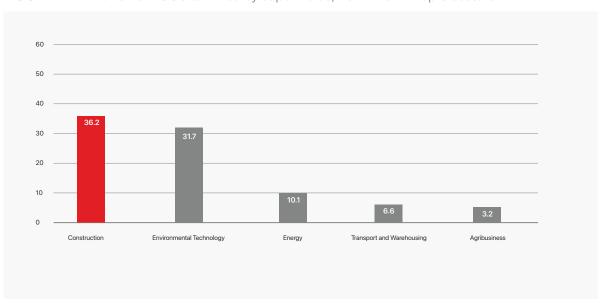


FIGURE 7: FDI flows from GCC to Africa by capex value, 2021-2022: Top 5 sectors



This strategic investment is creating deep commercial integration. Dubai Chamber data shows Africa has become a top three destination for member exports and re-exports, valued at AED 16.7 billion trade value during H1 2025 alone. This reflects the UAE's role as an aggregation and re-export hub for African trade integration. UAE operators like DP World and AD Ports Group are developing terminal networks from Senegal to Somaliland, connecting African trade routes directly into global supply chains via Gulf logistics hubs.

These projects represent coordinated infrastructure development rather than isolated assets. Gulf investment in African trade corridors aims to reduce transaction costs, establish industrial zones, and position the Gulf region as a sustainable partner in Africa's economic transformation. This approach creates mutual dependencies that benefit both regions: Gulf states secure diversified supply chains and new markets, while African partners gain access to patient capital, advanced logistics expertise, and global market connectivity.

The Emirati Logistics-First Strategy

At the forefront of Gulf engagement, the UAE has developed a logistics-centered framework to position itself as a central node in evolving global trade networks. This strategy is anchored by state-owned enterprises, primarily Dubai-based DP World and Abu Dhabi Ports Group, which extend beyond individual port operations to create integrated, end-to-end supply chains that connect through UAE logistics hubs.³⁷

DP World's 2025 global investment portfolio demonstrates this interconnected approach, with major projects spanning India (Tuna Tekra terminal), South America (Port of Posorja, Ecuador), Europe (London Gateway), and Africa (Banana port in DRC, Ndayane Port in Senegal). These investments are strategically designed to support economic corridors such as the India–UAE–Middle East–Europe corridor, positioning the UAE at the center of future trade flows.³⁸

The UAE's African footprint has expanded significantly, with DP World and AD Ports Group now operating 13 ports across eight African nations, having signed six new agreements in the past four years alone. ³⁹ This continent-wide network spans Algeria, Egypt, Djibouti, Somaliland, Rwanda, Mozambique, Angola, and Senegal establishing the UAE as a leading FDI investor in Africa. The UAE's approach is combines two complementary strategies: transformative, large-scale infrastructure projects and deep, comprehensive bilateral partnerships.

The \$1.1 billion greenfield deep-water Port of Ndayane in Senegal exemplifies the infrastructure approach, representing the largest private investment in Senegal's history and positioned to become West Africa's premier logistics hub.⁴⁰

Complementing these flagship assets are comprehensive agreements like UAE-Angola Comprehensive Economic Partnership Agreement (CEPA).⁴¹ This partnership combines a 20-year concession for AD Ports Group at the Port of Luanda

 $^{^{\}rm 36}$ Dubai Chamber of Commerce Highlights Key Export Destinations in First Half of 2025.

 $^{^{\}rm 37}$ Frantz, A. (2025). The UAE's ever–expanding footprint in Africa. IPS

 $^{^{38}\,\}text{TLME News Service.} (2025, August\,7). \, \text{DP World's Global Investment Wave: } 2025\,\text{in focus.} \, \text{Transport and Logistics ME.}$

 $^{^{\}rm 39}$ Frantz, A. (2025). The UAE's ever-expanding footprint in Africa. IPS

⁴⁰ Intelligence, F. (2025, April 22). Ndayane is a 'transformational' project. The Financial Times Ltd.

⁴¹ Ecofin Agency. (n.d.). U.A.E., Angola sign 44 agreements in \$6.5 billion investment pledge.

with a \$6.5 billion investment pledge covering public finance, agriculture, health, education, artificial intelligence, customs, mining, and military cooperation, demonstating the UAE's comprehensive, long-term partnership approach.

Saudi Arabia's Energy Transition Leadership

Concurrently, the Kingdom of Saudi Arabia is implementing a multifaceted African strategy, driven by its ambitious Vision 2030 blueprint. This plan emphasizes economic diversification beyond crude oil exports into new markets and value-added products, positioning the Kingdom as a strategic partner in Africa's energy transition.

The Kingdom's African engagement focuses on two primary areas: securing long-term food and resource security through agribusiness and mining investments and establishing new markets for value-added energy products. ⁴² Furthermore, Saudi Arabia is leveraging its domestic investments in renewable energy, particularly through entities like ACWA power, to export both capital and technological expertise to African markets.

A significant milestone is Saudi Aramco's inaugural West African contract with Côte d'Ivoire's Société Ivoirienne de Raffinage (SIR).⁴³ This agreement represents strategic market expansion beyond traditional spheres and signals clear intent to develop the Kingdom's energy footprint across the continent.

FIGURE 8: Map showing Gulf States



⁴²Tenev, M., & Tenev, M. (2025, July 11). Diversification nations: The Gulf way to engage with Africa. ECFR.

 $^{^{43}\,}Ponou, A.\,(n.d.). C\^{o}te\,d'Ivoire: La\,SIR\,offre\,\grave{a}\,Saudi\,Aramco\,son\,premier\,contrat\,ouest-africain.\,sikafinance.com.$

By combining domestic renewable energy advancement with international energy and infrastructure investments, Saudi Arabia is establishing itself as a long-term partner in Africa's industrialization and energy transition, creating opportunities for African financial institutions to participate through co-financing, currency solutions, and regional distribution frameworks.

Qatar's Financial Diplomacy

Qatar has significantly expanded its African engagement through substantial financial commitments that represent a strategic evolution in its continental approach. The \$103 billion investment pledge by Qatar's Al Mansour Holdings across six African nations: the Democratic Republic of Congo (\$21 billion), Mozambique (\$20 billion), Zambia (\$19 billion), Zimbabwe (\$19 billion), Botswana (\$12 billion), and Burundi (\$12 billion), demonstrates this commitment scale.⁴⁴

The investments align directly with Qatar's National Vision 2030, which aims to build a knowledge-based economy while securing access to Africa's resources, agricultural potential, and human capital. This financial expansion builds upon existing Qatari presence in key sectors such as telecommunications, banking, and energy across markets including Nigeria, Kenya, South Africa, and Zambia.⁴⁵

Renewing The Incense Route

Other GCC states, such as Kuwait, Oman, and Bahrain, though smaller in scale, are also expanding their African engagement through sovereign wealth fund allocations, agribusiness ventures, and infrastructure partnerships. This trend indicates that Gulf-Africa engagement is becoming a truly regional strategy, rather than one led by a few outliers.

The Gulf approach creates beneficial interdependencies rather than one-way dependencies. Investments in African agribusiness address Gulf food security requirements while port investments position hubs like Jebel Ali as critical nodes in global trade networks. This creates mutually beneficial relationships that tie Gulf economic interests to African economic stability and productivity.

The competition is thus not merely in Africa, but for Africa's place in newly imagined global economic corridors that increasingly route through the Middle East, creating new alternatives to traditional East-West trade routes.

Key Takeaway

Gulf states have established themselves as systematic, long-term investors in Africa. The UAE's logistics-centered strategy, Saudi Arabia's energy transition leadership, Qatar's scaled financial partnerships, and the expanding roles of Kuwait, Oman, and Bahrain collectively demonstrate that Gulf-Africa relationships have evolved from opportunistic ventures to structural economic partnerships.

This transformation creates opportunities for African financial institutions to serve as essential intermediaries by structuring capital, managing risks, and ensuring these investment flows generate sustainable, inclusive economic growth.

⁴⁴ Favour, E. (2025, August 30). Why Qatar's Al Mansour Holdings is investing \$103bn in six African nations - Finance in Africa. Finance in Africa.

⁴⁵ Rising Gulf investments in Africa: Unlocking opportunities and navigating challenges - African Export-Import Bank. (2024, December 16). African Export-Import Bank.

1.6 Asian Partnerships in Economic and Infrastructure Development

While Gulf states focus on large-scale capital deployment, Asian partners are pursuing a complementary approach that emphasizes technological expertise, knowledge transfer, and institutional capacity building.

Asian engagement with Africa reflects diverse strategic priorities and partnership models. Longestablished partners like China continue substantial infrastructure investment, while Japan, South Korea, Singapore, and India are expanding their presence with high-value expertise, ecosystem development, and long-term partnership frameworks designed to support sustainable development objectives.

Rather than competing primarily on capital scale, these Asian partners differentiate themselves through specialized capabilities: advanced manufacturing technology, digital infrastructure expertise, and sophisticated development finance mechanisms.

Japan's Corridor Diplomacy

Japan is pursuing a deliberate strategy of 'corridor diplomacy' aimed at providing African nations with strategic alternatives to Chinese-led initiatives. This approach was formally articulated at the recently held 9th Tokyo International Conference on African Development (TICAD9).

A major announcement was made at TICAD 9 for an Economic Region Initiative of Indian Ocean-Africa. This initiative is a direct strategic response to China's growing influence and is explicitly framed within Japan's broader "Free and Open Indo-Pacific" (FOIP)

foreign policy concept that promotes cooperation among surrounding countries in areas of security, trade, and commerce. 46

The centerpiece of this initiative is the development of the Nacala Corridor, a strategic logistics network connecting landlocked Zambia and Malawi to Mozambique's Port of Nacala.⁴⁷ This corridor offers efficient export routes to Asian markets for critical minerals like copper and cobalt, essential for global electrification and providing an alternative to Atlantic routes.

Japan's model emphasizes collaborative partnerships, exemplified by the UAE's DP World and Japan's Itochu Corporation venture. This partnership combines DP World's port infrastructure expertise with Itochu's commercial experience in commodities and consumer goods to expand logistics capabilities supporting Japanese business expansion in Sub-Saharan Africa. 48

Beyond private-sector partnerships, the Japanese government is extending \$5.5 billion in loans in coordination with the African Development Bank and has pledged to support the training of 30,000 artificial intelligence experts in Africa over the next three years, underscoring a commitment to human capital development.⁴⁹

Japan's return to TICAD 8's massive \$30 billion investment pledge over three years⁵⁰, which included a \$4 billion Green Growth Initiative, further underscores its growing economic ambition on the continent.

⁴⁶ Harici. (2025, August 20). Japan pledges to strengthen African ties through new Indian Ocean economic partnership.

⁴⁷ Times, J. (2025, August 16). Japan to accelerate development of logistics network in Africa. The Japan Times.

⁴⁸ DP World. (2025, August 22). Japan's Itochu partners with DP World to strengthen logistics and trade in sub-Saharan Africa. Japan's Itochu partners with DP world to strengthen logistics and trade in sub-Saharan Africa.

 $^{^{\}rm 49}$ Africanews, "Japan Unveils \$5.5B Plan, AI Training to Boost Africa Ties," August 21,2025

⁵⁰ African Business, "Hopes for Renewed Japan Africa Cooperation as TICAD9 Looms," August 2025; Ministry of Foreign Affairs (Japan), Through TICAD8: Japan deepens its partnerships in Africa, October 5, 2022

Singapore as a Strategic Gateway

Singapore is positioning itself as a bridge for African business accessing Southeast Asian markets and a hub for Singaporean investment in Africa.

This government-led strategy, executed through Enterprise Singapore and the Singapore Cooperate Enterprise (SCE), focuses on exporting Singapore's expertise in infrastructure development, urban planning, digital innovation, and financial services. ⁵¹The Singapore model has proven highly attractive to African leaders seeking templates for their own development, such as Rwanda's partnership with Singaporean firms to develop central Kigali's master plan. ⁵²

Financial integration is another pillar of this strategy. An agreement between Afreximbank and Enterprise Singapore is designed to facilitate greater access to finance for Singaporean companies operating in Africa. Simultaneously, the Africa Finance Corporation (AFC) is actively engaging with Singaporean state-owned investment firms like Temasek to attract long-term capital.

The success of this "gateway" strategy is demonstrated by its reciprocal nature, with a growing number of African companies, including TymeBank, Sasol, and Sonangol, choosing Singapore as their Asia operational headquarters.

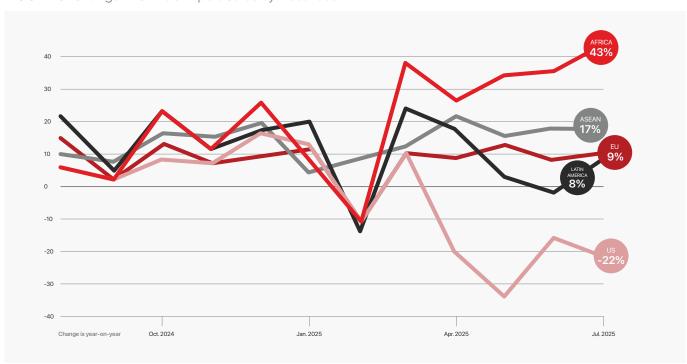


FIGURE 9: Change in China's Export Sales by Destination

SOURCE: Bloomberg calcultions based on China Customs

⁵¹ Thomas, D. (2025, August 18). Singapore-Africa ties primed for take-off. African Business.

⁵² Thomas, D. (2025, August 18). Singapore-Africa ties primed for take-off. African Business.

South Korea's Strategic Pivot

South Koreas has significantly intensified its African engagement, evolving from minimal trade representation (less than 2% of total trade between 2000-2011) to strategic economic partnership.⁵³

This pivot was formalized at the inaugural Korea-Africa Summit in June 2024, where South Korea announced a financial commitment of \$10 billion in official development assistance by 2030 and an additional \$14 billion in export financing to support Korean companies operating in Africa. Key initiatives include a \$2.5 billion concessional loan with Tanzania for nickel and lithium development, partnerships in Kenya's Konza Technopolis Smart Cit, and the K-Ricebelt Project for food security enhancement.

Similarly, South Korea's \$600 million Korea-Africa Energy Investment Framework, partnered with the African Development Bank (AfDB), and \$85 million Korea-Africa Food and Agriculture. Cooperation Initiative promote technology transfer and agricultural productivity across 27 African countries.⁵⁴

South Korea's approach emphasizes shared growth and sustainability, leveraging its development experience to build partnerships. This strategy, implemented through bodies like the Korea International Cooperation Agency (KOICA) and the Economic Development Cooperation Fund (EDCF), positions South Korea as a key partner for African nations seeking to build knowledge-based economies.

China's Comprehensive Engagement

China maintains its position as Africa's largest and most established Asian partner. Chinese exports to Africa surged 25% year-on-year to \$122 billion in the first seven months of 2025, surpassing all of 2024 and approaching \$200 billion annually for the first time. ⁵⁵

This growth reflects multiple factors: diversification from Western markets, Africa's immense appetite for infrastructure and industrial goods, competitive Chinese pricing, and Beijing's policy of granting duty-free access to most African nations. Belt and Road Initiative (BRI) investment reinforces this trade relationship, with Africa attracting \$39 billion in construction contracts and investments in the first half of 2025. Nigeria secured the largest share at \$21 billion in deals, primarily for oil and gas processing infrastructure.⁵⁶

China's technology engagement is extensive, with Chinese firms building approximately 70% of Africa's 4G networks and leading 5G deployment. This "Digital Silk Road" extends to data centers, smart city projects, and venture capital investments in African fintech and logistics startups, positioning China to influence continental technological standards.⁵⁷

⁵³ Reuters. (2024, June 5). South Korea, African countries sign agreements on minerals, exports.

 $^{^{54}}$ African Development Bank (AfDB), Korea-Africa Summit Outcomes Report, 2024.

 $^{^{55}}$ UNCTAD, World Investment Report 2025, and China Customs Data, July 2025.

 $^{^{56}}$ Jha, P. (2025, July 23). Africa tops China's Belt and Road investments. Semafor.

⁵⁷ Rojo, J. V. (2024, April 23). China's technological footprint in Africa: A patent network analysis. Rojo | South African Journal of Business Management

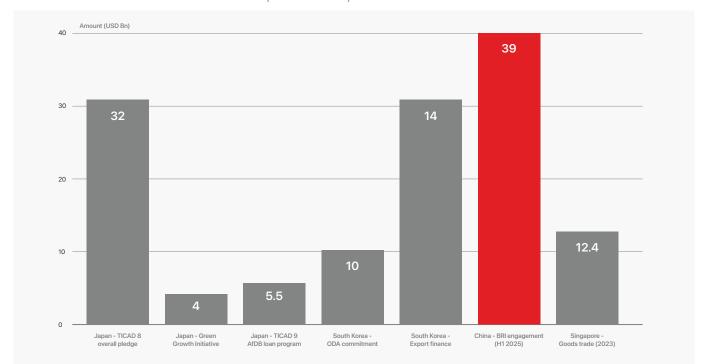


FIGURE 10: Asian Commitments to Africa (2019 - 2025)

India's South-South Cooperation

India has strategically positioned itself as a distinctive African partner, building on rapidly growing trade that surpassed \$100 billion in 2024-2025 and a cumulative investment footprint of over \$75 billion, establishing India among the continent's top five investors.

Unlike China's state-driven, infrastructure-heavy model, India's approach is predominantly led by its private sector, focusing on a demand-driven partnership that prioritizes capacity building in crucial areas like healthcare, education, and digital transformation. This philosophy, codified in the "Kampala Principles," emphasizes creating local capabilities and aligning with Africa's own development goals, with India's offer to share its low-cost, population-scale Digital Public Infrastructure (DPI) representing its most distinct value proposition. ⁵⁸

Geopolitically, India offers African nations alternatives to Chinese and Western models within South-South cooperation frameworks. This role includes diplomatic leadership for the Global South, notably championing the African Union's permanent G20 membership.⁵⁹ India increasingly utilizes trilateral partnerships, particularly with the UAE, combining technological capabilities with Gulf financing for African development.

Despite policy ambitions, India's Africa strategy faces implementation challenges, evidenced by the stalled Asia-Africa Growth Corridor (AAGC) and the nearly decade-long delay in convening the fourth India-Africa Forum Summit.

 $^{^{58}}$ Chakrabarty, M. (2017, April 7). India and China in Africa: Difference lies in scale. or fonline.org.

⁵⁹ Kureth, A. (2024, April 30). India-Africa ties strengthen – GIS Reports. GIS Reports.

However, India's most unique and enduring competitive advantage is its "diaspora dividend". The approximately 3 million people of Indian origin in Africa are deeply integrated into the economic and social fabric of their host nations, serving as a powerful instrument of soft power that acts as a cultural bridge and an economic catalyst, significantly reducing investment risks for Indian private sector engagement.

Amount (USD Bn)

9785

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FIGURE 11: India's Bilateral trade with Africa

1 Key Takeaway

Asian partnerships provide with diverse technological capabilities, knowledge transfer programs, and alternative-development models.

India's South-South approach rooted in private-sector dynamism and digital infrastructure, Japan's corridor strategy, South Korea's technology partnerships, Singapore's financial gateway services, and China's comprehensive engagement collectively offer African nations expanded strategic options. These relationships strengthen African autonomy by embedding the continent within a multipolar network that supports sustainable, inclusive growth through varied forms of expertise, capital access, and market connectivity.

Navigating a Multipolar Landscape

The comprehensive engagement from diverse global partners creates a dynamic, multipolar investment environment that offers African nations with more strategic choices. Rather than dependence on any single model, African countries can now access complementary capabilities from different partners based on their specific development priorities and project requirements.

The current landscape features distinct but increasingly complementary investment approaches. China's infrastructure-focused model provides large-scale, state-backed projects that have addresses critical connectivity gaps across the continent. This approach offers speed and scale in areas where traditional financing has been insufficient, though it requires careful debt sustainability management.

Gulf states, led by the UAE, deploy commercially oriented strategies through operating entities like DP World, focusing on strategic assets such as ports and logistics networks. This model offers rapid capital deployment with fewer governance conditionalities, creating attractive options for governments seeking rapid capital deployment.

Western partners, including the United States, Europe, and the United Kingdom, emphasize targeted investments that combine private-sector mobilization with governance standards and environmental sustainability. While this approach may involve longer development timelines due to comprehensive impact assessments, it provides access to advanced technologies and global capital markets.

Asian middle powers contribute specialized expertise intechnology transfer, knowledge sharing, and capacity building, offering African partners access to proven development models and technical capabilities that complement larger-scale infrastructure investments.

This convergence of lobal capital, combined with the rise of the African Continental Free Trade Area (AfCFTA) framework, creates a generational opportunity for Africa's structural transformation. The AfCFTA provides the architectural blueprint for continental integration, from regional pharmaceutical value chains to integrated agro-processing hubs and digital infrastructure networks. However, the sustainability and success of this transformation will ultimately depend on Africa's ability to mobilize its own resources alongside these international partnerships.

While global capital provides important catalytic financing, the most resilient foundation for Africa's development lies in harnessing the continent's domestic capital. This approach creates powerful multiplier effects: every dollar of domestic capital mobilized can potentially attract up to ten times the amount in investment. This reality necessitates a fundamental shift in development financing thinking: from external financing models toward domestic capital mobilizations enhanced by strategic global partnerships.



A New Development Finance Paradigm: From Aid to Investment Highways



The synergy of international interest and domestic capability, amplified by strategic capital multiplication, sets the stage for a fundamental transformation in how Africa finances its development.

The architecture of development finance is undergoing a fundamental transformation that extends far beyond traditional funding mechanisms. As Africa's economic landscape is reshaped by diverse global partnerships, the legacy model of top-down aid flows from North to South is evolving into a sophisticated, multi-layered ecosystem focused on investment partnerships, African-led institutions, and domestic capital mobilization.

This shift represents a proactive strategy to build a more resilient and self-reliant financial ecosystem capable of funding the continent's ambitious development objectives.

2.1 Africa's Capital Paradox: Unlocking Domestic Financial Resources

Central to this new paradigm is addressing Africa's most pressing financial challenge: the mobilization of its own domestic capital resources.

Africa's financial landscape reveals a striking paradox. Despite holding significant domestic financial assets, the continent struggles to channel this capital into critical development projects, creating a structural bottleneck that hampers economic transformation.

The scale of this trapped capital is substantial. While the average African country holds domestic financial assets equivalent to 85% of its GDP, it deploys less than 15% toward development investments. This paradox extends to diaspora capital, where \$54 billion in annual remittance inflows to Sub-Saharan Africa often bypass long-term productive investments, flowing instead toward household consumption with impact further eroded by high transaction costs.

The core of Africa's capital paradox lies not in capital scarcity, but in systematic misallocation. A substantial share of domestic financial assets is absorbed by sovereign borrowing, where government securities—viewed as safe and liquid with favourable regulatory treatment—attract commercial banks and institutional investors who

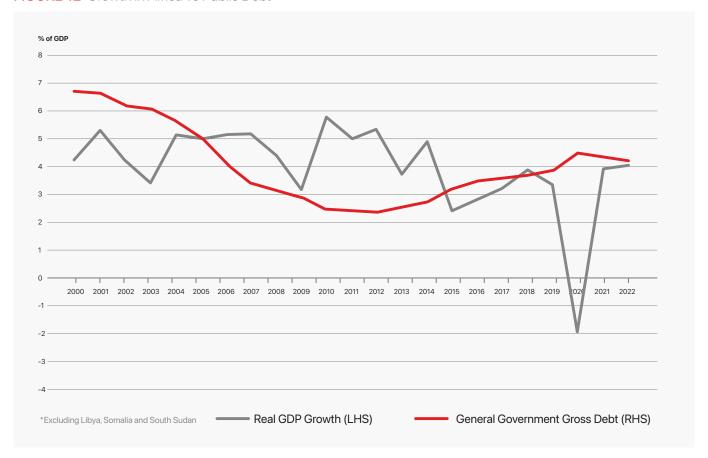
overwhelmingly prefer Treasury bills and bonds over long-term infrastructure financing. This creates a crowding-out effect where sovereign debt absorbs credit that could otherwise finance private sector and development projects.

European Investment Bank (EIB) demonstrates this trend: from 2010 to 2023, African banks' holdings of domestic sovereign debt rose from 10.3 percent to 17.5 percent of total assets, while private sector credit fell from 42 percent to 38 percent.⁶⁰

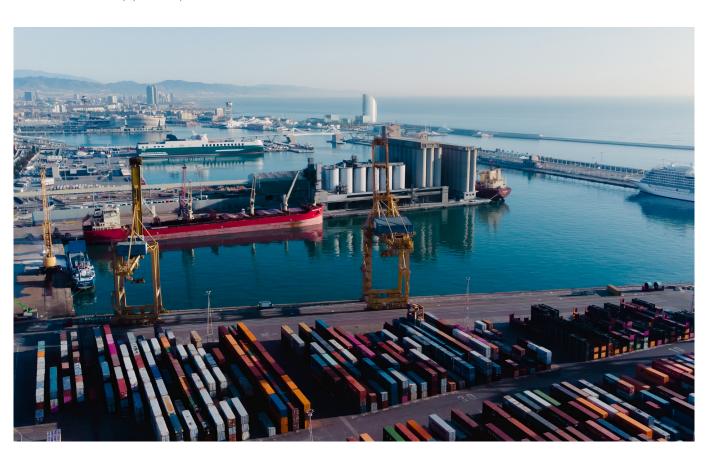
Unlocking this trapped liquidity, both domestic institutional capital and diaspora savings requires innovative financial instruments, targeted risk mitigation mechanisms, and enabling regulatory frameworks that can redirect capital toward infrastructure, SMEs, and climate resilience projects. The potential impact is transformational when domestic capital serves as the foundation for attracting international investment through the multiplier effects discussed earlier.

⁶⁰ European Investment Bank, Is crowding out of private sector credit inhibiting Africa's growth? (Luxembourg: EIB, 23 November 2022).

FIGURE 12: Growth in Africa vs Public Debt



SOURCE: IMF WEO (April 2022)



Economic Context: The Pandemic as a Structural Catalyst

Understanding Africa's capital paradox requires examining the economic context that has shaped current financial allocation patterns.

Before the COVID-19 pandemic, Africa's economies exhibited robust growth trajectories. The African Development Bank (AfDB) consistently ranked Africa as the world's second-fastest growing region after Asia, demonstrating the continent's underlying economic dynamism. ⁶¹

The pandemic then delivered a sharp structural shock that reshaped this landscape. Africa experienced its worst recession in over 50 years, with GDP contracting by an estimated 2.1 percent in 2020. Beyond the immediate economic impact, this was also a massive development setback. The simultaneous decline in trade, remittances, and FDI pushed an estimated 30 to 40 million more Africans into extreme poverty, significantly undermining progress toward SDG 1 (No Poverty). ⁶²

The recovery pattern reveals persistent structural challenges. Regional growth rebounded to

approximately 3.3 percent in 2021, but the recovery has been uneven and fragile. ⁶³ Growth moderated in 2022-2023, remaining below pre-pandemic trends in many countries due to global monetary tightening, elevated debt servicing costs, inflationary pressures, and geopolitical uncertainties. ⁶⁴

Current forecasts suggest modest strengthening, with the World Bank projecting regional growth to edge up to around 3.5 percent in 2025 as consumption and investment gradually recover. However, the IMF and AfDB note that gains remain uneven and vulnerable to external shocks. 65 These dynamics of short-term resilience alongside persistent structural fragilities underscore a critical need: while Africa can serve as a global growth engine, realizing this potential at scale requires unlocking domestic financial resources for infrastructure, climate resilience, and job creation that advances sustainable development objectives.



 $^{^{\}rm 61}$ African Development Bank. (2020). African Economic Outlook

⁶² African Development Bank. African Economic Outlook 2021 (noting a 2.1% GDP contraction in 2020); World Bank. "The COVID-19 pandemic is estimated to have pushed between 30 and 40 million people into extreme poverty in 2020.

 $^{^{63}}$ World Bank. "Sub-Saharan Africa exits recession, but recovery remains fragile," Africa's Pulse / press release, Oct. 6, 2021 (regional growth pprox 3.3% in 2021).

⁶⁴ World Bank. Africa overview (growth projection: ~3.5% in 2025); IMF, Regional Economic Outlook: Sub-Saharan Africa (growth and downside risks); African Development Bank, African Economic Outlook 2025

⁶⁵ World Bank. Africa overview (growth projection: ~3.5% in 2025); IMF, Regional Economic Outlook: Sub-Saharan Africa (growth and downside risks)

Africa's Untapped Economic Engine: From Domestic Assets to Development

This economic context reveals why domestic capital mobilization has become central to Africa's development strategy.

Africa's economic potential extends far beyond its natural resource endowments. The continent is powered by the world's fastest-growing youth population and accelerating technological adoption that is fundamentally reshaping markets. Crucially, Africa's future growth trajectory increasingly depends on resources within its own borders—specifically, the continent's substantial yet underutilized domestic capital base.

The scale of available domestic financial resource is remarkable. The Africa Finance Corporation (AFC) estimates that the continent holds over US\$4 trillion in domestic financial assets. This capital pool encompasses commercial bank assets, rapidly growing pension and insurance funds, public development banks, and foreign reserves. 66 Pension funds alone account for approximately US\$455 billion, while insurance companies and public development banks holding additional deep pools of capital. 67

FIGURE 13: Visualizing Africa's \$4 Trillion Domestic Assets



SOURCE: Africa Finance Corporation. State of Africa's Infrastructure Report 2025

 $^{^{66}}$ Africa Finance Corporation. State of Africa's Infrastructure Report, 2025

⁶⁷ Mawdsley, Emma. "Development Finance in Africa: New Geographies, Actors and Approaches." African Affairs, 2021.

Despite this domestic wealth, a persistent paradox undermines Africa's development potential: a fundamental disconnect between available capital and bankable development projects. While Africa's domestic financial assets represent approximately 85% of its GDP, less than 15% is channeled into the productive infrastructure essential for sustainable growth. This is not due to a lack of capital, but to more of a misallocation⁶⁸ driven by two structural issues:

- 1. The "Safe Harbour" of Sovereign Debt: Commercial banks predominantly deploy their substantial liquidity in short-term government securities, which offer predictable returns and favourable regulatory capital treatment. This preference creates a crowding-out effect where sovereign borrowing absorbs capital that could otherwise finance long-term infrastructure development.
 - The phenomenon is well documented by the European Investment Bank (EIB), which notes a growing share of bank assets'exposure to sovereign debt at the expense of private-sector credit. ⁶⁹ While a robust domestic bond market is a vital tool for funding essential public services and managing national finances, the current imbalance in many economies inadvertently constrains the private sector's access to long-term capital. The strategic objective is to foster a more diversified financial ecosystem where both public and private financing needs can be met.
- 2. The Asset-Liability Mismatch: There is a structural mismatch in the financial system. Commercial banks hold short-term liabilities (customer deposits) and are hesitant to lock into long-term infrastructure assets. Conversely, institutional investors like pension and insurance funds hold long-term liabilities but are often compelled by regulation to invest in short-term, liquid government securities.

This regulatory framework prevents the natural alignment of long-term capital with long-term development needs, creating inefficiencies that constrain both institutional returns and infrastructure development. The result is a system where those best positioned to finance long-term development (pension funds, insurance companies) are regulatory prohibited from doing so, while those with short-term funding sources (banks) are reluctant to take on long-term commitments.

⁶⁸ African Business. "Africa can fund infrastructure with \$4 trillion of own assets: AFC." 9 June 2025. African Business.

 $^{^{69}\,\}text{European Investment Bank.}\,\text{Is crowding out of private sector credit inhibiting Africa's growth?}\,\text{Luxembourg: EIB, 2022}$

TABLE 1: Structural Gaps in African Financial Systems (UBA Markets)

Country	Banking Assets (% GDP)	Private Credit (% GDP)	NPLs (% Gross Loans)	Market Cap (% GDP)	Institutional Tilt to Sovereign Debt	Selected Reform / Instrument
Nigeria	16.4 (2021)	22.3 (2023)	4.9 (Nov 2024)	29.5 (2024)	Pensions ~63% FGN (Dec 24)	InfraCredit guarantees
Kenya	32.9 (2021)	31.6 (2023)	16.3 (Jun 2024)	12.0 (2024)	Pensions ~52% in GoK (2023)	Green & infra bonds
Ghana	26.8 (2021)	14.3 (2023)	21.8 (Dec 2024)	9.1 (2024)	Pensions ~80% in GoG (2023)	GIIF co-financing
Senegal	31.2 (2021)	31.4 (2023)	8.7 (2023)	16.4 (2021)	High sovereign exposure	PAPSS, BRVM market deepening
Côte d'Ivoire	24.1 (2021)	22.4 (2023)	8.7 (2023)	10.8 (2024)	High sovereign exposure	BRVM securitisation, PPP unit
Cameroon	20.6 (2020)	17.4 (2023)	19.0 (2022)	_	CEMAC banks, high sovereign holdings	CEMAC debt market reform
Uganda	24.0 (2021)	15.5 (2023)	5.3 (2023)	_	Pension ~78% in govt bonds	25-yr bond issuance
Tanzania	29.5 (2021)	16.7 (2024)	6.8 (2022)	9.5 (2021)	High govt securities exposure	PPP Act, infra bonds
Zambia	21.3 (2021)	12.5 (2024)	8.8 (2023)	8.0 (2024)	Govt tilt among banks/pensions	Debt restructure, bond reforms
DR Congo	27.0 (2021)	7.2 (2023)	5.0 (2022)	_	Banks prefer sovereign paper	Digital payments, securities

SOURCE: AFC; World Bank (WDI, GFDD, Global Findex); IMF (Article IV Consultation Reports); WAEMU Banking Commission; CEMAC/BEAC; BRVM; National regulators (PenCom Nigeria, RBA Kenya, NPRA Ghana, URBRA Uganda); Dr. Nashwa J. Saleh, CFA Institute Research Foundation & AFC. Note: This table harmonizes indicators from multiple datasets and reporting years (2021–2024).

Architecting a New Financial Ecosystem

Resolving this mismatch requires coordinated policy reforms that enable institutional investors to participate in infrastructure financing while maintaining appropriate risk management standards. This involves creating instruments that satisfy both regulatory requirements and development objectives, while establishing risk-sharing mechanisms that make infrastructure projects attractive to domestic institutional investors. This requires architecting an innovative financial ecosystem through a comprehensive framework that addresses government policy, financial regulation, project bankability, and credit infrastructure.

Pillar 1: Fiscal Discipline and Strategic Asset Management

Governments must lead by reducing their reliance on domestic borrowing. This involves pursuing fiscal discipline and strategically managing state-owned assets through credible privatization and commercialization programs to create new, bankable investment opportunities for the private sector.

Pillar 2: Incentivizing Financial Sector Diversification

Financial regulators must create frameworks that encourage commercial banks and pension funds to diversify their investment portfolios beyond sovereign debt. This includes policies that reward investment in long-term, productive sectors of the real economy.

Pillar 3: Enhancing Project Bankability

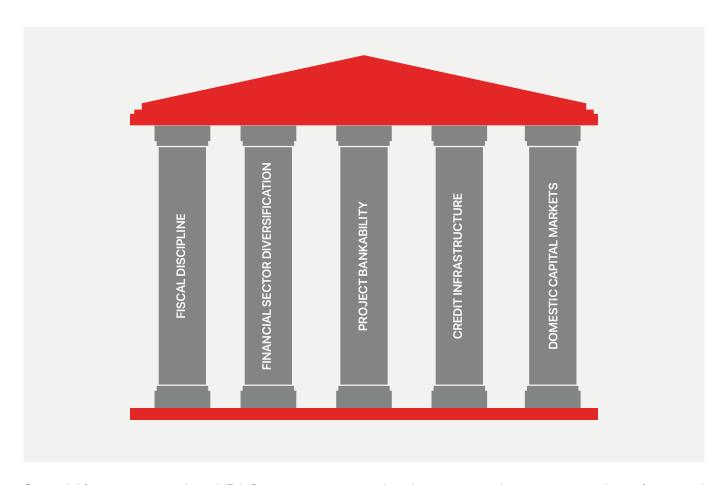
The supply of bankable projects must be increased through credible and transparent Public-Private Partnership (PPP) programs. A robust PPP framework provides the de-risking and clear regulatory environment that commercial banks need to confidently commit capital to large-scale infrastructure.

Pillar 4: Building the Foundational Infrastructure of Credit

To counter systemic risk aversion, the basic plumbing of the credit economy must be strengthened. This includes credit bureau reforms to improve risk assessment; land registration and ownership reform to unlock collateral and empower SME borrowing, and universal identity management systems to streamline KYC, reduce fraud, and lower the cost of financial inclusion.

Pillar 5: Deepening Domestic Capital Markets

With these foundations in place, targeted financial innovations can thrive. As seen in Nigeria, credit guarantee vehicles like InfraCredit can de-risk infrastructure debt for pension funds. In Kenya, the creation of new asset classes like green bonds can attract domestic capital. These market-deepening initiatives are the final, crucial step in channelling the continent's vast domestic savings into sustainable, long-term growth.



Several African nations, where UBA Group operates, are already pioneering the necessary policy reforms and financial innovations. These successes provide a clear blueprint for the continent.

Case Studies in Policy Reform and Innovation

Nigeria: De-risking Infrastructure Debt

To counter risk aversion, Nigeria has successfully scaled initiatives like the Infrastructure Credit Guarantee Company (InfraCredit). InfraCredit, established in 2017 by the Nigeria Sovereign Investment Authority (NSIA) and GuarantCo, has catalysed infrastructure bond issuance by providing long-term guarantees that make these instruments accessible to domestic institutional investors.⁷⁰

As of year-end 2022, InfraCredit facilitated NGN 128 billion (~US\$278 million) in infrastructure bond financing across ten infrastructure issuers, offering tenors up to 20 years and achieving up to 60% oversubscription.⁷¹ In its Q1 2025 Investor Report, InfraCredit notes NGN 31.2 billion in guarantees issued and funded, alongside significant equity mobilization (~NGN 19 billion via rights issues).⁷² These developments show growing institutional confidence and a shift toward long-term infrastructure investments.

Kenya: Deepening Capital Markets

Kenya has become a leader in using its capital markets to fund specific development goals. The issuance of innovative green bonds and infrastructure bonds through the Nairobi Securities Exchange has successfully tapped into a growing pool of domestic investors who want to finance sustainable projects.

The launch of Kenya's first certified green bond in October 2019, issued by Acorn Holdings. The bond, at KES 4.3 billion (~US\$40 million), was priced at 12.25% and rated B1—one notch above the sovereign B2 rating—and attracted strong institutional interest. ⁷³

Ghana: Co-Financing at Scale

Through its Infrastructure Investment Fund (GIIF), Ghana has created a dedicated vehicle to act as an anchor investor and co-financier for critical projects. By partnering with domestic banks and international DFIs, the GIIF bridges the viability gap for large-scale projects, demonstrating a successful model for public-private collaboration.

Established by Ghana's Parliament in 2014 under Act 877, the GIIF is a government-owned investment vehicle mandated to mobilize, manage, and invest in infrastructure projects across economic and social sectors. It began operations in 2015 with an anchor equity of US\$325 million and has since committed to 13 infrastructure projects spanning transport, ICT, energy, and social infrastructure, with a total project cost of US\$3.6 billion and an estimated 10× leverage ratio. ⁷⁴

GIIF's investment instruments include debt, equity, mezzanine financing, and off-balance-sheet sub funds (e.g., affordable housing, toll roads), supported by an environmental and social management system aligned with international standards. The new eightmember Board of the GIIF, sworn in July 2025, is tasked with further scaling these efforts to drive investment and attract both domestic and international capital.

Challenges and Opportunities

The infrastructure financing gap reflects a fundamental challenge: while Africa possesses substantial domestic savings, existing financial architecture cannot effectively channel these resources into long-term development projects. This trapped liquidity

⁷⁰ PIDG / IFC. InfraCredit Nigeria facility overview and case study. PIDG, accessed 2025.

⁷¹ InfraCredit Nigeria. 2022 Annual Report.

⁷² InfraCredit Nigeria. Q1 2025 Investor Report.

⁷³ PIDG. "GuarantCo celebrates redemption of the first green bond issued in East Africa." Press release, 23 October 2024.

 $^{^{74}\,\}mbox{Ghana}$ Infrastructure Investment Fund. GIIF Investor Presentation, June 2024.

 $^{^{75}\,}Ghana\,Infrastructure\,Investment\,Fund.\,GIIF\,Environmental\,\&\,Social\,Management\,System, Oct.\,2019.$

⁷⁶ APO Group. "GIIF Board Inaugurated," 9 July 2025.

represents both constraint and opportunity. The key lies in creating sophisticated intermediation systems that can mobilize domestic capital safely and profitably.



Africa's transformation requires capital, partnership, and collaborative innovation working together. At UBA, we sit at the table with governments, development institutions, and enterprises to co-create financial architectures that convert national visions into bankable realities. Our approach is proven through our global presence, strategic partnerships with institutions like the African Development Bank, and landmark projects including our \$6 billion AfCFTA partnership. This collaborative model bridges the gap between Africa's domestic resources and infrastructure needs.



() Key Takeaway

Unlocking Africa's domestic capital requires sophisticated financial engineering rather than new funding sources. Through targeted regulatory reforms that enable securitization, secondary market development for infrastructure debt, and innovative risk-sharing mechanisms, African institutions can redirect existing capital flows toward transformative development projects. The opportunity lies not in finding new money, but in building the architecture to deploy existing resources effectively.

Reform Spotlight: Fitch Upgrade Boosts Confidence

In April 2025, Fitch Ratings upgraded Nigeria's long-term foreign-currency sovereign rating from B– to B (Stable Outlook). The move reflected the government's continued implementation of reforms, including currency unification, tighter monetary policy, removal of fuel subsidies, and the end of deficit monetization by the Central Bank.

This upgrade signals to investors that Nigeria is committed to reform credibility—improving the investment climate, reducing perceived risks, and strengthening the foundation for mobilizing domestic and international capital into infrastructure and productive sectors.

SOURCE: Fitch Ratings, April 11, 2025; Bloomberg, April 2025.

2.2 The AfCFTA Catalyst: Building the \$3.4 Trillion Single Market

The establishment of the African Continental Free Trade Area (AfCFTA) marks a pivotal moment in the continent's economic history, representing a fundamental shift from external financing models toward strategic autonomy. This comprehensive framework extends beyond tariff reduction to serve as the primary instrument for achieving Africa's long-term socio-economic transformation.

By positioning the AfCFTA as central to the African Union's Agenda 2063 and a primary vehicle for attaining UN Sustainable Development Goals, African leaders have elevated it from a trade agreement to a development imperative. The AfCFTA is also a strategic pathway to inclusive economic growth through value-added trade integration, signalling a decisive move toward internal market creation and reduced external vulnerability.

This approach directly addresses the inherent risks of external dependency. Preferential trade agreements with external partners have repeatedly demonstrated their fragility, subject to unilateral restrictions or suspensions that destabilize economic progress. The AfCFTA, by contrast, represents a homegrown response designed to insulate African economies from global shocks while fostering self-reliance through continental market integration.

By integrating 54 countries with a combined population exceeding 1.3 billion people and a GDP of \$3.4 trillion, the AfCFTA creates one of the world's largest economic blocs. The IMF projects that successful implementation could boost intra-

African trade flows by 53% while increasing real GDP per capita by 10%, demonstrating the substantial economic returns available through coordinated continental development.

Progress in Intra-African Trade

Since its operational launch, intra-African trade has demonstrated consistent growth despite volatile global economic conditions, providing evidence-based confirmation that the agreement is reshaping continental trade patterns.

Intra-African trade totalled \$168 billion in 2021, growing robustly by 11% to reach \$186 billion in 2022, when it represented 13.6% of the continent's total global trade. In 2023, trade continued expanding by 3.2% to \$192 billion, though growth decelerated due to implementation complexities and global economic headwinds, including geopolitical conflicts and macroeconomic instability that caused Africa's total merchandise trade to contract.

Despite these challenges, intra-African trade's share of total continental trade increased to approximately 15% in 2023, demonstrating growing resilience and strategic importance. This increased share during a period of global trade contraction illustrates the AfCFTA's effectiveness in creating more stable, regionally focused commercial relationships.

Projections for 2025 indicate a strong rebound. According to Afreximbank 2025 African Trade Report, intra-African trade is forecast to grow by 12.4%, reaching an estimated \$220.3 billion. This projected acceleration suggests that as more

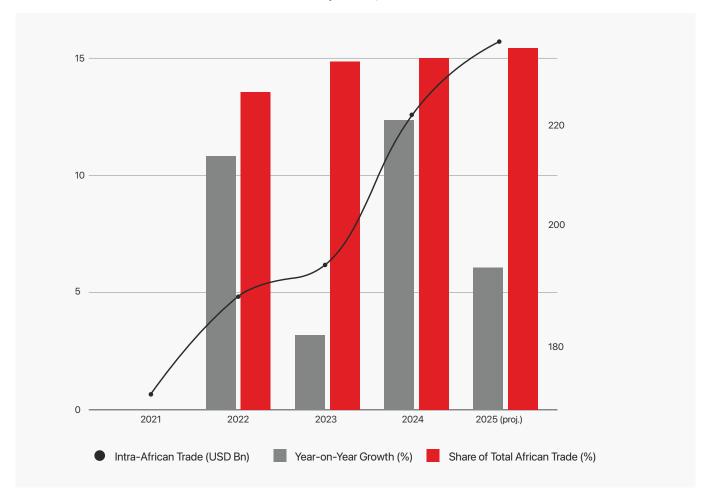
⁷⁷ Can the African Continental Free Trade Area be a catalyst for the triple nexus of humanitarian, development, and peace challenges in Africa? | United Nations Economic Commission for Africa. (2025, January 21).

⁷⁸ Afreximbank. (2024). African Trade Report 2024: Climate Implications of the AfCFTA Implementation. In Afreximbank.

countries operationalize the AfCTFA's protocols and overcome initial implementation hurdles, the pace of trade integration is set to increase significantly.⁷⁹

The trajectory from \$168 billion to a projected \$220.3 billion over four years represents a 31% cumulative increase, demonstrating the AfCFTA's capacity to generate substantial commercial growth even while global trade relationships face increasing uncertainty.

FIGURE 14: Intra-African Trade Performance and Projections, 2021-2025



⁷⁹ Musumba, V. (2025, June 26). AfreximBank launches 2025 Report on African Trade in a Shifting Global Financial landscape - African Export-Import Bank. African Export-Import Bank. https://www.afreximbank.com/afreximbank-launches-2025-report-on-african-trade-in-a-shifting-global-financial-landscape/

Driving Structural Transformation

A core objective of the AfCFTA is to catalyse structural transformation by transitioning African economies from their historical role as suppliers of raw materials to integrated producers of high-value goods and services. The agreement is designed to reduce reliance on volatile commodity exports and strengthen resilience through industrialization and value-added industries.⁸⁰

Manufacturing already accounts for the largest share of intra-African exports at 46%, followed by food (21%) and fuels (20%). This indicates that a significant base of industrial trade already exists within the continent, which the AfCFTA is poised to expand dramatically.

Projections from the United Nations Economic Commission for Africa (ECA) suggest that with full implementation, the AfCFTA could boost exports in the industrial sector by 48% (adding \$165.6 billion to current value) and in the agrifood sector by 60% (adding \$58.6 billion) by 2045. Growth will be driven by the development of regional value chains in key sectors such as agro-processing, automotive, pharmaceuticals, and renewable energy.

The Guided Trade Initiative (GTI) in Action: A Proof of Concept

To translate the AfCFTA's legal framework into commercially meaningful trade, the Secretariat launched the Guided Trade Initiative (GTI) in October 2022. Acting as a real-world pilot, the GTI tests

operational, institutional, and legal frameworks by matching businesses to trade under new preferential rules. It standardizes procedures, reduces costs, and demonstrates the practical viability of the AfCFTA. ⁸¹

The GTI has shown rapid expansion and strong political commitment. Beginning with seven countries—Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, and Tanzania—and has since expanded to include 37 of the 54 member states as of October 2024, including major economies like Nigeria and South Africa.

The true impact of the GTI is best illustrated through the tangible success stories that have emerged, which provide powerful evidence of the agreement's potential to foster value-added trade.

These examples are significant because they showcase a clear shift away from the historical pattern of exporting raw commodities and toward the intra-African trade of processed and manufactured goods. This is a direct fulfilment of one of the AfCFTA's core objectives and a promising sign of the structural transformation it is intended to drive.

⁸⁰ Mene, W. (2025b, January 29). Intra-African trade and its potential to accelerate progress toward the SDGs. Brookings. https://www.brookings.edu/articles/intra-african-trade-and-its-potential-to-accelerate-progress-toward-the-sdgs/

⁸¹ AFCFTA Update November 2024. (2024, November 1). International Trade Administration | Trade.gov. https://www.trade.gov/market-intelligence/afcfta-update-november-2024

The Guided Trade Initiative Pilots

Rwanda has successfully leveraged the GTI to export processed, value-added products, including packaged coffee to Algeria and Ghana, and has since diversified its shipments to include tea, avocado oil, and honey.

Tanzania has demonstrated a move up the value chain by trading coffee with Algeria and sisal fibre with Nigeria. One Tanzanian sisal exporter, AJA Ltd, reported a sixfold increase in its monthly exports—from one to six containers—after participating in an AfCFTA training workshop. This expansion directly created 50 new part-time jobs, with a significant share held by women (80%) and youth (60%).

South Africa made its inaugural shipment under the AfCFTA to Kenya, which included manufactured goods such as refrigerators and machinery, symbolizing a crucial step in deepening regional industrial trade.

Nigeria has also begun trading under the GTI, with its inaugural consignments including high-technology products like smart cards and industrial cables destined for markets in Egypt, Algeria, Uganda, Cameroon, and Kenya.

Source: Mene, W. (2025, January 29). Intra-African trade and its potential to accelerate progress toward the SDGs. Brookings.

Long-Term Projections and Economic Impact

The forecasts and long-term economic impact of the AfCFTA are both compelling and optimistic, underscoring its transformative potential. By creating a single market for goods and services across 54 countries with a combined population of over 1.3 billion people and a GDP of US\$3.4 trillion, the economic prize is immense. The IMF estimates that successful implementation could boost intra-African trade flows by 53% and increase real GDP per capita by 10%. 82

The full implementation of the AfCFTA is projected to raise regional income by about \$450 billion (a 7% gain above the baseline) by 2035, and increase Africa's total exports by \$560 billion by 2035, with the bulk

of gains coming from trade facilitation and policy reforms to cut red tape, digitize custom processes, and ease services and investment flows. 83 The same modelling anticipates lifting tens of millions of people from poverty as integration deepens and value chains expand.

This implies that investments in "soft infrastructure"—the systems, processes, and regulations that govern trade—will yield a far greater economic return focusing solely on tariff reduction. For policymakers, this means prioritizing the modernization of ports, borders, and customs regimes. For investors, it points to logistics, trade finance, and digital solutions as the most immediate and scalable opportunities.

 $^{^{82}}$ International Monetary Fund. World Economic Outlook Update. January 2024.

⁸³ World Bank Group. (2023). The African Continental Free Trade area. In World Bank. https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area

The United Nations Economic Commission for Africa (ECA) provides complementary projections. The ECA estimates that the AfCFTA will increase the value of intra-African trade by between 15% and 25% (equivalent to \$50-\$70 billion) by 2040. More recent ECA analysis projects an even more significant 45% increase in intra-African trade by 2045, which would boost the value of the continent's cross-border trade by \$275.7 billion. 84

Together, these projections paint a consistent picture of a continent on the cusp of a major economic expansion driven by deeper integration. They underscore the immense scale of the opportunity while simultaneously highlighting that the path to realizing these gains lies in the diligent, practical work of making trade across Africa faster, cheaper, and simpler.

The Financial Backbone: PAPSS and the Revolution in Cross-Border Payments

For the AfCFTA's vision of a seamless, integrated single market to become reality, efficient and robust financial infrastructure is indispensable. The Pan-African Payment and Settlement System (PAPSS), developed by the African Export-Import Bank (Afreximbank) in collaboration with the AfCFTA Secretariat, is the financial backbone of this new architecture.

Historically, conducting trade between African countries has been paradoxically inefficient. Over 80% of intra-African payment transactions had to be routed through correspondent banks outside the continent, typically in New York, London, or Paris. This meant that a business in Ghana paying a supplier in Zambia would see its payment converted from Cedis to US Dollars, sent to the United States, and then converted again to Kwacha before reaching the recipient. ⁸⁵ This system cost Africa an estimated \$5 billion annually in transaction fees.

PAPSS was engineered as a direct solution. It provides a continent-wide, African-owned, and African-governed infrastructure that enables instant or near-instant (within 120 seconds) cross-border payments directly in local currencies. A trader in Nigeria can now pay a supplier in Kenya in Naira, and the supplier will receive the funds in Kenyan Shillings moments later, completely bypassing the need for intermediary non-African currencies and foreign banks. 86

Since its commercial launch in January 2022, PAPSS has focused on building out its network by integrating central and commercial banks across the continent. The pace of this expansion demonstrates growing institutional buy-in for the system.

⁸⁴ United Nations Economic Commission for Africa. Economic Report on Africa 2025. Addis Ababa: UNECA, 2025.

⁸⁵ Lidibe. (2022, December 7). Pan-African Payment and Settlement System Launched by President Akufo-Addo Foreseeing \$5 billion Annual Savings for Africa - African Export-Import Bank.

⁸⁶ UBA Group. (2025, August 14). Now, Africa trade begins!' Alawuba says as UBA launches PAPSS transaction on LEO Chatbot. Africa's Global Bank. https://www.ubagroup.com/now-africa-trade-begins-alawuba-says-as-uba-launches-papss-transaction-on-leo-chatbot/

FIGURE 15: Pan-African Payment and Settlement System Participants

*Pan-African Payment and Settlement System Participants

CENTRAL BANKS































SWITCHES























COMMERCIAL BANKS







































































































STRATEGIC PARTNERS





















SOURCE: FXC Intelligence Analysis, Pan-African Payment and Settlement Ssstem

The network of participating central banks has grown significantly from the initial pilot phase in the West African Monetary Zone (WAMZ). As of late 2024, the network includes 15 central banks, incorporating key economic hubs such as Nigeria, Ghana, Kenya, Zambia, Zimbabwe, and Egypt. The inclusion of institutions like the Central Bank of Egypt, where PAPSS is headquartered, is strategically important for linking North Africa with the rest of the continent.⁸⁷

The onboarding of commercial banks, which serve as the primary interface for businesses and individuals, has also been rapid. By mid-2024, the number of commercial banks connected to the PAPSS network had surpassed 150, with reports of over 115 more in the pipeline for connection. This critical mass of participating financial institutions is essential for ensuring wide accessibility and utility for traders across the continent.⁸⁸

Navigating the Path Forward

The AfCFTA has transitioned from a negotiated agreement to an operational reality, demonstrating tangible progress in fostering sustainable development and growing intra-African trade.

However, the journey toward a fully integrated and seamless single market is fraught with challenges that require concerted and strategic action. The initial phase of implementation has been invaluable, not only for facilitating trade but also for revealing the critical bottlenecks that must be addressed. Realizing this potential requires sustained political will to dismantle persistent non-tariff barriers, harmonize complex customs procedures, and accelerate the technical integration of all commercial banks into platforms like PAPSS. This is the critical, groundwork that will turn policy into prosperity.

Financial institutions that leverage AfCFTA infrastructure with innovative trade finance and working capital solutions will be critical to unlocking its promise. UBA, with its network across 20 African countries, plays a leading role by facilitating seamless cross-border transactions. Its partnership with the AfCFTA to establish a US\$6 billion fund for SME financing underscores the pivotal role of African financial institutions in shaping inclusive, sustainable growth. ⁸⁹

Key Takeaway

AfCFTA's progress, bolstered by initiatives like GTI and PAPSS, is reshaping Africa's economic landscape. By providing innovative financial solutions and forging strategic partnerships, financial institutions are critical to unlocking the single market potential, driving sustainable growth, and advancing Africa's development goals.

⁸⁷ Ghana Pan African Payments Settlement System (PAPSS) update. (2023, December 27). International Trade Administration | Trade.gov.

⁸⁸ Ingham, L. (2025, March 13). The Pan-African Payment and Settlement System's continued growth. FXC Intelligence. https://www.fxcintel.com/research/analysis/pan-african-payment-and-settlement-system-march-25

⁸⁹ United Bank for Africa. (2024, March 5). AFCFTA - UBA UAE. UBA UAE. https://www.ubauae.com/afcfta/

2.4 Multilateral Institutions: From Grant-Making to Market-Making

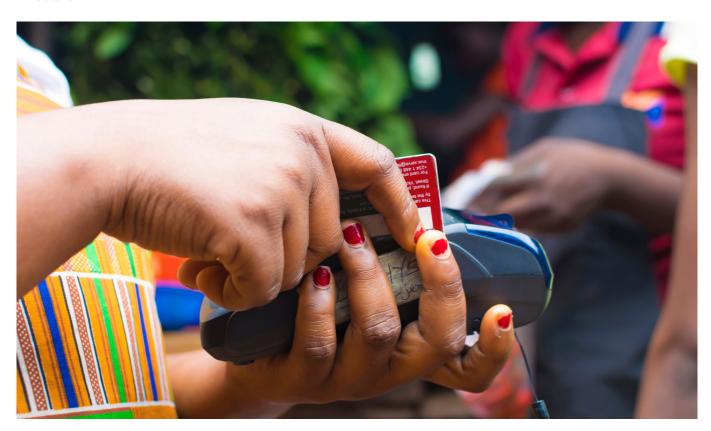
Concurrent with the rise of African-led finance, Multilateral Development Banks (MDBs) have fundamentally transformed their role.

They have evolved from being traditional grant-makers to sophisticated financial intermediaries focused on "making markets." This represents a paradigm shift from simply providing direct funding to actively creating the conditions, instruments, and risk-sharing mechanisms necessary to mobilize private capital at scale.⁹⁰

This evolution is demonstrated by the International Finance Corporation's (IFC) record-breaking activity in its 2024 fiscal year. The IFC committed \$14.2 billion in financing across 45 African countries, successfully mobilizing an additional \$5.7 billion from partner investors.⁹¹

Similarly, the African Development Bank (AfDB) has seen its capital base increased to \$318 billion and has generated over \$225 billion in investment interest through its Africa Investment Forum, a platform explicitly designed to connect private capital with bankable projects. 92 This proves a significant appetite for African projects when they are structured with the right financial architecture.

This new market-making role for MDBs creates powerful opportunities for African banks to serve as essential implementation partners, providing the local market expertise and risk management required for these complex, blended-finance transactions to succeed.



⁹⁰ Center for International Cooperation. (2025, April 22). 6 Ways Multilateral Development Banks Can Unlock Financial Resources for Low-Income Countries | Center on International Cooperation.

⁹¹ IFC invests record financing in 45 African countries in fiscal year 2024. (n.d.). IFC

⁹² Africa Newsroom, APO Group - Africa Newsroom, & African Development Bank Group (AfDB). (2025, August 13). Africa50 sets new benchmark in infrastructure financing, surpasses \$1.4B in managed assets. APO Group - Africa Newsroom.

2.5 Financing the Transformation: Unlocking Africa's Domestic Capital

The AfCFTA represents a multi-trillion-dollar opportunity to transform Africa's industrial and commercial landscape. Realizing this vision requires a financing plan of equal ambition. This pool of capital represents Africa's best chance at building a financing model that is resilient and aligned to its structural transformation agenda.

Africa's \$4 trillion domestic capital base is rapidly evolving from government bond-heavy allocation toward infrastructure investment, with pension fund assets growing 15-40% annually across key markets and new regulatory frameworks unlocking billions for development projects.⁹³

Nigeria's infrastructure investments surged 54% in 2024, Kenya's KEPFIC consortium mobilized \$113 million for infrastructure, and South Africa raised infrastructure allocation limits to 45%, 94 demonstrating that domestic capital can generate superior returns while addressing the continent's \$93-170 billion annual infrastructure gap.

The significance extends beyond financing volumes. This shift represents Africa's transition toward self-funded development, reducing external dependency while creating sustainable returns for local institutions and beneficiaries. With AfCFTA trade volumes reaching \$220.3 billion in 2024,95 and cross-border

payment infrastructure advancing rapidly, domestic capital mobilization becomes central to capturing the agreement's economic opportunity.

The success stories from Nigeria's Infrastructure Debt Fund (227.9% total returns), ⁹⁶ Kenya's pension consortium model, and South Africa's massive institutional allocation prove that African capital can drive continental development while delivering competitive investment returns.

Domestic Capital Pools Across the Continent

Africa's domestic capital mobilization has achieved remarkable scale, with the \$4 trillion figure validated by comprehensive analysis across pension funds, insurance assets, commercial banking, and sovereign wealth funds. ⁹⁷

Pension fund growth accelerates across major markets, with Nigeria's assets reaching \(\frac{4}{2} \) 3.32 trillion (\(\frac{5}{15} \) 5 billion) by March 2025, representing 17.05% year-over-year growth. \(\frac{98}{8} \) Kenya demonstrates even stronger momentum with pension assets of KSh 2.23 trillion (\(\frac{5}{17} \).3 billion), growing 28.5% annually, \(\frac{99}{9} \) while Ghana achieved 39.5% growth to reach GH\(\frac{6}{2} \) abillion (\(\frac{5}{3} \) 4 billion). This rapid expansion reflects improving contribution enforcement, regulatory reforms, and economic formalization across African markets.

⁹³ AFC's 2025 report urges Africa to channel \$4 trillion in domestic capital toward Infrastructure-Led industrial transformation. (n.d.). Africa Global Funds.

⁹⁴ Jeremiah, U. (2025, March 12). Pension Funds' investment in infrastructure grows by 54.1% to N242.2bn. Vanguard News.

⁹⁵ MEO. (2025, August 4)

⁹⁶ Onisegwu. (2024, March 28). The Chapel Hill Denham Nigeria Infrastructure Debt Fund ("NIDF") records N20.4 billion Profit for FY2023 – a 98% Year-on-Year Growth. - Chapel Hill Denham. Chapel Hill Denham.

 $^{^{97}\,}AFC\,Champions\,Shift\,of\,\$4\,Trillion\,in\,Domestic\,Savings\,into\,Africa's\,Infrastructure\,Transformation.\,06.2025$

⁹⁸ Owoseni, O. (2025, June 13). Nigeria's pension fund assets reach N23.32 trillion in March 2025, posting modest monthly growth amid robust yearly gains. TV360.

⁹⁹ Progress of retirement benefits schemes in Kenya - 2024, & Cytonn Weekly #21/2024. (n.d.).

Market concentration remains challenging, with 90% of African pension assets concentrated in just four countries: South Africa (\$500 billion), Nigeria, Namibia (\$12.1 billion), and Botswana (\$9.7 billion). South Africa dominates continental pension markets with assets representing 88% of GDP, followed by Namibia at 103% GDP penetration. However, smaller markets show strong growth potential, with Tanzania's pension assets growing 17% annually and Uganda's NSSF managing UGX 22 trillion with expanding coverage. ¹⁰¹

The insurance sector contributes \$150+ billion in additional institutional capital, with the continental insurance market valued at \$92.9 billion and projected 6.03% CAGR growth to \$160.9 billion by 2033.¹⁰² South Africa accounts for 70% of continental insurance premiums, while Kenya leads East Africa with 2.14% insurance penetration. Commercial banking assets of \$2.5 trillion are dominated by South African institutions like Standard Bank (\$170 billion assets across 20 countries) and regional champions like UBA Group expanding across West Africa ¹³

Regulatory Reforms Unlock Institutional Capital Deployment

Policy reforms from various African governments have been instrumental in facilitating the unlocking of the domestic capital base.

Nigeria: leads regulatory evolution with the National Pension Commission (PENCOM) finalizing review to significantly increase the 5% infrastructure investment limit for pension funds, while reducing domestic project requirements from 75% to 60%. With pension funds' assets now exceed N19 trillion (approx. \$100 billion) as of 2025, PENCOM has introduced framework permitting infrastructure and private equity allocations. 104

This has enabled the creation of specialized vehicles like the Nigeria Infrastructure Debt Fund, which packages projects into investible instruments, providing the yield and risk characteristics suitable for pension funds while directly addressing the nation's infrastructure gap.

Current infrastructure investments of \(\frac{1}{2}\)24.325 billion in 2024 represent 54.1% growth from 2023, demonstrating immediate impact of regulatory clarity. The Multi-Fund Structure implementation and expanded asset classes including infrastructure bonds, REITs, and private equity funds create broader investment opportunities.

Kenya: The Government of Kenya has championed an innovative consortium approach through the creation of the Kenya Pension Funds Investment Consortium (KEPFIC). This enables 24 pension schemes with Ksh 500 billion aggregate assets to mobilize \$250 million over five years for infrastructure investments. ¹⁰⁵

The Retirement Benefits Authority (RBA) has allowed pension funds to allocate up to 10% of assets to infrastructure. This reform, coupled with), has unlocked over US\$1 billion into energy, transport, and industrial projects by pooling risk across multiple schemes. ¹⁰⁶ So far, \$113 million already deployed across housing and road infrastructure projects generating 157% oversubscription rates. ¹⁰⁷

¹⁰⁰ How big are African pension funds? - African Capital Markets News. (2017, November 30). African Capital Markets News. /

¹⁰¹ URBRA (2024, March 4). PENSIONS SECTOR GROWS TO UGX 22 TRILLION AS MORE UGANDANS SAVE VOLUNTARILY - URBRA - UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

¹⁰² Africa Insurance Market Size & Growth Forecast to 2033. (n.d.). https://www.imarcgroup.com/africa-insurance-market

¹⁰³ Ojoko, I., & Ojoko, I. (2025, August 26). Nigeria to expand pension investment scope in infrastructure and private equity. Nairametrics.

¹⁰⁴ Ooreofe. (2024, September 6). Leveraging pension funds for infrastructure development in Nigeria: Roundtable June 2023 - Chapel Hill Denham.

¹⁰⁵ Pooling pensions in Kenya. (n.d.). IFC. 2023.

¹⁰⁶ African Financial Markets Initiative. (2025, April 10). African domestic frontier funds: Regulatory reforms and the drive for local capital. African Development Bank Group.

¹⁰⁷ The Kenya Pension Funds Investment Consortium – A consortium of prominent Kenyan retirement benefit funds. (n.d.).

Ghana: maintains a more conservative approach with infrastructure investment channeled through REITs and mortgage-back securities within existing 30% corporate bond limits, while implementing offshore investment restrictions due to currency concerns. Total pension assets of GHS 78.2 billion continue growing with 73% managed by private fund managers, though infrastructure allocation remains limited compared to regional peers.

Regional integration accelerates through WAEMU's BRVM-Africa50 partnership launching new infrastructure financing tools across 8 member states, ¹⁰⁹ while CEMAC countries address significant infrastructure gaps with World Bank support. The timeline of reforms from 2020-2024 shows consistent movement toward higher infrastructure allocation limits and streamlined approval processes across African pension markets.

TABLE 2: African Pension Assets and Infrastructure Investment Limits

Country	Infrastructure Limit	Pension Assets	Recent Changes	Impact
Nigeria	5% (under review)	\$15.5 billion	Expanding limits, reducing domestic requirements	54.1% growth in infrastructure investment
Kenya	10% (infrastructure debt)	\$17.3 billion	KEPFIC consortium model	\$113 million mobilized for projects
Ghana	Through REITs/MBS	\$5.4 billion	Offshore restrictions implemented	Limited direct infrastructure allocation
Tanzania	Direct project financing	~\$3.6 billion	Infrastructure projects allowed	\$135 million Kigamboni Bridge investment
South Africa	45%	\$500 billion	Increased from previous limits (2023)	\$400+ million deployed via AOFSA

Infrastructure Financing in Action

Nigeria Infrastructure Debt Fund demonstrates exceptional performance with N104+ billion (\$65+ million) assets under management generating 227.9% total returns since 2017 inception and 24% dividend yield. The fund's 26 infrastructure projects across 10 sub-sectors produced N22.1 billion total income in 2023 (87.5% year-over-year growth), while the infrastructure loan portfolio reached N85.8 billion with 37.2% annual growth. Recent investments include N19.41 billion debt facility for LPG storage and broadband expansion across 10 Nigerian states.

Kenya's KEPFIC consortium model proves scalable, mobilizing \$113 million across 24 member funds with combined \$5.2 billion assets under management. The consortium's Lot 3 Road Development Project Bond achieved 157% oversubscription by 88 pension funds and 2 insurance companies, while maintaining 100% principal and interest guarantee through GuarantCo. The 2023 deal pipeline includes 19 opportunities valued at \$2.5+ billion across telecoms, transport, energy, and healthcare sectors.

¹⁰⁸ Reuters. (2024, November 19). Ghana blocks pension funds from offshore investment on currency concerns, sources say. CNBC Africa.

¹⁰⁹ Ecofin Agency, (n.d.), BRVM and Africa 50 partner to fund infrastructure in WAEMU. https://www.ecofinagency.com/news/1505-46833-brvm-and-africa 50-partner-to-fund-infrastructure in wacenu

¹¹⁰ Onisegwu. (2024, March 28). The Chapel Hill Denham Nigeria Infrastructure Debt Fund ("NIDF") records N20.4 billion Profit for FY2023 – a 98% Year-on-Year Growth. – Chapel Hill Denham. Chapel Hill Denham.

¹¹¹ USAID Invest "Mobilizing Kenyan Pension Funds to Invest in Local Infrastructure," USAID INVEST, Medium, 2023.

South Africa's institutional investors achieve massive scale through GEPF's R2.3 trillion (\$142+ billion) assets under management and 45% infrastructure allocation limit. The Public Investment Corporation manages Africa's largest asset base with infrastructure investments spanning renewable energy (2,000+ MW contributing to national grid), transportation (N3TC highway operations), and cross-border projects through \$40 million Africa50 commitment and PAIDF participation.

Cross-border infrastructure financing through Pan-African Infrastructure Development Fund shows strong performance with Fund I achieving a 36% USD value increase and Fund II reaching 84% increase from \$471.8 million portfolio valuation. Projects span 8+ African countries including Lake Turkana Wind Power Station in Kenya, MainOne undersea cable system, and Lanseria International Airport, supplying 30 million people across 10 countries through the power portfolio alone.

Africa's domestic capital transformation validates the continent's capacity for self-funded development through strategic mobilization of \$4 trillion in institutional assets. The exceptional performance of infrastructure investments. From Nigeria's 227.9% returns to Kenya's oversubscribed consortium projects and Tanzania's positive cash-flow bridge financing, demonstrates that domestic capital can simultaneously address infrastructure gaps and generate superior returns for pension beneficiaries.



Treasury publishes final amendments to Regulation 28 of the Pension Funds Act | South African Government. (2022, July 5).

2.6 Digital Financial Services: Unbundling & Mobilizing Capital from the Ground Up

The final pillar of this new financial paradigm leverages Africa's digital revolution to democratize capital formation.

Africa's fintech ecosystem is experiencing explosive growth, with fintech companies nearly tripling from 450 in 2020 to 1,263 in 2024. This expansion builds on the continent's mobile money foundation, where Sub-Saharan Africa leads globally. In 2024, 40% of adults in the region maintained mobile money accounts, a technology that for many represents their sole entry point into formal financial services. This widespread digital infrastructure is creating more opportunities for sophisticated capital mobilization at the retail levels.

In markets like Kenya, where over 80% of adults use mobile money services, these platforms dominate formal credit provisions, with 86% of formal borrowers using mobile money providers.¹¹⁴ Nigeria, hosting 28% of Africa's fintech companies, demonstrates

how digital platforms transform individual saving and investment behaviour.

Digital transformation enables innovative approaches to capital aggregation, converting millions of small-scale savings into substantial investment pools. With expanding 4G coverage and digital services markets projected to reach \$712 billion by 2030, retail capital can be efficiently pooled into significant investment funds for infrastructure and development financing, creating truly inclusive financial participation. ¹¹⁵

This democratization creates virtuous cycles where entire populations participate in and benefit from national economic development, while providing institutional investors with new asset classes and risk distribution opportunities.

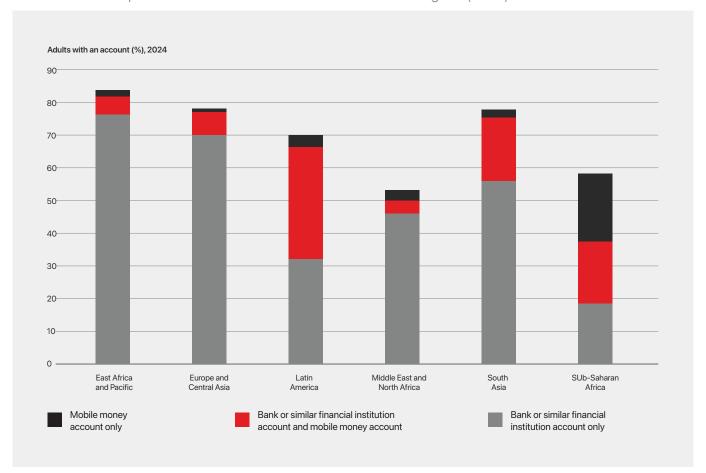


¹¹³ Africa News Agency. (2025, February 27). Fintech in Africa: Rapid growth but persistent challenges.

¹¹⁴ Fintechnews Africa. (2025, August 19). Mobile money drives surge in financial inclusion. Fintech News Africa.

¹¹⁵ International Finance Corporation & Google. (2024). e-Conomy Africa 2024: Africa's \$712 billion digital potential

FIGURE 16: A Comparison of Financial Account Penetration Across Regions (2024)



SOURCE: Global Findex Database 2025.

2.7 Building Agile Global Investment Highways for Growth

Together, these pillars create the foundation for what can be termed "investment highways," integrated financial corridors that efficiently channel capital from diverse sources toward development projects.

These investment highways represent financial infrastructure that connects domestic institutional capital, diaspora savings, digital retail contributions, and international partnership funding through streamlined, technology-enabled platforms. Unlike traditional project financing, these systems create permanent financial architecture capable of continuously matching capital supply with development demand across multiple sectors and geographies.

Architectural Components

Investment highways integrate several critical elements. Risk aggregation and distribution mechanisms enable projects to access diverse funding sources while providing investors with appropriate risk-adjusted returns. Digital platforms facilitate seamless capital contribution from retail, institutional, and international sources through standardized interfaces and regulatory compliance systems.

Cross-border integration allows capital to flow efficiently across African markets, supporting regional value chains and AfCFTA implementation. Standardized project evaluation and monitoring frameworks ensure consistent quality and impact measurement across diverse investment opportunities.

Operational Excellence

The most intricate investment highways incorporate real-time capital allocation, automated compliance monitoring, and dynamic risk pricing that adjusts to market conditions and project performance. These systems enable rapid deployment of capital when opportunities arise while maintaining rigorous due diligence and impact measurement standards.

African financial institutions like UBA, with their continental presence and international partnerships, are uniquely positioned to architect and operate these investment highways, combining local market expertise with global capital market access to create scalable, replicable models across the continent.

Key Takeaway

The confluence of regulatory reforms increasing infrastructure allocation limits, AfCFTA's expanding trade opportunities, digital transformation, and proven investment models creates potential for domestic capital to drive continental transformation.

However, realizing this potential requires continued regulatory evolution, enhanced cross-border investment frameworks, and institutional capacity building to scale successful models across all African markets.

The evidence demonstrates that Africa possesses the capital and capability to finance its own development, with domestic institutional assets representing the primary catalyst for the continent's infrastructure-led economic transformation. The challenge (and opportunity) lies in building the investment highways that can channel these resources toward the continent's transformation while generating sustainable returns for all stakeholders.



Trade Finance Revolution: Financing Africa's Commercial Future

If infrastructure forms the skeleton of Africa's economy, commerce is its lifeblood.

The continent's structural transformation hinges not only on building long-term assets but also on financing the day-to-day flow of goods and services. The African Continental Free Trade Area (AfCFTA) has created the world's largest free trade zone by population, yet this historic opportunity can only be realized if the arteries of commerce are adequately financed. For African financial institutions, this represents both a profound responsibility and an unprecedented commercial opportunity.

3.1 The Trade Finance Landscape: Market Dynamics and Opportunities

The African trade finance market is defined by a persistent and significant gap between the demand for and supply of financing. The African Development Bank (AfDB) and the International Chamber of Commerce (ICC) estimate this gap to be at least \$81 billion annually, a figure that has likely grown amid recent global volatility. Closing this gap could boost trade volumes by 8–16 percent in West Africa alone, according to the IFC.

This shortfall is not distributed evenly; it disproportionately affects Small and Medium-sized Enterprises (SMEs), which account for most businesses and employment across the continent but face the highest rejection rates for trade finance applications. This gap is not a sign of un-bankable risk, but rather a market barrier driven by high perceived risks, information asymmetry, and the operational costs of servicing smaller transactions.

¹¹⁶ International Trade and Forfaiting Association (ITFA). Sustainable Trade Finance and African Trade (2022).

Access remains uneven. Across Africa, only $\sim 40\%$ of merchandise trade is bank-intermediated, versus 60-80% globally, reflecting limited risk capacity, compliance costs, and the retreat of some correspondent banks. ¹¹⁷ In West Africa's four largest economies (Côte d'Ivoire, Ghana, Nigeria, Senegal), just 25% of goods trade is supported by bank trade finance. ¹¹⁸

Structural frictions also matter. "De-risking" and compliance costs have reduced correspondent banking reach in several regions, complicating cross-border flows. BIS/CPMI tracking shows a multi-year decline in correspondent relationships (2011–2022) in many corridors, with African jurisdictions among those experiencing pressure; the IMF also highlights outsized impacts for small and fragile states. Tet trade finance remains one of the safest credit assets. ICC Trade Register data continues to show very low default rates: order-of-magnitude 0.01–0.10% for letters of credit and ~0.18–0.36% for import/export loans, with high recoveries, this shows evidence that well-structured risk-sharing can responsibly expand supply. 120

Multilaterals are scaling support, but gaps persist. IFC's Global Trade Finance Program has provided US\$120 billion in guarantees over 20 years, with ~40% of activity in Africa, helping local banks access confirming capacity and longer tenors. ¹²¹ New pooled-risk facilities (e.g., IFC-HSBC US\$1 billion program) underscore the opportunity to mobilize more private balance sheets into African trade. ¹²²

Key Takeaway

Africa's trade finance gap of US\$80–100 billion annually is not only constraining commerce but also suppressing GDP and export potential. Closing this gap could increase regional trade by up to 16%, yet success depends on risk-sharing, compliance innovations, and mobilizing domestic liquidity into cross-border finance.

¹¹⁷ Afreximbank. African Trade Report 2025. Jun. 26, 2025: "Africa faces about US\$100 billion annual trade finance gap.

¹¹⁸ IFC & WTO. Trade Finance in West Africa: A Study of Côte d'Ivoire, Ghana, Nigeria, and Senegal. Oct. 2022:

 $^{^{119}\,\}mbox{BIS/CPMI}.$ Correspondent Banking Chartpack (2011–2022). May 2023 (SWIFT data)

¹²⁰ IFC & WTO. Trade Finance in West Africa: A Study of Côte d'Ivoire, Ghana, Nigeria, and Senegal. Oct. 2022:

¹²¹ International Finance Corporation. "Global Trade Finance Program (GTFP)." Updated Mar. 2025

¹²² Reuters. "HSBC, World Bank's IFC launch \$1 bln trade finance programme for emerging markets." Dec. 12, 2024.

3.2 AfCFTA Trade Facilitation

The African Continental Free Trade Area (AfCFTA) is a game-changer for regional commerce and trade finance. It aims to eliminate tariffs on 90% of goods, connecting a market of 1.3 billion people with a combined GDP of USD 3.4 trillion. Estimates suggest full implementation could boost intra-African trade by around 40%, with some models indicating a rise of 16% (\approx US\$16 billion) when tariff cuts are paired with trade facilitation reforms. The World Bank projects that aiding tariff and non-tariff barrier reductions could translate to US\$450 billion in income gains and lift 30 million Africans out of poverty by 2035.

Moreover, AfCFTA implementation is associated with system-wide growth benefits: the World Bank forecasts that it could raise Africa's total exports by 32% and drive Foreign Direct Investment up by 111–159% by 2035, especially by enabling industrial scale and boosting competitiveness. ¹²⁶ Under one scenario, a surge of US\$560 billion in exports tied to manufacturing and job creation for the deeper, long-term impacts of regional integration. ¹²⁷

However, these optimistic forecasts are contingent upon the availability of robust trade finance. Without financing instruments like letters of credit, guarantees, SCF, and cross-border working capital solutions, businesses, particularly SMEs and exporters, will lack the tools to scale across new markets. This surge in demand requires African banks to scale their offerings and develop innovative, cross-border financial architecture.

Key Takeaway

The AfCFTA's promise of US\$450–560 billion in export and income gains hinges on more than tariff cuts; it requires financial architecture that can fund the surge in intra-African commerce. Trade finance such as, letters of credit, guarantees, and supply-chain instruments must scale rapidly if Africa is to convert integration into structural transformation.

¹²³ World Bank. "Making the most of the African Continental Free Trade Area." June 30, 2022.

 $^{^{124}\,}IMF\, staff\, analysis.\, Quantitative\, assessment\, of\, 90\%\, tariff\, elimination: intraregional\, trade\, boost\, \sim 16\%, \sim US\$16\, billion\, constant of\, 10\%, and 10\% are the constant of\, 10\% are$

¹²⁵ World Bank. Making the Most of the African Continental Free Trade Area: Leveraging Trade and Foreign Direct Investment to Boost Growth and Reduce Poverty. June 30, 2022.

 $^{^{\}rm 126}$ Brookings Institute. The future of African trade in the AfCFTA era. February 2024

¹²⁷ Analysis of the effects of the African Continental Free Trade Area (AfCFTA) on the labor market in the Central African Economic and Monetary Community (CEMAC) IM Yaya. International Journal of Manpower. April 2025.

3.3 Digital Trade Finance Transformation

Digital platforms are fast becoming the infrastructure of Africa's trade finance revolution, and PAPSS (Pan-African Payment and Settlement System) stands at the forefront.

PAPSS: Building the Digital Settlement Backbone

PAPSS, as referenced above, is a real-time gross settlement system (RTGS) for cross-border trade in local African currencies, bypassing costly dollar corridors. Within a few years, it has been integrated with 15 central banks and 150 commercial banks and is now active across multiple corridors. Africa stands to save about \$5 billion annually in hard-currency conversion and transaction costs. Under correspondent banking systems, a \$200 million intracontinent trade can cost 10–30% to settle, this drops to around 1% via PAPSS. 129

PACM: Solving Liquidity & Currency Frictions

In mid-2025, PAPSS introduced the African Currency Marketplace (PACM), powered by Interstellar. PACM enables order-book-driven, peer-to-peer exchange of African currencies in real time, freeing up billions in "trapped capital" (e.g., ticket sales that airlines struggle to repatriate). Early adopters, including Kenya Airways and reinsurance firms, have already begun settling in local currencies, facilitating liquidity, and dramatically reducing settlement delays.¹³⁰

The South-South Digital Bridge: Integrating PAPSS and Buna

The digital transformation of trade finance is not confined to Africa.

A parallel and equally ambitious initiative is unfolding in the Arab world with the Buna payment platform, operated by the Arab Monetary Fund. Like PAPSS, Buna is a multi-currency, cross-border payment system designed to promote regional trade and reduce reliance on the US dollar for settlement. The platform's vision is to make cross-border transactions as seamless, efficient, and secure as domestic payments, thereby removing a significant structural barrier to intra-regional commerce. ¹³¹

A cornerstone of this vision is the strategic promotion of regional currencies. By enabling direct clearing and settlement in currencies like the Emirati Dirham, Saudi Riyal, Egyptian Pound, and Jordanian Dinar.

Recognizing the immense potential for a unified digital trade corridor, PAPSS and Buna have signed a Memorandum of Understanding to create a payment gateway between Africa and the Arab region.132 This landmark collaboration will establish interoperability between the two systems, enabling seamless, lowcost, and secure transactions in local currencies for businesses and banks in both regions.

 $^{^{\}rm 128}$ Reuters. Africa pioneer's non-dollar payments systems. June 2025

 $^{^{\}rm 129}$ FinTech Futures. PAPSS to save Africa over \$5 billion annually. Jan. 2022.

¹³⁰ Afreximbank Press Release. PAPSS African Currency Marketplace launches, eliminating \$5 billion trade bottleneck. Jul. 2025.

¹³¹ Arab Monetary Fund, Buna Real-Time Gross Settlement Overview, The Asian Banker, November 2023; "Banks Go Live on Buna's PvP Service," AMF, November 2023; Overview of Buna Across the Middle East and Africa, The Fintech Times, 2024.

FIGURE 17: The Impact of the Pan-African Payment and Settlement System

	Before PAPSS	After PAPSS
Accessibility	Financial borders and reduced volumes in cross-border payments	Integrated payment systems for economic integration
û Liquidity	Demand for foreign currency	Domesticated intra-Africa payments and decreased liquidity requirements of commercial banks for cross-border payments
\$ Cost	Dependence on correspondent banking networks and external factors, increasing transaction costs	Instant cross-border payments in local African currencies, which will in turn save \$5bn in annual payment transaction costs
Speed	Delays in cross-border payments across the continent	Transactions to take less than 120 seconds
Indigenousness	Intra-African trade is only 16% of total African trade	Increase in purchases of goods made in Africa by African consumers
Trust	Lack of trust	Increased protection for buyers and sellers
(iii) Worth	Currency devaluation	Increased value of African currencies
Procedures	Disparate regional payment systems	Harmonised KYC and AML procedures

SOURCE: FXC Intelligence Analysis, Pan-African Payment and Settlement System

The integration of PAPSS and Buna represents a pivotal moment in South-South trade. By creating a one-stop-shop for cross-regional payments, this partnership will:

- Reduce transaction costs and settlement times for trade.
- Enhance liquidity by allowing for direct settlement in local currencies.
- Strengthen economic ties and foster new trade relationships between the two regions.
- Provide a powerful alternative to traditional correspondent banking networks, giving African and Arab businesses greater control over their financial transactions.

However, a key architectural difference in PAPSS' initial phase is its reliance on the U.S. dollar as a clearing and settlement currency, which limits its ability to fully de-risk from external currency fluctuations. This contrasts with Buna's model, which was designed from the outset to settle in multiple regional and international currencies.

The strategic MoU signed between Buna and PAPSS is therefore a significant step, creating a potential bridge between these two major regional blocs and facilitating future interoperability and knowledge sharing.

¹³² PAPSS, "PAPSS Announces Collaboration with Buna to Build a Payment Gateway Between Africa and the Arab Region," Press Release, April 26, 2022.

TABLE 3: Buna vs PAPSS-Payment Gateway Comparison

Feature	Buna (Arab Regional Payment System)	PAPSS (Pan-African Payment & Settlement System)
Governance	Arab Monetary Fund (via ARPCSO) (Bank for International Settlements)	African Export-Import Bank (Afreximbank) in partnership with the African Union (Wikipedia)
Model	Centralised, RTGS platform	Centralised RTGS designed for cross-border local currency settlement (Wikipedia)
Settlement Currencies	AED, SAR, EGP, JOD, USD, EUR (The Fintech Times, Payment Components)	Multiple African local currencies; cleared via local central banks with net settlement in central bank account (Wikipedia)
Core Services	RTGS, instant payments, multi-currency clearing (The Asian Banker, Payment Components)	Real-time cross-border settlement in local currencies, local banks settlement routing, net settlement via central banks (Wikipedia)
Interoperability	MoUs with PAPSS, NPCI India, Mastercard integration (PAPSS, PYMNTS.com)	MoU with Buna and expansion across African central banks and commercial banks (PAPSS, Wikipedia)
Compliance Features	Embedded AML/CFT & sanctions screening (PYMNTS.com, https://www.google.com/search?q=vixio.com)	Central validation by banking systems; enhanced oversight via central bank visibility (International Bar Association, Wikipedia)
Liquidity Structure	Pre-funded settlement via RTGS; extended operating hours (PYMNTS.com, The Asian Banker)	Net settlement among central banks with Afreximbank as settlement agent; relies on central bank reserves (Wikipedia)

A Broader Ecosystem: Digital Trade Platforms

Beyond PAPSS and Buna, platforms like TWIN (Trade Worldwide Information Network) use blockchain and distributed ledger technologies to streamline trade documentation, cut delays, and reduce costs, creating digital transparency and connectivity essential for scalable trade finance. ¹³³

Other innovations include one-stop digital trade gateways (e.g., Africa Trade Gateway) that unify customs clearance, KYC/due diligence (via MANSA), trade data, and financial instruments, building seamless digital trade corridors across borders. ¹³⁴

Key Takeaway

PAPSS and emerging digital platforms are redefining Africa's trade finance future. By enabling instant, local-currency settlement and saving up to US\$5 billion annually, they provide the infrastructure for inclusive, low-cost, cross-border finance. This digital backbone is Africa's best chance to leapfrog legacy constraints and democratize trade.

¹³³ Tony Blair Institute. The Trade Worldwide Information Network (TWIN). Oct. 2024.

¹³⁴ GTR Africa / Afreximbank. Summary of digital trade integration (Africa Trade Gateway, MANSA). 2023. https://www.gtreview.com/news/africa/africa-gets-single-portal-for-trade-services

3.4 Supply Chain Finance and Working Capital

Supply chain finance (SCF) in Africa is growing rapidly but from a low base. Between 2021 and 2022, SCF markets rose by approximately 40%, reaching US\$41 billion, far outpacing Asia at 28% growth, though this remains a fraction of global volumes. ¹³⁵ Yet the continent's trade-finance gap still sits in the US\$80–120 billion range, and rejection rates for SME trade-finance applications remain high across many markets, underscoring the need for risk-sharing and digitization. ¹³⁶

Despite this momentum, African SMEs still face high trade finance rejection rates (up to 40%) forcing many to rely on costly alternatives or informal credit. Solutions are being deployed to address this such as the IFC's US\$250 billion in trade and SCF globally over two decades, with heavy focus on emerging markets. Additionally, instruments like a US\$1 billion IFC–HSBC trade finance facility will direct capital to emerging African markets, cushioning working capital gaps in cross-border trade. Afreximbank's AfTRAF platform shows what scale looks like in practice: by 2023 it had onboarded 513 African banks and disbursed US\$17.5 billion, contributing to a measured narrowing of the gap. Basel 138

Together with real-time settlement infrastructure such as PAPSS, these tools reduce settlement frictions, unlock working capital faster, and crowd in local savings into short-tenor trade assets that match institutional mandates.



 $^{^{\}mbox{\scriptsize 135}}$ UNCTAD. Africa's rise as a global supply chain force. 2023.

¹³⁶ African Development Bank & Afreximbank. Trade Finance in Africa: Trends Over the Past Decade. 2020.

¹³⁷ Reuters. IFC-HSBC launch US\$1bn trade finance program. Dec. 2024.

¹³⁸ Afreximbank. Annual Trade Development Effectiveness Report 2023. July 2024.

3.5 Commodity Finance: Leveraging Africa's Resource Advantage

Africa's economies remain significantly dependent on commodity exports, yet investment in commodity-linked infrastructure continues to decline, limiting opportunities for value addition and export chain advancement.

Recent analysis indicates that falling project finance availability is exacerbating this reliance, constraining Africa's ability to move beyond raw material exports. The scale of risk in commodity trade is reflected in specialized institutions like the African Trade and Investment Development Insurance (ATIDI), which has insured over \$88 billion in commodity and political risk since inception, demonstrating substantial demand for risk mitigation in this sector. The sector of the sector o

Commodity exchanges provide powerful structural transformation tools. The Ethiopia Commodity Exchange (ECX) exemplifies this potential, having revolutionized coffee trading through T+1 settlement systems, price transparency mechanisms, and digital market access for 2.4 million smallholder farmers. This demonstrates how structured markets can simultaneously enhance liquidity, improve price discovery, and expand inclusivity. ¹⁴¹

Similar models across other African commodity sectors could unlock significant value while reducing dependence on volatile international pricing mechanisms and improving smallholder farmer incomes through direct market access.



¹³⁹ Global Trade Review (GTR). "Is project finance in Africa in decline?" Feature analysis, 2023.

¹⁴⁰ African Business. "ATI rebrands to ATIDI to reflect expanding African operations," May 1, 2024 (cumulative supported trade & investment > US\$88 billion).

¹⁴¹ UN Trade & Development (UNCTAD). "Africa's \$3.4 trillion opportunity: Turning vulnerabilities into resilience," Feb. 10, 2025

3.6 Democratizing SME Trade

Small and medium enterprises represent the backbone of African economies, accounting for approximately 80% of private sector employment in many markets, yet persistent financing constraints limit their capacity for cross-border scaling.

UNCTAD's latest Economic Development in Africa analysis reveals that roughly one-third of African firms identify limited access to financial tools as a major expansion obstacle.¹⁴²

In ECOWAS markets, trade finance covered only 25% of merchandise trade in 2021, indicating significant headroom for receivables-based finance, factoring, and risk-sharing platforms targeting SMEs and mid-caps.¹⁴³

The digital inclusion angle matters: IMF's Financial Access Survey documents rapid adoption of mobile money and agent networks, which reduces onboarding costs and enables data-driven credit assessment models. Integrating these digital rails with standardized know-your-customer processes, digital invoicing systems, and portfolio guarantee mechanisms can significantly enhance SME participation in regional value chains, particularly as AfCFTA implementation accelerates cross-border commerce opportunities.



¹⁴² UNCTAD. Economic Development in Africa Report 2024 (Overview). 2025

¹⁴³ International Finance Corporation. Trade Finance in West Africa. 2022

3.7 Revolutionizing Settlement Infrastructure to Reduce Reliance on the USD

Beyond payment systems, Africa is developing comprehensive monetary infrastructure that addresses the structural foundations of USD dependence while creating pathways to genuine financial sovereignty.

The continent's 42 currencies currently represent both Africa's monetary diversity and its fundamental challenge. Unlike regions with dominant currencies—the euro in Europe or the yen's role in East Asia—Africa lacks monetary anchors that can facilitate efficient regional commerce without external conversion requirements.

Regional Capital Market Integration

African stock exchanges are pioneering cross-listing initiatives and integrated trading platforms that enable efficient capital allocation across borders. The Casablanca Stock Exchange's integration with West African markets, combined with Johannesburg Stock Exchange's expansion into East Africa, creates liquid secondary markets for infrastructure bonds and corporate securities.¹⁴⁴

These developments enable pension funds and insurance companies to diversify across African markets while maintaining regulatory compliance, addressing the asset-liability mismatch discussed earlier. Nigeria's pension funds, managing over \$35 billion in assets, can now efficiently deploy capital across ECOWAS markets through standardized regulatory frameworks.

Central Bank Digital Currency Innovation

Central Bank Digital Currency (CBDC) initiatives represent Africa's most promising pathway toward monetary independence. Over 75% of Sub-Saharan African countries are engaged in CBCD research or pilot activities, with Nigeria's eNaira leading practical implementation. Unlike traditional payment systems that still require underlying currency conversion, CBDCs enable direct peer-to-peer settlement between African currencies without intermediary hard currency requirements.

Ghana's digital cedi pilot, launched in partnership with the Bank of Ghana, demonstrates how CBDCs can integrate with existing mobile money infrastructure to create seamless cross-border settlement. South Africa's Project Khokha 2 explores wholesale CBDC applications for interbank settlement, while Egypt's digital pound initiative targets integration with regional payment corridors. 146

Regional Currency Union Development

The West African ECO currency, confirmed for July 2027 launch, will create Africa's most ambitious monetary integration since independence. Serving over 400 million people across 11 ECOWAS countries, the ECO represents a fundamental shift from bilateral currency arrangements toward comprehensive monetary union.¹⁴⁷

This integration extends beyond currency unification to encompass coordinated fiscal frameworks, harmonized banking regulations, and integrated

 $^{^{144}\,}A frican\,Securities\,Exchanges\,Association.\,Regional\,Integration\,Progress\,Report\,2024.$

¹⁴⁵ IMF eLibrary. "Central Bank Digital Currency and Other Digital Payments in Sub-Saharan Africa: A Regional Survey," FinTech Notes, 2024.

¹⁴⁶ African Development Bank. "Digital Currency Innovation Across Africa," 2024.

¹⁴⁷ World Economic Forum. "How the Ecozone, a Common Currency, Could Help West Africa," March 2025.

capital markets. The West African Monetary Institute (WAMI) has established convergence criteria including inflation targets below 5%, fiscal deficits under 4% of GDP, and central bank financing of government deficits limited to 10% of previous year's tax revenues.

The African Central Bank, targeted for establishment between 2028-2034 under African Union protocols, would provide continental monetary coordination while preserving regional currency arrangements. This institution would operate differently from traditional central banks, focusing on coordination rather than direct monetary policy implementation.

Commercial Banking Innovation

African banks are also developing sophisticated treasury operations that reduce structural USD dependence. UBA's continental treasury operations demonstrate how pan-African institutions can manage multi-currency exposures while providing clients with hedging solutions that reduce dollar dependence. These capabilities enable large corporations to conduct intra-African business in local currencies while maintaining appropriate risk management standards.

Economic Impact and Timeline

Enhanced monetary integration could generate \$450 billion in income gains by 2035, representing a 7% real income increase that lifts 30 million people from extreme poverty, while manufacturing exports within Africa could rise 110% through reduced transaction costs. ¹⁴⁹ By 2030, integrated regional currency unions operating under coordinated continental frameworks will create infrastructure for monetary sovereignty that enables more strategic global engagement while preserving domestic policy space.



¹⁴⁸ African Union. "AU Financial Institutions Development Timeline," 2024.

¹⁴⁹ African Union. "AfCFTA Economic Impact Assessment." 2024.

3.8 Future of African Trade Finance

Three transformational shifts will define the next decade of African trade finance:

- Digital Documentation Standards. Adoption of UNCITRAL's Model Law on Electronic Transferable Records
 (MLETR) will enable bills of lading, promissory notes, and warehouse receipts to operate natively in digital
 form, reducing fraud risks and accelerating settlement. The ICC's Digital Standards Initiative is harmonizing
 data across 30+ core trade documents, while UN research demonstrates that paperless-trade measures
 can reduce average trade costs by 14%.¹⁵⁰
- Integrated Payment Infrastructure. Real-time settlement systems will eliminate foreign exchange and correspondent banking frictions. Full implementation of continental payment systems can save over \$5 billion annually while improving the economics of small-ticket cross-border transactions.¹⁵¹
- Enhanced Risk Distribution. Scaling credit insurance capacity, securitizing diversified trade assets, and
 expanding development finance institution risk-sharing will recycle balance-sheet capacity and support
 local-currency solutions. The IFC's Global Trade Finance Program has provided \$120 billion in guarantees
 over 20 years, with significant African participation, while the Global Trade Liquidity Program has supported
 over \$80 billion globally. 152

Key Takeaway

Africa's trade finance transformation is essential for AfCFTA success, SME inclusion, and digital trade advancement. Achievement requires coordinated scaling of risk-sharing mechanisms, digital settlement infrastructure, and supply-chain finance while ensuring inclusive access for small and medium enterprises across all regional markets.

¹⁵⁰ ICC Digital Standards Initiative (web hub, 2023–25); United Nations Global Survey on Digital & Sustainable Trade Facilitation 2023

¹⁵¹ Afreximbank/PAPSS releases (2022–2025)

¹⁵² International Finance Corporation. Global Trade Finance Program Performance Reports, 2024.



Infrastructure Finance and Cross-Border Integration



Africa stands at the precipice of a transformative economic era, yet it is confronted by a persistent paradox: a continent of immense economic potential constrained by a significant infrastructure deficit.

For decades, this gap, estimated by the African Development Bank to require financing of an estimated \$80-\$100 billion annually in financing. 153 Yet, this challenge has been recast by AfCTFA, which transforms infrastructure from a domestic development concern into the essential enabling hardware for continental integration.

The vision of a seamless, integrated market of over 1.3 billion people designed to boost intra-African trade from its current 13-16% to levels approaching Asia (60%) and Europe (70%), hinges critically on modern, interconnected energy grids, efficient transport corridors, and robust digital networks. This transformation is being led by African financial institutions that have evolved from passive development finance recipients to active architects of continental economic integration.

United Bank for Africa exemplifies this evolution through strategic partnerships that mobilize both domestic and international capital: over \$400 million committed to Tanzania's transformational Julius Nyerere Hydropower Project, participation in the landmark \$4 billion Dangote Refinery syndication, and \$135.5 million invested in Cameroon's continental infrastructure. These transactions demonstrate that Africa's \$402.2 billion annual infrastructure financing gap can be systematically addressed through domestic capital mobilization, innovative partnership models, and sophisticated financial intermediation.

¹⁵³ African Development Bank. (n.d.). Current challenges. African Development Bank - Annual Meetings

4.1 A New Financial Architecture for a United Continent

The establishment of the AfCFTA has created a powerful demand-pull for a new class of cross-border infrastructure projects that previously lacked a compelling, continent-wide commercial logic.

Historically, the viability of major infrastructure was assessed primarily through the lens of national economic returns, such as connecting a domestic mine to a national port. The AfCFTA alters this calculus by creating a legal and economic framework that makes cross-border commerce more predictable and profitable.

This newfound profitability, in turn, incentivizes and justifies investment in infrastructure explicitly designed to facilitate this trade. Consequently, the AfCFTA is functioning not just as a trade agreement but as a powerful catalyst for reorienting investment priorities towards infrastructure assets that generate regional benefits. This dynamic reveals a critical interdependence: the success of financial integration is inherently linked to the development

of physical and digital infrastructure. The continent has made remarkable strides in creating financial architecture, exemplified by PAPSS. This system helps solve the payment friction in cross-border trade by allowing settlement in local currencies. 154

However, a seamless payment is of limited utility if the underlying goods cannot move efficiently across borders. If digital commerce is stymied by unreliable connectivity, or if manufacturing is constrained by an unstable power supply.

The efficiency gains from near-instant financial settlement can be easily negated by logistical bottlenecks at a congested port, a dilapidated road, or a customs post with poor digital infrastructure. This symbiotic relationship dictates that financial infrastructure and physical infrastructure must be developed in parallel. Progress in one domain creates a compelling business case for investment in the other, establishing a virtuous cycle where integrated markets and the infrastructure that serves them grow in tandem.

The Deepening of Africa's Capital Markets

Alongside the banking sector, Africa's capital markets represent a vast, albeit historically underutilized, reservoir of long-term capital for infrastructure financing. Fortunately, Africa's capital market integration has accelerated dramatically, creating substantial domestic funding capacity for infrastructure investment.

The African Securities Exchanges Association (ASEA) encompasses 29 exchanges with combined market capitalization of approximately \$2 trillion, though the landscape remains dominated by major centers including the Johannesburg Stock Exchange (\$1.2 trillion market cap) and emerging markets demonstrating growing sophistication.¹⁵⁵

¹⁵⁴ Pan-African payment and settlement system. (2022, May 11). International Trade Administration | Trade.gov.

¹⁵⁵ OBG African Stock Exchanges Focus Report," in collaboration with the African Securities Exchanges Association (ASEA), African Stock Exchanges Focus Report (July 2022)



A persistent structural challenge across many of the continent's exchanges is low liquidity. The turnover ratio, which measures the value of traded shares as a percentage of market capitalization, remains low in many jurisdictions, indicating that shares are not traded frequently. ¹⁵⁶

A snapshot of market activity on September 2, 2025, illustrates this diversity: the Nairobi Securities Exchange (NSE) traded 67.2 million shares from a market cap of KES 2.76 trillion, and the Ghana Stock Exchange (GSE) traded 2.76 million shares from a market cap of GHS 149.3 billion. 157 In contrast, the JSE exhibits much deeper liquidity, with a single blue-chip stock like Absa Group trading over 1.5 million shares on a typical day. 158

Despite these challenges, the untapped potential is immense. Mobilizing domestic institutional capital—from the continent's rapidly growing pension funds, insurance companies, and sovereign wealth funds—through local bond and equity markets is the key

to unlocking a sustainable source of financing for infrastructure.

This approach offers a powerful solution to one of the most significant risks in infrastructure finance: currency mismatch. By raising long-term capital in local currencies to fund projects that generate revenues in those same currencies, countries can insulate their critical infrastructure from the volatility of global exchange rates, a major source of financial distress for projects funded with foreigndenominated debt. The continued development and integration of these capital markets, therefore, remain a paramount strategic priority for achieving long-term financial stability and self-reliance in infrastructure development. The synergy between pan-African commercial banks, continental DFIs like Afreximbank, and national champion SOEs like NNPC is creating a powerful model for African finance.

The Dangote Refinery deal perfectly illustrates this convergence: Afreximbank de-risked the project

¹⁵⁶ Charles Amo Yartey and Charles Komla Adjasi, Stock Market Development in Sub-Saharan Africa: Critical Issues and Challenges, IMF Working Paper No. WP/07/209

¹⁵⁷ Market Statistics - Data Services. (2022, January 15). Data Services. https://www.nse.co.ke/dataservices/market-statistics/

¹⁵⁸ Johannesburg Stock Exchange. (n.d.). JSE | leading stock market and exchange in Africa. JSE Chatbot. https://www.jse.co.za/

and led the syndication, commercial banks provided the bulk of the debt, and NNPC provided strategic equity and liquidity support. This collaborative framework, which leverages the unique strengths of each institutional type, is becoming a repeatable template for executing Africa's most ambitious development projects.

The ambitious agenda of financing Africa's integration is being driven by a cohort of powerful institutional actors. These architects, spanning pan-African commercial banks, continental development finance institutions (DFIs), and increasingly capable stateowned enterprises (SOEs), are providing the capital, platforms, and strategic vision necessary to build a more financially sovereign and interconnected continent. Their synergy is becoming the dominant force in structuring and executing the mega-projects that define this new era.

At the heart of this transformation is the emergence of truly pan-African commercial banking groups with the scale, digital prowess, and on-the-ground presence to finance the real economy across multiple jurisdictions. United Bank for Africa (UBA) serves as a quintessential example of this trend. Its expansive network operates in 24 countries—20 across Africa and in key global financial centers including the United States, the United Kingdom, France, and the UAE. This footprint allows the bank to serve a massive and growing customer base of over 45 million individuals and businesses through more than 1,000 branches and customer touchpoints.

UBA's digital transformation has been a powerful growth engine, expanding its digital customer base to over 32.6 million and driving a 91.9% year-on-year surge in digital income to ₹253.0 billion in 2024. By mobilizing deposits from millions of customers, UBA strengthens its capacity to finance large projects like the Julius Nyerere Hydropower Project and to deliver continent-wide services such as AfriCash. The digital push creates a virtuous cycle: deeper financial inclusion expands the deposit base, which in turn fuels Africa's industrial and infrastructure transformation. ¹⁶⁰

Other leading African banks are pursuing strategies that complement the continent's broader financial development. Ecobank, with its pan-African footprint is leaning into fintech and SME growth. Its initiatives include partnerships such as with Google Cloud to advance Al-driven digital banking and a €100 million facility from the European Investment Bank to expand SME support. Meanwhile, Standard Bank's R30 billion Africa infrastructure plan and participation in projects such as Nigeria's Lagos Free Zone, Namibia's Diaz Wind Project, and key road upgrades in Malawi illustrate its capacity to mobilize significant capital into growth-enabling assets. 162

Harnessing Partnerships for Scale

Modern African infrastructure financing relies increasingly on sophisticated partnership models combining public sector policy support, multilateral development finance, and commercial banking intermediation. These collaborative structures leverage complementary institutional strengths to create bankable projects serving both commercial and development objectives.

¹⁵⁹ Musumba, V. (2025, August 4). AfreximBank signs US\$1.35 billion financing as lead arranger in USD 4 billion syndicated facility to refinance Dangote Refinery Construction - African Export-Import Bank. African Export-Import Bank.

¹⁶⁰ United Bank for Africa Plc, FY 2024 Results Presentation, 27 March 2025,

¹⁶¹ Ecobank. (n.d.). https://ecobank.com/group/news-and-media/press-releases?news=20250701075641632ubq22k23xf

¹⁶² Energy and infrastructure sector. (n.d.). Standard Bank. https://corporateandinvestment.standardbank.com/cib/global/sector/energy-and-infrastructure

Partnership Innovation Framework:

Public-Private Partnership Excellence: African banks have demonstrated a strong capacity for structuring PPP transactions across multiple jurisdictions, combining government partnership with development finance institution collaboration and private sector efficiency. Their regulatory expertise enables complex transaction architectures meeting diverse legal and compliance requirements.

Blended Finance Innovation: Strategic participation in blended finance structures, exemplified by UBA's \$6 billion AfCFTA SME fund developed in partnership with the African Continental Free Trade Area Secretariat. This initiative demonstrates how development finance institutions, commercial banks, and impact investors can collaborate to mobilize capital at unprecedented scale.

Multilateral Coordination: Established relationships with institutions including the African Development Bank, International Finance Corporation, and African Export-Import Bank enabling sophisticated transaction structuring leveraging both concessional and commercial capital sources.



4.3 Evidence in Action: Financing Critical Economic Corridors

To understand the evolving landscape of infrastructure finance in Africa, it is essential to move beyond strategic theories and examine the design of real-world transactions on the ground.

The following three case studies: an industrial catalyst, a regional power project, and a public works initiative, illustrate the diverse models, key actors, and complex risk-reward profiles that characterize the modern African infrastructure deal.





Project Overview

The Dangote Petroleum Refinery and Petrochemicals Complex in Nigeria is a landmark of private-sector-led industrial ambition on the continent.

With a processing capacity of 650,000 barrels per day, it is the world's largest single-train refinery, engineered to achieve the strategic goals of energy self-sufficiency for Nigeria and establish the nation as a premier exporter of refined products across Africa. Located in Lagos's Lekki Free Trade Zone, the \$19 billion facility began operations in February 2024, positioned to supply 100% of Nigeria's domestic needs while creating a powerful engine for intra-African trade. ¹⁶³

Innovation in Financial Architecture

The project's financial underpinnings are as monumental as its physical scale, illustrating a new paradigm in African-led finance. While initial construction was supported by earlier debt, a recent and strategically significant transaction highlights the maturation of the continent's financial markets.

In August 2025, Dangote Industries Limited (DIL) secured an approximately \$4 billion syndicated refinancing facility. The syndicate was anchored by African institutions. Afreximbank, acting as the Mandated Lead Arranger, made a \$1.35 billion commitment, the largest from any single institution, embodying the principle of "financing Africa's development from within." The facility was strongly supported by a consortium of Nigerian banks, including UBA, demonstrating a robust capacity for domestic capital mobilization. 164

¹⁶³ Times, P. (2025, August 4). Afreximbank leads \$4 billion refinancing deal for Dangote Refinery with \$1.35 billion contribution. Premium Times Nigeria.

¹⁶⁴ Musumba, V. (2025, August 4). AfreximBank signs US\$1.35 billion financing as lead arranger in USD 4 billion syndicated facility to refinance Dangote Refinery Construction - African Export-Import Bank. African Export-Import Bank.

The financing model also showcases a sophisticated public-private dynamic. The Nigerian National Petroleum Company (NNPC) played a critical role by securing a \$1 billion loan, backed by its crude oil assets, which formed part of its equity stake in the project. This is a powerful hybrid model where a state-owned enterprise provides strategic financial intervention to de-risk a national-champion project led by the private sector.

The successful syndication serves as a testament to the continent's growing capacity to structure, lead, and fund its own industrial transformation while navigating significant challenges, including foreign exchange risk.

Development Impact and Strategic Significance

The refinery addresses multiple development objectives simultaneously. It is projected to save Nigeria up to \$10 billion in foreign exchange annually and create over 135,000 permanent jobs. Critically, its export capacity directly supports the AfCFTA framework by building continental value chains in the energy sector and reducing Africa's dependency on imported refined products.

From a financial innovation perspective, the project demonstrates how patient capital, structured finance, and strategic partnerships can mobilize resources at scale. UBA's participation underscores a core principle of the new paradigm: financing projects that generate both commercial returns and measurable development outcomes.



SOURCE: Benson Ibeabuchi/Bloomberg via Getty Images



CASE STUDY 2

Powering a Region

The Julius Nyerere Hydropower Project



Project Overview

In Tanzania, the Julius Nyerere Hydropower Project (JNHP) represents a state-led effort to fundamentally reshape the energy landscape of East Africa.

This 2,115-megawatt hydroelectric dam on the Rufiji River is the largest power station in the region and the fourth-largest dam on the continent. Its primary objective is to more than double Tanzania's installed electricity capacity, providing the stable, affordable baseload power required to drive the nation's industrialization agenda and support its growing population. ¹⁶⁵

Innovation in Financial Architecture

The financing of this ambitious project highlights the pivotal role that pan-African commercial banks are playing in funding critical public infrastructure. United Bank for Africa (UBA) emerged as a key financial partner, making a substantial commitment of over \$400 million in project financing. This included an initial provision of \$366 million, later supplemented by an additional \$40 million. 166



SOURCE: The Citizen

¹⁶⁵ Ledger, E. (2025, August 22). From Dam to Development: Turning JNHP's Power into Industrial Progress. Tanzania Digest.

 $^{^{166}\,\}text{UBA}\,\text{extends support to Nyerere Hydropower Project | Embassy of Tanzania in Tel Aviv, Israel.\,(n.d.)}.$

UBA's involvement went beyond capital provision; in a demonstration of deep operational commitment, the bank established a full-service, modern business office at the remote project site to manage the complex financial needs of contractors, staff, and the surrounding community.¹⁶⁷ This level of support from an African commercial bank was particularly notable given the initial reluctance of some global development finance institutions, such as the World Bank, to back the project.

Development Impact and Strategic Significance

The JNHP is envisioned not only as a national asset but also as a future regional energy hub. The hydroelectric project will provide clean electricity to multiple East African markets, supporting the region's industrial development aspirations while contributing to climate objectives. The facility's regional scope aligns with AfCFTA integration goals and demonstrates how infrastructure financing can create economic linkages across African borders.

The power generated will be evacuated via a new 400kV high-voltage transmission line, designed for integration into the national grid. Crucially, plans include the development of interconnectors, such as the Isinya–Singida line, which will link Tanzania's grid with Kenya's.

This infrastructure is essential for facilitating cross-border electricity trade within the East African Community (EAC) and the Southern African Development Community (SADC), positioning Tanzania as a key energy exporter. The project's development impact extends beyond energy generation to include job creation, skills development, and technology transfer. UBA's financing structure incorporates environmental and social standards that ensure sustainable development outcomes while maintaining commercial viability.

¹⁶⁷ UBA approves additional US\$40m funding for Tanzania Hydro Power project. (2020, December 9). ConstructAfrica.



CASE STUDY 3

Public Works and Private Finance,

Cameroon's Africa Cup of Nations (AFCON) Stadia



Project Overview

The financing of Cameroon's Africa Cup of Nations (AFCON) stadium infrastructure represents a significant case study in public infrastructure development through commercial bank partnerships.¹⁶⁸

The projects involved the construction of two world-class facilities: a 60,000-seat stadium in Yaoundé (the Olembe Stadium) and a 50,000-seat stadium in Douala (the Japoma Stadium). This case represents a more traditional model of sovereign borrowing from commercial banks to fund public works, offering important lessons for future infrastructure partnerships.

Innovation in Financial Architecture

The financing structure involved a comprehensive loan agreement signed in 2016, wherein a consortium including UBA provided FCFA 48.4 billion (approx. \$135 million) to the Cameroonian government.

For the Stade Japoma in Douala (50,000 seats), UBA provided \$95 million in financing. Additionally, UBA financed the Yaoundé-Olembe Stadium (60,000 seats).

UBA's participation demonstrated several key capabilities: sovereign risk assessment and pricing for major public infrastructure projects; complex multi-tranche financing coordinated with local and international partners; long-term project finance structuring matching infrastructure development timelines, and cross-border coordination with Cameroonian institutions and regulatory frameworks.



SOURCE: MB Media/Getty Images

¹⁶⁸ Business in Cameroon, Economie, Banking, Energy, Comms, Media, Law, Insurance, Public management, Tourism. (n.d.). UBA and BGFI give loan of FCfa 48.4 billion to Cameroon, for two football stadia construction projects - Business in Cameroon. Business in Cameroon.

The financing structure required sophisticated understanding of Cameroon's fiscal capacity, CAF tournament requirements, and the broader regional significance of hosting Africa's premier football competition.

Development Impact and Strategic Significance

The AFCON stadium projects delivered significant development outcomes beyond their primary sporting purpose. The facilities created thousands of construction jobs, catalysed urban development around stadium locations, and established Cameroon as a regional hub for major sporting events.

The projects also demonstrated African capacity to deliver world-class infrastructure meeting international standards within challenging timelines.



SOURCE: MB Media/Getty Images

Comparative Analysis of Infrastructure Financing Models

TABLE 4: Comparative Analysis of Infrastructure Financing Models

Project Name & Location	Strategic Objective	Lead Model	Total Cost / Financing Package	Key Financiers & Arrangers	Financing Instruments	Key Successes /Potential Impact
Dangote Refinery, Nigeria	Industrialization & Energy Security	Private Sector-Led	~\$19B Project Cost; ~\$4B Refinancing	Afreximbank, NNPC, UBA, Consortium of African & International Banks	Syndicated Loan, Equity, Forward Sale Agreement	Largest refinery in Africa; regional export capacity; landmark African-led syndication
Julius Nyerere Hydropower Project, Tanzania	National Industrialization & Regional Energy Integration	State- Owned Utility	\$2.9B Project Cost	UBA, Government of Tanzania, Afreximbank, other regional banks	Project Finance Loan, National Budget Allocation	Doubles national electricity capacity; potential East Africa power exporter
AFCON Stadia, Cameroon	Public Works & National Prestige	Sovereign / Public Sector	\$135 million (Yaoundé & Douala Stadiums)	UBA, BGFI Bank, Government of Cameroon	Sovereign Loan	Delivered world-class sporting infrastructure for major continental event

Ensuring Resilience: Agriculture and Food Security

Agriculture employs 42% of Africa's workforce while remaining 60% less productive than global averages, creating substantial opportunities for financial innovation supporting both productivity enhancement and food security. With 120 million Africans facing acute food insecurity (80% in conflict-affected areas), agricultural finance represents both commercial opportunity and development imperative.

The agricultural finance sector exemplifies how sophisticated African financial institutions can simultaneously address commercial opportunities and development imperatives while advancing continental integration. UBA's \$6 billion AfCFTA SME fund represents more than capital deployment embodies a strategic vision of agricultural modernization as the foundation for sustainable economic integration. This facility operates across 20 countries, creating standardized financing mechanisms that support agricultural SMEs regardless of their geographic location within UBA's network.

By providing consistent access to working capital, trade finance, and digital lending solutions, the fund

addresses a critical market failure: the historic inability of smallholder farmers and agricultural processors to access patient capital at commercial rates. The continental scope of this initiative directly supports AfCFTA objectives by enabling agricultural producers to participate in regional value chains, transforming subsistence agriculture into commercial enterprises capable of serving broader African markets.

The agricultural finance strategy exemplifies the symbiotic relationship between infrastructure development and economic integration. Agricultural modernization requires physical infrastructure such as irrigation systems, storage facilities, processing plants, and transport networks, while creating economic demand that justifies infrastructure investment. Specialized agricultural finance platforms thus supports the virtuous cycle where financial infrastructure and physical development reinforce each other, creating sustainable foundations for continental economic integration that serve both commercial and developmental objectives.

? Key Takeaway

The institutions recognizing and acting on this transformation are actively constructing the financial architecture underpinning one of the most significant economic transformations in modern history, positioning Africa as a global economic leader while delivering sustainable prosperity for current and future generations.



Beyond the Balance Sheet: Measuring Sustainable Impact and Charting the Future

As Africa charts its course toward greater economic integration, the standards for success are evolving. The financial viability of a project is no longer the sole metric of its value.

A growing consensus among investors, regulators, and the public demands that financial institutions move beyond the balance sheet to measure, manage, and report on the tangible development impact of their activities. This paradigm shift requires the adoption of coherent and rigorous frameworks that link financial deployments to specific, measurable outcomes across Environmental, Social, and Governance (ESG) dimensions.

This evolution reflects broader recognition that Africa's infrastructure financing requirements cannot be met through traditional commercial banking models divorced from development impact consideration. The institutions successfully navigating this transition are those capable of demonstrating that sustainable banking practices enhance rather than constrain commercial performance, creating sustainable competitive advantages through superior risk management, enhanced stakeholder relationships, and preferential access to impact-oriented capital markets.

5.1 Corporate Engagement and ESG Integration

Environmental, Social, and Governance (ESG) integration has evolved from regulatory compliance requirement to fundamental competitive differentiator in African financial markets. The adoption of ESG frameworks across African financial institutions demonstrates varying levels of sophistication and commitment.

Leading institutions like UBA demonstrate that embedding ESG principles throughout operations and lending decisions generates superior riskadjusted returns while supporting measurable sustainable development outcomes. UBA's achievement of a 7% reduction in greenhouse gas emissions while expanding operations illustrates how environmental stewardship can complement business growth rather than constrain it.

This strategic approach enables access to rapidly expand global green bond markets and impact investment pools, creating diversified funding sources that reduce reliance on traditional deposit funding while enhancing institutional resilience.

The Shift to Data-Driven Impact Measurement

Leading African financial institutions are at the forefront of this shift, developing robust frameworks aligned with both global standards, like the Global Reporting Initiative (GRI), and local mandates, such as the Nigerian Sustainable Banking Principles. This data-driven approach allows them to demonstrate their contribution to sustainable development in quantifiable terms.

Environmental Stewardship

Africa's climate finance landscape shows substantial opportunities for sophisticated African financial institutions. Climate finance flows to Africa surged by 48% from \$29.5 billion in 2019/20 to \$43.7 billion in 2021/22, with annual investment crossing the \$50 billion threshold for the first time in 2022. 169

The structural characteristics of African climate finance create specific comparative advantages for continental financial institutions capable of bridging international capital sources with domestic investment opportunities. The 87% international financing share indicates substantial foreign exchange and technical assistance requirements that favour local institutions with international partnership capabilities and domestic market expertise.

Government Revenue \$466 Environmentally African Banks, Insurance \$6-18 and Pension's AUM \$96 \$2,400 FDI to Africa \$83 \$110 Renewable Energy FDI \$7-10 Fossil Fuel Supply Finance Flows \$42 Institutional investors' fossil fuel related bonds and shared holding in Africa \$70

FIGURE 18: Climate Finance Flows in Context

SOURCE: Climate Policy Initiative

¹⁶⁹ Climate Policy Initiative. (2025, September 4). Landscape of Climate Finance in Africa 2024 - CPI. CPI.

UBA's \$35 million SUNREF program commitment and broader infrastructure finance portfolio demonstrate how pan-African banks can leverage international climate finance partnerships while building domestic capacity for independent climate project evaluation and structuring. The bank's multi-jurisdictional presence enables climate finance approaches that address regional integration opportunities such as cross-border renewable energy projects and regional adaptation infrastructure that may be less accessible to international institutions lacking continental operational presence.

The 48% growth trajectory in continental climate finance suggests market development momentum that creates first-mover advantages for African banks investing in climate finance capabilities. Institutions developing expertise in climate risk assessment, renewable energy project finance, and sustainable agriculture lending position themselves strategically within rapidly expanding markets while contributing to essential development objectives including energy security, food system resilience, and industrial competitiveness.

Social Impact

On the social front, the focus is on financial inclusion and empowerment. Leading banks are dramatically increasing financing for Micro, Small, and Medium Enterprises (MSMEs)—the lifeblood of the continent's economy. They are also implementing deliberate policies to boost the representation of women in senior management and providing billions of dollars in financing classified as having a direct social impact.

A cornerstone of this commitment is a focus on agriculture, with institutions often committing portions of their loan books to the sector that significantly exceed industry averages, funding entire value chains from cultivation to processing.

Governance and Ethical Conduct

These efforts are underpinned by strong governance principles. Best practices include mandatory, comprehensive training for all employees on antibribery, anti-corruption, and ethical conduct. Crucially, ESG oversight is being elevated to the highest level, with dedicated Board committees ensuring that sustainability is integrated into the core of corporate strategy, not treated as an afterthought.

This rigorous approach to ESG measurement is rapidly becoming a source of significant competitive advantage. In a global financial ecosystem where capital is increasingly allocated based on sustainability criteria, institutions that can provide credible, databacked evidence of their positive impact are far more attractive to international DFIs, impact investors, and socially conscious funds.

Investing in robust ESG frameworks is therefore becoming a strategic financial decision that enhances access to diverse and patient capital, ultimately strengthening the long-term resilience and capacity of Africa's banks to fund the continent's development.

5.2 Blended Finance Mechanisms: Scaling Impact Investment

The global blended finance market is expanding rapidly. Though estimates vary—from \$18 billion to \$70 billion, there's consensus that blended finance mobilization is accelerating as structural barriers fall.

In 2023, Africa attracted \$10.2 billion, marking a 40% year-over-year increase that reflects growing investor confidence in the continent's project pipelines when risk is properly de-risked Blended finance innovations such as first-loss guarantees, outcome-based payments, and catalytic capital structures reduce perceived risks and mobilize commercial capital into markets once seen as inaccessible.

For instance, the SDG Loan Fund secured a \$25 million guarantee¹⁷¹ from the MacArthur Foundation, which unlocked \$1.1 billion in private capital for SDG-aligned investments—achieving a 40:1 leverage ratio.

These models enable commercial investors to participate in development finance while maintaining acceptable risk-return profiles, creating sustainable funding sources for infrastructure and enterprise development.

Sector-Specific Blended Finance Applications

The pharmaceutical sector exemplifies blended finance potential in addressing critical development needs while creating commercial opportunities.

The African Union's Partnership for African Vaccine Manufacturing (PAVM) has attracted over \$2.3 billion in commitments from international partners, demonstrating how policy frameworks can catalyse private investment in strategic sectors. Financial institutions leverage continental networks to provide trade finance, working capital, and foreign exchange solutions supporting pharmaceutical manufacturing investments that serve both local health security and export market development.

Similarly, the AfDB's \$696 million guarantee for the \$3.9 billion Central Corridor Railway demonstrates how blended finance can support transformational infrastructure projects addressing multiple development objectives. The railway project supports projected 28% growth in intra-African freight by 2030 while creating commercial opportunities for financial institutions capable of structuring complex, long-term project finance facilities.

¹⁷⁰ BCG. (2025, June 27). The blended finance market: An opportunity for banks. BCG Insights.

¹⁷¹ Allianz Global Investors. (2023, November 28). SDG Loan Fund mobilizes USD1.1billion of investor capital

¹⁷² Africa CDC. (2025, February 11). Africa's progress towards sustainable local manufacturing of health products.

5.3 Frameworks for Sustainable Banking

The development of rigorous frameworks for measuring and reporting sustainable banking impact represents critical institutional capability distinguishing leading African financial institutions from traditional commercial banks. These frameworks must demonstrate quantifiable links between financial activities and development outcomes while maintaining commercial viability standards essential for long-term institutional sustainability.

Increasingly, African private sector institutions are actively measuring and managing their environmental footprints, setting clear targets for reducing their operational greenhouse gas emissions. Beyond their own operations, they are launching dedicated green financing facilities and strategically allocating significant portions of their loan portfolios to support renewable energy, energy efficiency, and access to clean power. For instance, UBA has established a multi-million-dollar green finance program to accelerate the continent's energy transition.

Key Takeaway

PAPSS and emerging digital platforms are redefining Africa's trade finance future. By enabling instant, local-currency settlement and saving up to US\$5 billion annually, they provide the infrastructure for inclusive, low-cost, cross-border finance. This digital backbone is Africa's best chance to leapfrog legacy constraints and democratize trade.



Outlook: Strategic Opportunities and Emerging Trends

6.1 The Next Decade of Africa and Global Economic Integration

Africa's economic trajectory stands at a pivotal juncture, increasingly defined by self-determination and a structural shift from traditional aid heavy development funding toward internally driven, private sector-led growth.

Despite global economic uncertainty, the continent is poised for a resilient recovery, with the African Development Bank forecasting average GDP growth to accelerate to 3.7% in 2024 and 4.3% in 2025, positioning Africa as the world's second-fastest-growing region. This momentum is powered by a significant demographic dividend: by 2050, the continent's working-age population is set to expand by 740 million, the most rapid workforce expansion globally.

This demographic transformation creates the foundation for Africa's most significant economic opportunity: the systematic multiplication of domestic capital through strategic financial architecture. Africa's next decade will be driven by three interconnected transformations that demonstrate powerful multiplier effects:

Domestic Capital Mobilization as Growth Engine: The most profound shift involves mobilizing the continent's \$4 trillion in domestic financial resources for productive investment. This approach creates exponential returns: every

dollar of domestic institutional investment can attract up to twenty dollars in international capital through sophisticated risk-sharing mechanisms, blended finance structures, and co-investment partnerships. By strengthening domestic capital markets and creating innovative investment vehicles, African nations can build sustainable, sovereign-led development models that generate commercial returns while reducing dependence on volatile foreign capital flows.

The AfCFTA and Trade Finance Multiplication:

The AfCTFA creates a \$3.4 trillion single market, but its success depends entirely on robust trade finance systems. When African financial institutions provide the foundational trade financing for SMEs and cross-border commerce, this creates cascading economic effects. Enhanced intra-African trade generates employment, builds local supply chains, and attracts additional investment in supporting infrastructure. PAPSS exemplifies this multiplication: \$5 billion in annual transaction cost savings enables significantly larger trade volumes and cross-border investment flows.

¹⁷³ African Development Bank. (2024, May 29). African economic outlook 2024: Driving Africa's transformation through inclusive green growth. African Development Bank Group.

¹⁷⁴ World Bank. (2023, July 12). Harnessing Africa's youth dividend: The future of work in Africa. World Bank Group.

Infrastructure and Technology Leverage: Africa's infrastructure investment creates some of the highest economic multipliers globally. Each dollar invested in quality infrastructure generates between \$3-7 in economic returns through improved productivity, reduced transaction costs, and enhanced market access. Technology amplifies these effects by enabling "leapfrog" development that bypasses traditional constraints while creating new economic opportunities in digital services, fintech, and technology-enabled agriculture.



6.2 The Institutional Imperative: Building Africa's Development Finance Champions

Realizing Africa's economic potential requires financial institutions that master the complex balance between commercial sustainability and development impact while serving as multiplier catalysts for broader economic transformation.

Leading African financial institutions are demonstrating this capability through sophisticated project structuring that was once the exclusive domain of international DFIs. UBA's landmark \$85 million financing for the Lekki-Epe Expressway exemplifies how local institutions can lead complex infrastructure development while generating commercial returns and measurable development outcomes.

African financial institutions are indispensable to AfCFTA success, providing trade finance, cross-border payment systems, and investment capital necessary for a \$3.4 trillion single market to function effectively. Their continental networks enable seamless financial services that support intra-African trade while building the integrated economic infrastructure that attracts additional international investment.

Success requires commitment to transparency and impact measurement through clear metrics including job creation, SME growth, and intra-African trade volume expansion.



6.3 A Roadmap for Action

To capitalize on strategic opportunities, African financial institutions must pursue coordinated actions that maximize capital multiplication effects:

- Deepen Domestic Capital Markets: Financial leaders must actively work with regulators to enact
 reforms, particularly in the pension and insurance sectors to unlock and channel the vast pools of
 domestic savings into productive, long-term investments. This includes developing new products
 like infrastructure bonds and diaspora bonds and enhancing the capacity of local capital markets
 to finance large-scale projects.
- Pioneer Green and Climate Finance: Institutions must embed ESG principles into their core
 operations, from risk management to product development. This involves building expertise in
 green project valuation, launching specialized green bonds and climate adaptation funds, and
 aligning lending portfolios with the Paris Agreement. Doing so will not only mitigate risk but also
 attract a new wave of global climate-conscious investors.
- Harness Technology for Inclusive Growth: Digital transformation through AI, blockchain, and cloud computing enables financial services delivery at great scale and efficiency. Technology investments create network effects that multiply impact through improved risk assessment, reduced costs, and expanded financial inclusion. Fintech partnerships enable reaching previously unserved populations while generating new revenue streams.
- Champion AfCFTA Implementation: Financial institutions must become primary financiers of
 intra-African trade through scaled SME trade finance, sophisticated cross-border treasury solutions,
 and digital infrastructure investment. Institutions with continental footprints can facilitate trade
 flows that generate employment, supply chain development, and additional investment attraction
 across multiple markets simultaneously.

By embracing this agenda, Africa's financial institutions can move beyond their traditional roles to become the architects of the continent's economic future. Their leadership will be the decisive factor in transforming Africa's demographic dividend and natural wealth into sustainable prosperity, positioning the continent as a formidable and integrated leader in the global economy.

(?) Key Takeaway

Africa's economic sovereignty in the next decade will be driven by its own financial champions. By strategically mobilizing domestic capital, financing the infrastructure of trade, and leveraging technology to power the AfCFTA, African banks and DFIs are not just financing growth, they are building a prosperous, integrated, and self-determined continent.



Conclusion: Banking on Africa's Sustainable Growth

Africa's development finance landscape is experiencing fundamental transformation, driven by the recognition that the continent's \$4 trillion in domestic capital represents the foundation for sustainable, multiplier-driven economic development.

The evidence presented throughout this paper demonstrates that Africa's development financing challenge is not capital scarcity, but capital mobilization and multiplication. When domestic financial institutions provide anchor investment and sophisticated intermediation, they create conditions for attracting international partnership capital at ratios of 10-20:1, transforming limited local resources into substantial development funding.

This multiplication effect requires coordinated action among policymakers, financial leaders, and international partners. We recommend strategic actions that maximize these leverage opportunities:

- 1. For National Governments and Regulators: Create the Enabling Environment
- Unlock Domestic Capital Multipliers: Enact pension and insurance reforms that increase
 infrastructure bond allocations, private equity, and venture capital investments. Channel long-term
 local savings into productive assets that attract additional international co-investment through
 demonstrated market validation.
- Strengthen Public-Private Partnership (PPP) Frameworks: Establish dedicated PPP units within finance ministries to standardize contracts and develop bankable project pipelines. These de-risks investments while creating platforms for domestic and international capital collaboration at scale.
- 2. For African Financial Institutions: Lead the Investment Charge
- Scale Up Blended Finance Solutions: Proactively create blended finance vehicles that pool
 capital from DFIs, philanthropic foundations, and commercial sources. Use these funds to provide
 first-loss capital and other credit enhancements, making climate adaptation and renewable energy
 projects commercially viable.
- Champion Digital and Pan-African Infrastructure: Move beyond individual platforms to invest in shared, interoperable infrastructure like PAPSS that creates network effects and economies of scale. Utilize advanced analytics for sophisticated risk assessment that enables larger, more efficient capital deployment.

The future of African development finance is, unequivocally, African finance, amplified through strategic partnerships.

- Build Continental Talent Capabilities: Develop industry-wide expertise in complex project finance, ESG standards, and multi-jurisdictional compliance that enables structuring larger, more sophisticated transactions with higher multiplication ratios.
- 3. For International DFIs and Partners: Shift from Funder to Facilitator
- **Prioritize Risk Mitigation and Leverage:** Focus on deploying guarantees, political risk insurance, and currency hedging that "crowd in" Africa's domestic institutional capital rather than replacing it. This approach can generate 3-5x larger total investment flows.
- Support Local Currency Solutions: Increase technical assistance for foreign exchange risk management, enabling African banks to lend in local currencies while building resilience against external volatility.

The institutions and governments that embrace this new paradigm and act on these recommendations will not only secure their own commercial success but will also build the foundations for a prosperous, integrated, and sovereign continent.

This represents a significant economic opportunity: constructing a future where Africa's growth is **financed** by Africans, for Africans, while contributing to global economic stability through sustainable, multiplier-driven development that creates shared prosperity across the continent and beyond.

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About United Bank for Africa

Africa's Global Bank

United Bank for Africa Plc (UBA) is a leading pan-African financial services group with presence in 20 African countries, as well as in the United States of America, the United Kingdom, France, and the United Arab Emirates. UBA provides banking and other financial services to more than 45 million customers globally, served through diverse channels including over 1,000 business offices and customer touch points across Africa and international financial centers.

UBA Group's strategic mission is to be the leading financial services provider across all markets where it operates, serving as the primary payment gateway for trade and capital flows into and out of Africa. The Group maintains a presence in key global financial centers to maximize its continental reach and impact, uniquely positioning it as the bridge between African markets and international capital.

International Presence and Capabilities

UBA's international operations span four strategic hubs that facilitate comprehensive global banking services:

 United States: Operating under a federal banking license as the only Sub-Saharan African bank with this distinction, UBA New York provides wholesale banking services including trade finance, correspondent banking, and treasury management to global corporates, development organizations, and financial institutions.

- United Kingdom: UBA UK, based in London and fully authorized by the Prudential Regulation Authority and Financial Conduct Authority, provides trusted financial solutions that bridge international and African markets. Leveraging UBA Group's extensive footprint, UBA UK facilitates trade, capital, and aid flows, ensuring businesses and institutions can efficiently navigate crossborder transactions.
- France: UBA Paris serves as the gateway for Francophone Africa, providing specialized services for the significant trade and investment flows between French-speaking African countries and international markets, with expertise in commodity finance and development funding.
- United Arab Emirates: UBA Dubai strategically positions the Group at the centre of growing Gulf-Africa economic corridors, facilitating the substantial investment flows from GCC countries into African markets while providing treasury and trade finance services for regional commerce.

Continental Leadership in Development Finance

UBA's unique combination of continental presence and international expertise positions it as a leader in Africa's development finance transformation. The bank has demonstrated capacity to structure complex, multi-jurisdictional transactions including landmark infrastructure projects like the Julius Nyerere Hydropower Project and the \$6 billion AfCFTA SME financing partnership.

Through innovative structured finance, blended investment vehicles, and regional capital mobilization, UBA serves as the critical intermediary that transforms domestic African capital into development impact while attracting international partnership investment. The bank's comprehensive risk management capabilities and regulatory compliance across multiple jurisdictions enable it to facilitate the sophisticated financial architecture required for Africa's economic transformation.

Technology and Innovation Excellence

UBA's digital transformation has been a powerful growth engine, expanding its digital customer base to over 32.6 million and driving a 91.9% year-on-year surge in digital income to \\$253.0 billion in 2024. This technological capability, combined with the Leo Al banking assistant that processes over 12 million transactions monthly, demonstrates UBA's leadership in financial innovation and customer engagement across diverse markets.

Commitment to African Development

As a truly pan-African institution, UBA's success is fundamentally aligned with the success of the African economies it serves. This philosophy drives the bank's role as more than a financial intermediary—UBA serves as a committed development partner, aligning its strategies with national priorities and continental integration objectives because building a prosperous Africa represents the best investment the bank can make.





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