AFRICAN BANKER

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INTERVIEWS

Botswana's Ndaba Gaolathe
Back to square one

UNDP's Tom Beloe
Connecting the dots

FEATURES

AfBD's Tah braces for storms ahead

Changing the guard as European banks leave

Time to ditch unfair credit rating agencies?

Afreximbank's historic AGM

OP-EDS

Prof. Joshua Abor
Owning African capital

Rob Downes
The age of blockchain

Kola Aina
Local capital fuels start-ups

Mohamed Ibrahim
Somalia banking sector makeover

Flutterwave's Olugbenga Agboola

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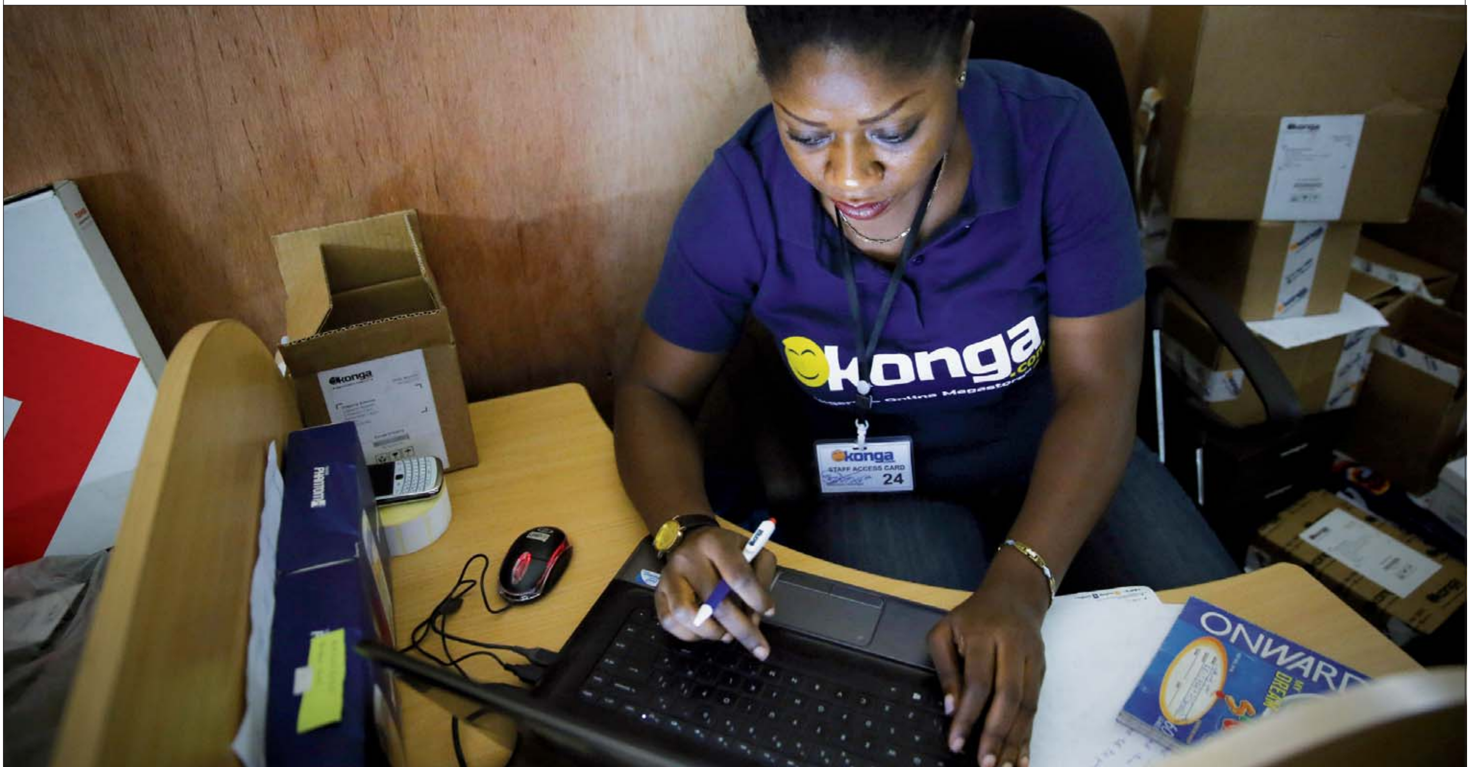
Letters to the Editor



Above: An employee of Konga, the online shopping brand, at work in Lagos, Nigeria. Founded in 2012, Konga is now a well-known name in the country's retail space

Business know-how is the key to success

I would like to comment on the issues raised by the op-ed piece by Michelle Knowles and Mosa Tshabalala of Absa (*African Banker*, Q2, 2025).

They argue that while the lack of infrastructure is often seen as the main bottleneck in Africa's trading development, the real villain is something else: "Trade moves on capital as much as it does on cargo, and yet liquidity – the unseen force that determines who can trade, at what scale, and under what conditions – remains scarce, expensive, and structurally out of reach for many businesses on the continent."

They add that for decades the primary constraint on African trade has been a liquidity shortage compounded by sovereign debt burdens and a persistent reliance on hard currency.

Anyone who is involved in business in Africa, as I am, will readily agree with this assessment but by the same token, I must point out the very considerable advances that have occurred since the era of independence in the 1960s.

In hindsight, we can clearly see how for many countries the first years after independence were 'lost decades' as many countries were plunged into civil conflicts, with naked power struggles and deadening military rule.

This was Africa's baptism of fire – learning hard lessons on the hoof, and a phase in fact that most countries of the world have had to go through before maturing into stability.

Today, the majority of African countries are democratic and relatively stable, although of course there are exceptions to the rule – such as Sudan – which haven't been able to shake off their poisoned legacy.

I will contend that most of Africa is now rapidly modernising and very much part of the global arena, with populations enjoying individual liberties and economic freedoms.

What is most encouraging is the upsurge of entrepreneurship in Africa. Africa could well be the world's most enterprising continent! Africans are also uniquely innovative – perhaps the long periods of being deprived have inculcated a habit of making the most of everything and turning even what others consider waste into useful objects.

Africans are also born traders and will go wherever business calls to make, buy and sell. Commerce, especially SME commerce, has always been and continues to be the backbone of economic growth all over the world.

That said, on the negative side, there are far too many business failures as start-ups, begun with great ambition and lofty dreams, often run into hard business realities and collapse prematurely.

The root cause of this is not lack of opportunity or even adequate access to finance or liquidity shortages, but numerous other factors, the main ones being a lack of thorough knowledge of management, and accounting skills.

While young entrepreneurs may be inspired by dreams and channel considerable energy and creativity into their ventures, without a thorough knowledge of how to budget, cash flow management and general business know-how, their efforts are often futile.

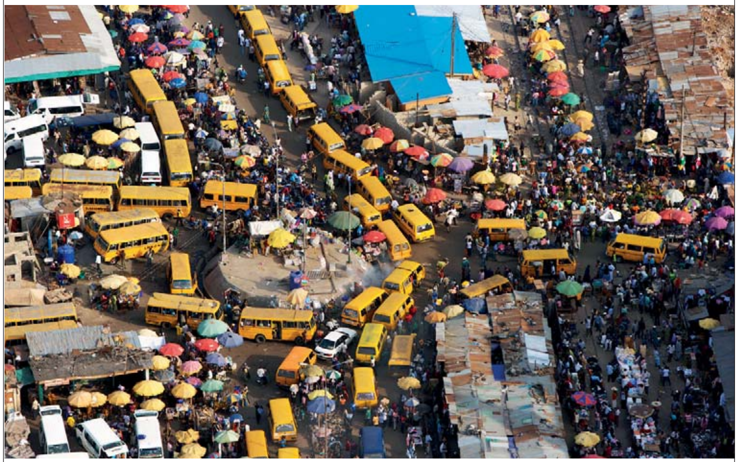
The opposite is also true: knowledge of how to manage a business, and people, employees as well as customers, can almost certainly guarantee business success. In its pioneering phase, affordable business courses were very much in demand in the US, which also produced numerous books on the subject. This laid the foundation for its current success. We need many more institutions, large and small that can provide this vital knowledge to our entrepreneurs.

Finally, publications like yours, which provide deep insights into how large and small enterprises are managed through interviews, are invaluable for all entrepreneurs – young and not so young!

Kokil Shah,
Mombasa, Kenya

» News in Brief «

Nigeria: Rebased GDP raises hope for $1trn economy



Nigeria has an ambitious dream – to achieve a $1trn economy by 2030. In the meantime, the country has released its rebased Gross Domestic Product (GDP) figures in 2025 – for the first time in more than a decade.

Semiu Adeyemi Adeniran, Nigeria's statistician-general, laid out the country's steady increase in GDP: "In nominal terms, the rebased GDP for 2019 stood at N205.09trn ($134.25bn); $139.84bn in 2020; $159.27bn in 2021; $179.59bn in 2022; $205.56bn in 2023, and $343bn in 2024."

This revision represents a 41.7% increase in nominal estimates compared to a 59.7% revision in the 2010 rebasing exercise. The increase in the size of the economy was based on the new way the GDP is calculated, with the addition of newer sectors.

Releasing the figures, the National Bureau of Statistics said: "The results show that the structure of the Nigerian economy has changed significantly, with a rise in the share of agriculture and services sectors and a fall in the share of the industries sector in nominal terms

Adeniran explained that the rebasing allows the country to better reflect the realities of the economy. "It's not just about a bigger number but about accurate, timely data that supports smarter policy and economic planning," he said.

Nigeria's last GDP rebasing in 2014 saw the economy leap from about $270bn to $510bn, making it the largest economy in Africa at the time.

That update revealed underreported sectors like telecommunications, film and financial services, sparking global investor interest and driving foreign direct investment to nearly $60bn that year, up from $15bn in 2011.

However, the devaluation of the naira about two years ago weakened the economy to its present state.

Madagascar to protect coasts from climate change

Madagascar has inaugurated an initiative for enhancing climate resilience by restoring critical coastal ecosystems and improving livelihoods across vulnerable regions. Nearly 100,000 people are expected to benefit directly across four key coastal regions – Boeny, Menabe, Diana, and Atsimo Atsinanana – where climate impacts are already threatening both livelihoods and biodiversity.

The project, Scaling Up Ecosystem-Based Adaptation for Coastal Areas in Madagascar, will be executed by the Ministry of Environment and Sustainable Development, with a $7.1m grant from the Global Environment Facility and a co-financing of $27m, bringing the total commitments to $34.1m.

The UN Environment Programme (UNEP) assisted the government with developing the project and will act as the implementing agency.

Madagascar's coastal ecosystems – mangroves, coral reefs, and coastal forests – serve as natural buffers against rising seas, intensifying cyclones, and coastal erosion.

Yet these ecosystems are under growing pressure from deforestation, overfishing, and a changing climate. Coastal zones support more than 75% of the local population by providing, for example, marine species for fisheries or valuable non-timber forest products.

Blue Five Capital raises $2bn private equity fund

BlueFive Capital, a global investment firm, has announced the conclusion of its efforts to raise $2bn for the BlueFive Reef Private Equity Fund I. The fund is registered with the Abu Dhabi Global Market (ADGM) and will target large-cap Gulf Cooperation Council (GCC) private equity investments. It will focus on five key sectors: healthcare, technology, hospitality, aviation, and industry.

Hazem Ben-Gacem *(below)*, founder and CEO of BlueFive Capital, said: "Our inaugural $2bn dedicated GCC private equity fund is a landmark achievement. The fund will play a pivotal role in expanding the private equity marketplace in the GCC and allow us to partner with exceptional founders and management teams to support establishing global leaders that are originating from the GCC."

BlueFive Capital is one of the GCC's fastest-growing global asset managers, with a 27-person investment team spanning London, Abu Dhabi, Dubai, Riyadh, Jeddah, Bahrain and Beijing.

AI technology replaces legacy systems at Absa

Absa Group has replaced its legacy systems with modern AI-ready SAP technologies after a digital overhaul lasting more than a decade. The move has successfully transformed the group's banking operations across multiple African countries.

"The first phase of our development started in 2011, a few years after the Barclays acquisition. The goal was to move all African entities onto a single Barclays platform. However, this platform was unsuitable for retail banking in Africa due to limitations in handling master data, general ledger accounts, and granular core banking functions," explains Annelie Hunter, Head of Technology Enablement & Finance Business Sponsor for the SAP rollout at Absa.

Absa initially launched 'Project Owari', whereby its operations in each country would be transformed using the Barclays SAP platform. Tanzania was the first test case, but challenges prompted a seven-month pause.

After reassessing the requirements, Zambia was the first country to go live in 2016, using a hybrid of the local South African SAP ECC6 platform and the SAP Supplier Relationship Management solution. Similar rollouts followed in Mauritius and Seychelles (2016), Ghana and Tanzania (2017–18), Botswana (2018) and Uganda (2019). The news that SAP ECC6 was nearing its end-of-life prompted implementation of the more powerful, cloud-ready SAP S/4HANA. Other launches then followed, notably in Kenya and South Africa.

Nazia Pillay, Interim MD for Southern Africa at SAP, said: "Absa has overcome every challenge to transform its core banking processes and lay a solid foundation for further tech-led innovation. We are proud to continue to support Absa as it implements its exciting vision for the future of banking on the African continent."

Absa Group is one of Africa's largest diversified financial services providers, with operations in 12 countries and a presence in key global markets.

AfDB grants $62m to restore Sudan services

The African Development Bank Group has approved a $62.13m emergency grant to support the Sudan Integrated Social Sector Infrastructure Rehabilitation Project (SISSIRP).

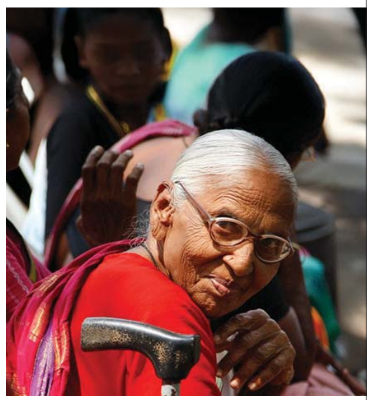
This vital support aims to restore essential health, education, and water services that have been severely disrupted by the ongoing civil conflict in Sudan, which erupted in 2023.

The funding package comprises $44.57m from Pillar 1 of the Transition Support Facility and $17.56m from the African Development Fund, the bank's concessional financing window for low-income countries.

Sudan is currently facing one of the world's gravest humanitarian crises. An estimated 30.6m people are in urgent need of assistance, including 11.5m internally displaced persons, 54% of whom are women.

The two-year project (2025-2027) will focus on four Sudanese states – Al Jazira, River Nile, Sennar, and White Nile – and is designed to improve the resilience and well-being of the population by rehabilitating and strengthening social sector services.

Mauritius reboots sustainable public finance



The island nation of Mauritius faces challenges from high public debt, significant public investment needs, low productivity, and an ageing society. To address them, it has introduced key reforms in its 2025-2026 budget, in line with IMF policy recommendations.

The reforms aim to increase tax revenue by over 2% of GDP in 2025-26, while reducing government spending by over 1% of GDP in the same period. Overall, the authorities expect to reduce government debt from 87% of GDP in 2024 to 75% in 2030.

On the expenditure side, the aim is to make pension spending more sustainable. Benefits paid to individuals through the Basic Retirement Pension programme (BRP) have more than doubled since 2019. The government plans a phased alignment of the BRP eligibility age from 60 to 65, matching the official retirement age. This measure is designed to ease the tax burden on younger generations.

» Events «

Arunma Oteh's *All Hands on Deck: Unleash prosperity through world-class capital markets* overcame strong competition to scoop the prestigious award as well as the £10,000 cash prize. The award ceremony was held at the historic Institute of Directors in London.

Arunma Oteh's *All Hands on Deck* wins 2025 BCA prize

All Hands on Deck by renowned Nigerian economist and former Director General of the Nigerian SEC as well as former World Bank Treasurer Arunma Oteh, emerged from a strong set of business books to win the BCA Business Book of the Year Award 2025.

The winning entry was adjudged the best for the year by a panel of judges constituted by the Business Council for Africa (BCA), promoters of the awards, with the support of Brand-Comms and *African Business* magazine.

In *All Hands on Deck*, a powerful and timely work, Oteh details the vital role of capital and the need for integrated, well-functioning capital markets in driving Africa's development. Through sharp analysis mellowed by a compelling narrative, the book delves into the structural challenges facing the continent, while offering an unflinching look at the realities of business and economic transformation across Africa.

The runner-up, *Africonomics* by Bronwen Everill, is a provocative critique of Western economic policies towards Africa, which the judges praised for exposing the persistent paternalism and misconceptions that continue to undermine the continent's progress.

The second runner-up, *Riding the Storm* by Toni Kan, recounts Africa's struggle to secure vaccines and other essential goods during the Covid-19 pandemic. The judges commended the book for offering a powerful African perspective on global solidarity and showcasing the continent's resilience and potential when acting collectively.

The runners-up received cash prizes of $5,000 and $2,500 respectively.

The award was presented at a ceremony held at the historic Institute of Directors in London, where the winner received a trophy and a cash prize of $10,000.

The judging panel comprised African business and thought-leaders as well as media executives: Arnold Ekpe, Chairperson of BCA, and chair of the Judging Committee, Chris Ogbechie, former Dean of Lagos Business School, Moky Makura, CEO of AfricaNoFilter, Terhas Berhe, Managing Director and Founder of Brand Communications, Omar Ben Yedder, CEO of IC Publications (publisher of *African Business*, *New African* and *African Banker* magazines) and Anver Versi, Editor of *New African* and *African Banker* magazines.

Above: The 2025 BCA award recipients posing for a photo with the judges at the prizegiving ceremony

Now in its third year, the Award ceremony also featured the Kay Whiteman Memorial Lecture. Whiteman was a journalist who dedicated his life to covering African affairs. This year's guest speaker was financier and investor Papa Ndiaye, Non-Executive Chairman of Ecobank, a private equity veteran and founding partner of AFIG Funds.

The aim of the annual competition is to recognise and reward the authors of the best Africa-oriented business books. The works are shortlisted on how effectively and compellingly they illuminate the forces shaping modern African economic and social development.

By sponsoring this latest addition to Africa's modern literary heritage, the BCA brings together key figures in African publishing and business while honouring the talented authors and publishers for bringing these stories of African entrepreneurship and resilience to life.

This year's shortlist featured an eclectic and interesting mix, from biographies of business leaders to a masterful examination of Africa's own and often misunderstood economic systems and a fascinating exploration of the rapid rise of Nigeria's social media skits, now worth billions of dollars. The shortlist also contained an inspiring narrative of business success by an African woman entrepreneur, as well as a rare and detailed examination of the growth of Africa's infrastructure universe.

Chair of the judging committee, Arnold Ekpe said: "We are still far from where we would like to be in terms of books that help us better understand the business landscape on the continent, which is actually dynamic and thriving.

"We hope the publicity generated by the BCA award and the valuable cash prizes will go a very long way to encourage more writers and business people to undertake the journey and give more publishers the confidence they need to push the books beyond often narrow confines."

Omar Ben Yedder, Publisher of *African Business* magazine, noted that the prize not only recognises excellence in business writing, but continues to extend the conversations around African business and enterprise. "Given the original angles one gets from African writers who project different worldviews and respond to different cultural forces, there should, in time, be a niche for African business writing that could become as popular as African music and fiction. These Awards are therefore an invaluable springboard for an exciting new departure in African literature." ■

Ronald Cafrine appointed Eastern Africa Constituency Director at AfDB

Seychellois Ronald Cafrine (*below*) has been appointed as the new executive director representing the Eastern Africa Constituency of the African Development Bank (AfDB).

Seychelles recently assumed the chairmanship of the Constituency, which in addition to the island nation, consists of Rwanda, Ethiopia, Kenya, Eritrea, Somalia, South Sudan, Tanzania and Uganda. Cafrine's appointment to the AfDB board takes effect from 15 August.

Seychelles' graduation to the leadership of the Eastern Africa Constituency was endorsed during the AfDB's Annual Meeting in May 2025, and marks a pivotal moment for the country and its commitment to regional development.

For the past three years, he has served as senior advisor to the outgoing executive director, Jonathan Nzayikorera from Rwanda, within the Eastern Africa Constituency of the AfDB.

Seychelles' Secretary of State for Finance, National Planning and Trade, Patrick Payet commended Cafrine's appointment.

He added: "Taking on the chairmanship of the Eastern Africa Constituency of the AfDB is a tremendous privilege for the Seychelles. We are focused on fostering inclusive growth and sustainable development in the region."

Sedikh Faye becomes World Bank's Burundi Country Manager

The World Bank Group (WBG) has announced Babacar Sedikh Faye as its new Country Manager for Burundi. The appointment is part of a global initiative by the Group aimed at unifying and strengthening its representation at the country level.

Faye will be responsible for the operations of all the World Bank's institutions in Burundi, including the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

He said of his new role: "The Group's interventions have seen significant growth and notable impact in recent years. Our goal is to continue this growth, with more efficiency and innovation, to better support the country in its efforts to improve the living conditions of Burundians and reduce inequalities."

Faye will take up his position at a time when a new Country Partnership Framework (CPF) is being prepared with Burundi, covering the next six years. The CPF is the strategic framework that will allow the WBG to align its interventions with Burundi's development priorities, as the country seeks to achieve the goals laid out in its plan entitled, 'Vision Burundi: Emerging Country by 2040 and Developed Country by 2060'.

A Senegalese national, Faye joined the World Bank Group in 2006 as a legal advisor, based in Johannesburg, South Africa. He has since worked in a dozen countries and held various positions of responsibility within the IFC, which focuses on the private sector in emerging countries. He has most notably been the Resident Representative of the IFC in Nepal, the Democratic Republic of Congo (DRC), Liberia, and Sierra Leone.

Before joining the WBG, Faye worked at the New York office of the international business law firm White & Case, where he handled international project finance transactions and public-private partnerships.

He began his professional career in Senegal, where he worked for a pension fund and a consulting firm supporting SMEs.

He is a business lawyer by training and a member of the New York State Bar. He has studied at Cheikh Anta Diop University (Senegal), Fordham University (USA), and Paris 1 Panthéon-Sorbonne University (France). He holds two master's degrees, in banking law and corporate and finance law, and a JD in Business Law.

Dr Elombi to lead Afreximbank as President

Afreximbank has appointed Dr George Elombi (*below*) as its next President and Chairman of the Board of Directors. He succeeds Professor Benedict Oramah, who has served as President and Chairman of the Board of Directors since 2015, and who will be stepping down in September 2025. (*See also p. 24.*)

A Cameroonian national, George Elombi has been with Afreximbank since 1996, and will assume the Presidency from his current role as Executive Vice President – Governance, Legal and Corporate Services.

Originally joining the Bank as a Legal Officer, his other roles include Director, Legal Services / Executive Secretary (2010–2015); Deputy Director, Legal Services / Executive Secretary (2008–2010); Chief Legal Officer (2003–2008); and Senior Legal Officer (2001–2003).

Dr Elombi played a pivotal role in establishing the Afreximbank Group's structure, including the formation of subsidiaries that have expanded the bank's capacity to deliver on its mandate.

As Chair of the Emergency Response Committee, he led the Bank's response to the Covid-19 crisis, mobilising over $2bn for vaccine acquisition and deployment across African and Caribbean nations. Under his supervision of the Equity Mobilisation and Investor Relations department, the Bank's total ordinary equity mobilised amounted to $3.6bn as at April 2025.

Prior to joining Afreximbank, Dr Elombi taught law at the University of Hull in the UK. He holds a Master of Laws (LLM) from the London School of Economics, University of London, and a Ph.D in commercial arbitration from the same university. He obtained a 'Maitrise-en-Droit' from the University of Yaoundé, Nigeria in 1989.

Under the Afreximbank Charter, a president is appointed for a term of five years, renewable once.

African Export-Import Bank (Afreximbank) is a pan-African multilateral financial institution mandated to finance and promote intra- and extra-African trade.

Ayo Adepoju promoted to Group Executive Director at Ecobank Transnational

Ecobank Transnational Inc. (ETI), the parent company of the Ecobank Group, has announced the appointment of Ayo Adepoju, the current Group CFO, to the Board as Group Executive Director.

Adepoju has two decades of broad-based leadership experience and deep institutional knowledge of the Ecobank Group.

As a finance executive, he has been instrumental in helping to shape the Group's financial transformation, capital strategy, and long-term resilience.

Since joining Ecobank in 2012, his leadership roles include being Group Financial Controller, Group Head of Business Performance and Analytics, and at present, Group Chief Financial Officer.

Over the years, Adepoju has led numerous initiatives, including landmark capital market transactions such as Eurobonds, Basel III-compliant instruments, and sustainability-linked debt. These efforts have enhanced Ecobank's presence in international capital markets and strengthened transparency and investor engagement.

Prior to Ecobank, he worked at Pricewaterhouse Coopers (PwC) in London and Lagos, serving in the Financial Services Practice.

Adepoju holds a first-class honours degree from the University of Lagos, and is a Fellow of both the Institute of Chartered Accountants of Nigeria (ICAN) and the Chartered Institute of Management Accountants (CIMA), UK. He has a Ph.D in Organisational Leadership from Regent University, USA, and an MBA from Warwick Business School.

He has completed executive education programmes at Wharton, London Business School and Harvard Business School. An official member of the Forbes Finance Council, he is also a published author and respected thought-leader in finance and organisational strategy.

Jeremy Awori, Ecobank's Group CEO, said: "His ability to manage complexity, innovate in financial strategy, align finance with enterprise-wide transformation, and lead collaboratively has made him a critical member of our executive team. I look forward to deepening our partnership as we drive forward our Growth, Transformation and Returns strategy."

Ecobank is a leading pan-African banking conglomerate, with a presence in 35 African countries. It is the foremost regional banking group in West and Central Africa, and maintains subsidiaries in Eastern and Southern Africa. It also has representative offices in China, Dubai and the UK.

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Anver Versi, editor

Why it is vital to defend our financial institutions

I had the privilege of moderating a panel on what many consider one of the most critical issues facing our development banks during the 32nd AGM of Afreximbank in Abuja, Nigeria in June.

The theme before the panel was: 'Strengthening institutional resilience for Africa's growth and prosperity: The importance of Preferred Creditor Status for financing African growth and prosperity'.

In brief, it raised two points: one was that the continent's growth and prosperity is very much dependent on the ability of our development finance institutions to slingshot us beyond survival mode into the next phase – prosperity (as was the case for post-World War II Europe); and two, that the Preferred Creditor Status (PCS in short) is indisputably vital to the healthy performance of our development institutions and by inference, the continent itself.

The theme of the panel discussion was raised by the fact that, once again, certain influential foreign agencies – whether wilfully or due to ignorance or snow-blindness – are trying to strip institutions like Afreximbank and others of their cherished PCS.

Let me quickly refresh the reader's knowledge here: The Preferred Creditor Status (PCS), which the IMF and the World Bank among others enjoy, gives holders first priority in the repayment of sovereign loans. This is even if the borrower is distressed and seeking restructuring of its debt.

African MFIs (AMFIs) like the African Export-Import Bank (Afreximbank), the Trade and Development Bank (TDB) and the West African Development Bank (BOAD) also have Preferred Creditor Status.

In short, the PCS is a form of protection for global institutions and regional ones that has evolved given the nature of the financing these institutions are involved in. It ensures that a lender's capital remains liquid and gives it the confidence to extend credit even when the risk perception is relatively high.

Recall also that development institutions provide loans at concessionary rates, which are almost always below market rates. How much of a concession they can provide depends on their own sources of funding and the rates they are asked to pay.

> We experienced the full value of African MFIs during the polycrisis that began with the pandemic. They moved in, no questions asked and rescued country after country – providing essential lifelines with astonishing speed and efficiency.

High credit ratings from international agencies such as Fitch and Moody's reduce the cost of borrowing by the institutions, which in turn enables them to on-lend to sovereigns at reduced rates. Poor ratings on the other hand, increase borrowing costs which are passed all the way down, even to SMEs.

Thus ratings are an integral part of the cost of borrowing for development institutions – particularly for African MDBs.

It should be remembered that sovereigns can and do borrow from a whole spectrum of sources, from commercial banks, multilateral banks and other structures – often at different rates and terms. They are not forced to borrow from AMFIs; they do so often because this is the most affordable source.

Please keep in mind also that the PCS is an agreement between the borrower (in this context, African sovereigns and other bodies) and the lender, in this case AMFIs. It does not involve outside parties or have universal legal credentials.

In addition, pan-African financial institutions are set up and created by African member states with the specific aim of aiding and assisting African development and stepping in, often as the lender of last resort, when no one else will do so.

We experienced the full value of AMFIs during the polycrisis that began with the Covid-19 pandemic, with the economic shutdown, the need to purchase vaccines, and the disruption of trade and therefore incomes; followed by the severe rise in the cost of living as a result of the Russia-Ukraine war, which caused the crippling of grain supply-chains; and, in tandem, the steep increase in interest rates, the slashing of aid budgets, and looming over all of this, the destructive effects of climate change.

Terrible vice

This was Africa caught in a terrible vice and needing help. The AMFIs stepped in when other agencies hummed and hawed. They moved in, no questions asked and rescued country after country – providing essential lifelines with astonishing speed and efficiency.

But even when not fire-fighting or dealing with emergencies, AMFIs such as Afreximbank have adopted leadership roles, taking the continent down exciting new avenues, such as, repairing the 400-year-old severance between the

» Anver Versi, editor «

Caribbean and Africa, reconnecting it to the Mother Continent. It is a bond that makes both regions stronger, and more ambitious to open fresh chapters.

Closer to home, the Pan-African Payment and Settlement System (PAPSS) invented by Afreximbank has given the African Continental Free Trade Agreement (AfCFTA) proper teeth for facilitating the expansion of intra-African trade, while the Bank's investments in the arts, particularly the highly-lucrative film and related industries, are widening the revenue and jobs base for the continent.

It is no wonder therefore that any threat to our AMFIs is seen as nothing short of a threat – even existential danger – to Africa's rapidly improving economic and social development trajectory.

It is also no wonder why this issue has concentrated minds across the length and breadth of the continent and placed it on Africa's 'most urgent' to-do list.

This brings us back to the Afreximbank AGM in Abuja and my panel on 'The importance of Preferred Creditor Status for financing African growth and prosperity'.

The high-powered panel consisted of Dr George Elombi (the new President designate of the Bank); Prof. Olabisi D. Akinkugbe, Associate Professor of Law and Purdy Crawford Chair in Business Law; Dr. Muhammad Sani Abdullahi, Deputy Governor of Economic Policy at the Central Bank of Nigeria; and Emmanuel Mpawe Tutuba, Governor of the Bank of Tanzania. (*See page 25.*)

Allow me to round up the story on the attempts to strip the PCS from AMFIs, thus severely weakening their abilities to serve the continent, by looking at the latest efforts in this saga.

In June, ratings agency Fitch and in July, Moody's downgraded Afreximbank closer to junk status, because "unsecured lending to sovereigns under stress has introduced significant risks".

This is a body blow to the bank since it will severely impact its ability to raise funds and will steeply increase the cost of its own borrowings, as explained earlier.

I do not want to go down the rabbit hole of technicalities but in theory, all development lending to sovereigns, unlike commercial lending which is secured against assets, is unsecured. This is the case whether the lending is done by the World Bank or an AMFI.

Even when not fire-fighting or dealing with emergencies, African MFIs such as Afreximbank have adopted leadership roles, taking the continent down exciting new avenues, such as, repairing the 400-year-old severance between the Caribbean and Africa, reconnecting it to the Mother Continent.

So to downgrade Afreximbank because of its lending to sovereigns makes no sense whatever. The Bank simply described it as 'erroneous'.

Complicating matters

To complicate matters, the African sovereigns in question, Ghana and Zambia, refused to accept the PCS of their loans from Afreximbank and the Trade and Development Bank (TDB), while seeking to restructure the loans on which they defaulted. Both issued statements saying that in effect they regard the loans from the AMFIs as 'commercial loans not subject to the preferred status', and that they would treat them in the same way as their other creditors. The Bank politely pointed out that AMFIs were established through treaties signed by African member states. "African Multilateral Financial Institutions' Preferred Creditor Status derives from their establishing treaties and not 'recognition by other creditors'," argues Professor Olabisi D. Akinkugbe. Thus the Bank could not enter into restructuring agreements.

The allegation that the Bank was charging commercial rates does not hold water. Its rates may be higher than those charged by institutions like the World Bank but there is a world of difference between the world's largest MDBs with capital of trillions of dollars and the ability to call up almost unlimited resources, and the much more modest regional AMFIs with a fraction of such resources, and which have to go to financial markets to raise much-needed funds.

But both are guaranteed 'their pound of flesh' even if a financially distressed country enters into a restructuring of their loans – as long as both enjoy PCS privileges.

Prof. Jeffrey Sachs *(left)*, who teaches at Columbia University in the US and is one of the world's most incisive thinkers, summed up the situation neatly on another panel at the event.

He said: "The way rating agencies make sovereign ratings differs from how they make business ratings. With sovereign ratings they use a crude model and then they apply what they call the sovereign ceiling concept. The sovereign ceiling is completely outdated."

He continued scathingly: "The rating agencies do not understand development. Their job is to predict the risk of a credit event or a default. They're pretty good at that - but what is missing is a design of strategy in Africa to take advantage of the fact that Africa's growth prospect is actually the highest in the world, something that rating agencies don't understand and don't even incorporate into their models."

Precisely what Africa has been saying for so long – the Western rating agencies are not fit for purpose when it comes to the nuances of development financing in Africa. It is high time that work on a South-oriented or Africa-specifc rating agency - which I believe is making progress – was given the urgency it needs to prevent the possible destructive undermining of our most powerful and effective financial institutions. ■


VISITOR

Olugbenga Agboola, Founder and CEO, Flutterwave

Few start-ups in the world have created as much excitement, admiration and curiosity as Flutterwave, the outstanding African fintech unicorn that made its debut less than 10 years ago. But in many ways, its CEO has remained something of a mystery. In this exclusive interview with **Omar Ben Yedder**, Olugbenga Agboola (*left*) opens up and shares his views on what has made his company so successful and also, his own philosophy of leadership.

Laser-sharp focus and iron discipline guide Africa's most successful fintech

For decades, payment systems in Africa were just another area in which the continent lagged behind much of the rest of the world. Today, it is estimated that there are over 1,000 fintech companies working in or on African payment systems, nearly triple the number before the pandemic.

Among these, Flutterwave is probably the most emblematic of the continent's tech ambitions and potential. It is certainly the most valuable. Founded in 2016 by two young Nigerians, Olugbenga 'GB' Agboola and Iyinoluwa Aboyeji, Flutterwave set out to solve a deceptively simple problem: how to make payments seamless for businesses operating across Africa's patchwork of financial systems.

Starting out as a payment infrastructure provider for merchants, the company built platforms that enabled local and international businesses to process payments in various African countries.

Under the leadership of Agboola, who took over from his co-founder as CEO in 2018, Flutterwave has expanded across over 30 African countries, partnering with global giants and integrating with major financial institutions. By 2022, the company had reached a $3bn valuation, cementing its status as a bona fide African unicorn.

Reflecting on the decade since its founding, Olugbenga Agboola says: "When we started the company, our goal was to build a superhighway infrastructure for payments in Africa; our goal has not changed.

"We believe very strongly in enterprise payments, in ensuring that you build best-in-class technology and infrastructure for top-range merchants across Africa – both local and global."

What has evolved over time is how payments are made. "The most prominent payment type in 2016 is not the same today. But the need has not changed. People want to pay with less friction. They want to pay with less restrictions. Businesses want to scale globally without needing to incorporate everywhere they go."

Flutterwave's success has come from responding to this perennial need and innovating. "We pioneered the first pay with bank transfer ever built in Africa in Nigeria; we pioneered it in Ghana. We also launched one in South Africa as well.

"We're building non-card rails across Africa using existing banking infrastructure, using existing banking account number systems to make it easy for consumers and merchants to pay and get paid across the continent," he says.

Having found the formula for growth, he says the company is sticking with it.

"Our vision has always been to connect Africa to the world through seamless payments. However, the seamless payments type keeps on evolving and as a forward-looking company, we're looking to be at the forefront of the evolution of that change; not the last man in the process."

The best in class

With over 890m transactions worth over $34bn completed, Flutterwave is undoubtedly at the forefront. Its systems have facilitated the entry of global players like Uber and Audiomack into African markets, enabling them to smoothly process payments. Local brands like Air Peace in Nigeria also rely on it to process payments, both at home and abroad.

It has also entered into partnerships with a wide array of financial institutions to expand its payment options. Beyond commerce, Flutterwave has taken on critical national functions, including enabling digital tax collection for Nigeria's Federal Inland Revenue Service and partnering with the National Information Technology Development Agency, also in Nigeria, to support SME digitisation and financial inclusion.

"We are really the best in class for enterprise payments," Agboola says. "Today, we're the most licensed non-bank entity in Africa. And what that creates for us is being able to do local payments at scale and make payments so equitable that it's easier for a global merchant to get paid locally anywhere throughout Africa – or anywhere else," he adds.

This makes Flutterwave a complementary partner to banks and indeed other fintechs, rather than a competitor, he argues. "We're like the I-95 in the United States," he explains, likening Flutterwave to the famed interstate highway connecting major US cities.

"We are the network of networks. So we actually complement everybody else. We complement M-Pesa. We complement Visa and MasterCard. We complement American Express. We complement banks. We complement mobile operators."

This complementarity enables more transactions across the board for everyone, he explains. "If we give our highway to a merchant, their customers get to transact more on their platform. We're enabling more use cases for them to transact on their platforms."

While Agboola insists Flutterwave chose not to be a bank and is not trying to be a bank, he leaves the door slightly ajar to that possibility: "I see ourselves constantly innovating for payment types. If that involves acquiring a bank in the future, I wouldn't say no. But even if we do acquire a bank in the future – if, for example, it's a payment type that is going to be very, very important for us to do that – it will still be built around complementing payment types.

"We do not see ourselves as deposit-taking; we see ourselves as being the best in class in payments."

Adyen, the European payments application, which has acquired banking licences in the EU, the UK and the US, presents a useful analogy. "Adyen did not acquire a banking licence to become like a regular high street bank, but to ensure that they eliminate infrastructures that will create friction for their customers," he points out.

Similarly, Stripe, a US-based payments platform has also applied for a licence for that purpose. "You need a bank to sponsor you for account numbers and payment transfers, among other things. That said, while our goal is not to be a deposit-making bank, if it requires a banking licence to help us to give our customers the best-in-class payments, I will not rule that out."

And while Flutterwave might share a philosophy and even a home (it is based in San Francisco, as is Stripe) with these global players, Agboola points out that they are operating in remarkably different terrains.

In the US, UK, Europe and other markets with more sophisticated financial services systems, payment providers often have to integrate with only one overarching system. As Agboola puts it, "If you do cards in the UK and Europe, you can go to bed."

Not so in Africa, Flutterwave's primary market. "In Africa, when I do cards, I'm just getting started. I have pay-with-bank transfer. I have Mobile Money; MTN's MoMo; M-Pesa. I have all these payment types. Today in my infrastructure, I am connected to over 150 payment types."

The fluff is now out

In Africa's fragmented ecosystem, payment platforms have to innovate relentlessly to meet customers where they are. In many ways they have to be pioneers charting a path through the 'Wild West' of African payments, making it usable for customers and leaving a path for businesses and other providers to follow.

"It's a wholly different ballgame," says Agboola. "We are building a market. We are building the infrastructure before we build the products, so we can then build an experience for our customers.

"It takes courage to do that on this continent – and that's what we have as a company right now," he says.

"We believe in the digital future of Africa. So we have to build for long-term sustainability. We have to build with patience, build for scale, and at the same time build for the myriad, multiple, fragmented, permanent types. That's what we have to do and that's what we've done."

Agboola says the African tech ecosystem is going through its 'teenage years' after about a decade discovering its purpose. "People now understand exactly what they want to build," he observes. "People are focused on profitability. People are focusing on growth. They are focussed on creating great outcomes, with ideas that go beyond just starting a company and raising capital. The fluff is now out."

What these companies would benefit from is some African capital. Currently, a lot of the continent's startups are dependent on foreign capital, with the inherent risks that come with it.

Agboola notes that while startups are not in a position to refuse funding from anywhere – Flutterwave's investors are largely foreign – he feels it is crucial for African capital to back African innovation. "It's very important. Because you have to be on the ground to understand the nuances of the African market." He is confident, however, that as African companies get bigger, some of the accumulated capital would become available for African startups. "It's already happening, but not at the scale we can be happy with."

There have also been improvements in the regulatory environment that Agboola finds heartening. "When you look back to 2016 or 2017, there was no way to even apply for a fintech licence in Ghana, for example," he recalls. "Now it's 2025. Ghana not only has a way to apply, they're exploring building a payment framework with Rwanda. That is incredible growth. That's incredible progress."

Similar shifts are happening across the continent, with central banks from Ghana to Nigeria, and from Rwanda to Senegal, moving from being cautious observers to active enablers of fintech innovation. "The Ghanaian central bank is working on a crypto strategy and a stablecoin strategy," he says.

"Ten years ago, people were still asking, What do you guys even do? Are you a wallet? A brand? Now there's so much more understanding of our business, of our model, and why it matters."

It helps that there is new blood in the continent's regulatory chambers. "Today, many of the people within central banks are ex-fintech operators or ex-bankers. They understand what this sector needs.

"We are building best-in-class technology and infrastructure for top-range merchants across Africa."

The evolution has been incredible."

While the dream of a single licence enabling continental coverage, like the passporting system in Europe, remains out of reach for now, initiatives such as the Pan-African Payment and Settlement System (PAPSS) are promising signs of what's to come.

Financial discipline and innovation

With their tenth anniversary just ahead, it would be understandable for a startup as valuable as Flutterwave to consider going public. But Agboola has other ideas. "My current goal is profitability," he says.

Having overhauled the company's cost structures and sharpened its procedures, it is finally delivering impressive margins. From this position, he says, there is no pressure to go to the market for what would be an eagerly watched IPO. "We are listening to all our stakeholders. Our goal is really to ensure that we keep growing sustainably," he says. "If you were to ask me what my goal is, it is to build the largest private tech company from Africa that is profitable and sustainable."

That focus on financial discipline and long-term vision, Agboola believes, "will give me access to any option I want as a company – do you want to stay private; do you want an IPO; do you want to be acquired?"

He reiterates however, that the only goal the company has in mind is to be profitable and sustainable. "What we're building for requires a lot of patience," he says. "The opportunity is endless, and we want to be here to harness it without any pressure, but with profitability in our focus."

If and when it does go public, Agboola wants Africa to be involved. "Our own market is key for us; Nigeria is important to us. We like to think that in this market the average consumer, the average business, knows how their life is touched by Flutterwave, like ours. That is key for us."

What is more certain is that Flutterwave will want to remain at the cutting edge of innovation and today, that means artificial intelligence (AI). "Gen AI is here to stay, that's for sure. And I think everybody in every industry should be aware of how AI can consolidate infrastructure."

AI is already being deployed in several key areas by the company and it is set to launch its next-generation API platform, which Agboola describes as "AI-powered developer infrastructure".

The new system will allow developers to be guided by AI as they integrate with Flutterwave's platform, a first of its kind in Africa and a major shift in how technical onboarding is approached. "It's the first time we're using Gen AI to guide engineers during integration," he says.

The technology is also being deployed "to generate rules, understand a merchant's brand, monitor their transactions, and compare that with changes in compliance levels, all using AI," he explains. "Then we assign a score, take action, and recommend outcomes, all in real time."

To upgrade the customer experience, the company is developing what he describes as a "world-class AI-based tool" to improve responsiveness and user satisfaction. "We may need fewer people in the company going forward," he concedes, "but that is fine. The goal is to ensure that we get more efficient and create more value."

The Agboola method

We come to perhaps the key question everyone in the industry wants to know: how did Agboola build Flutterwave into the outstanding unicorn it has become?

"As a founder, you have to learn to operate like a firefighter and an architect, sometimes both in the same day," he says. "You also have to be fast at solving problems. But as a CEO, it's no longer about the sprint. It's about structure, systems, and sustainability."

In the process, he says, he has transitioned from being "the brain" to "building brains"; from being the one who executes, to the one who enables others to lead, solve, and scale. "I've learned to let go of being the boss on everything, but not let go of direction and strategy," he explains. "My job now isn't just to push the bus forward, it's to drive the bus smartly."

What is his leadership philosophy? "Leadership can't be stagnant," he insists. "You have to evolve. A company can need a different kind of leadership at different times."

Right now, he sees himself as a "chief enabler": "I'm not the guy who does things any more. I enable, I question, I measure. I've gone from solving problems to creating the environment for others to solve problems. I don't give answers; I ask questions.

"Even when I'm not here, the company continues to run, continues to grow, continues to scale," he says. "That is key for me – to be there, by building the people who will keep it going."

Agboola's personal journey into the billion-dollar bracket, he says, has not been easy. "I learned that my responsibility was to do what was important for our people and our mission, even if it wasn't something I personally liked to do."

That insight has come to shape his entire philosophy. Leadership is not about appearing infallible, he adds. "It's about fighting that fire. It's not about stamina. It's not about having all the answers. It's about having the empathy to understand that I don't have the answer, but we'll figure it out."

It's a mindset that has not only guided his own growth but has also become a defining cultural trait at Flutterwave. "Mission first, people first," he stresses, adding that "that is the secret sauce. That is what drives me. That's why I'm not afraid."

"I see ourselves constantly innovating for payment types. If that involves acquiring a bank in the future, I wouldn't say no."

In practice, that means taking very deliberate steps to grow new leaders at the company, some of whom have gone on to lead elsewhere, including at top-tier names such as Google, Netflix and PayPal.

He considers this as a badge of honour. He recalls seeing former employees when he goes to meet other partner firms. "It makes me proud that that person passed through our systems," he says, emphasising that developing an enterprise like Flutterwave means developing the people and systems around it too.

This philosophy inspired the launch of Flutterwave's training programme, designed to address what he sees as a long-standing imbalance between talent, which is evenly distributed, and opportunity, which is not. "If we want to build an African payment company, we really have to invest in African talent," he argues. For him, this has paid off. Rather than having to rely on imported talent, Flutterwave has local teams in Nigeria creating world-class products and infrastructure used by customers around the world. "That fills me with pride," Agboola says. "You have to build the people. You have to build the opportunity. You have to build everything alongside you."

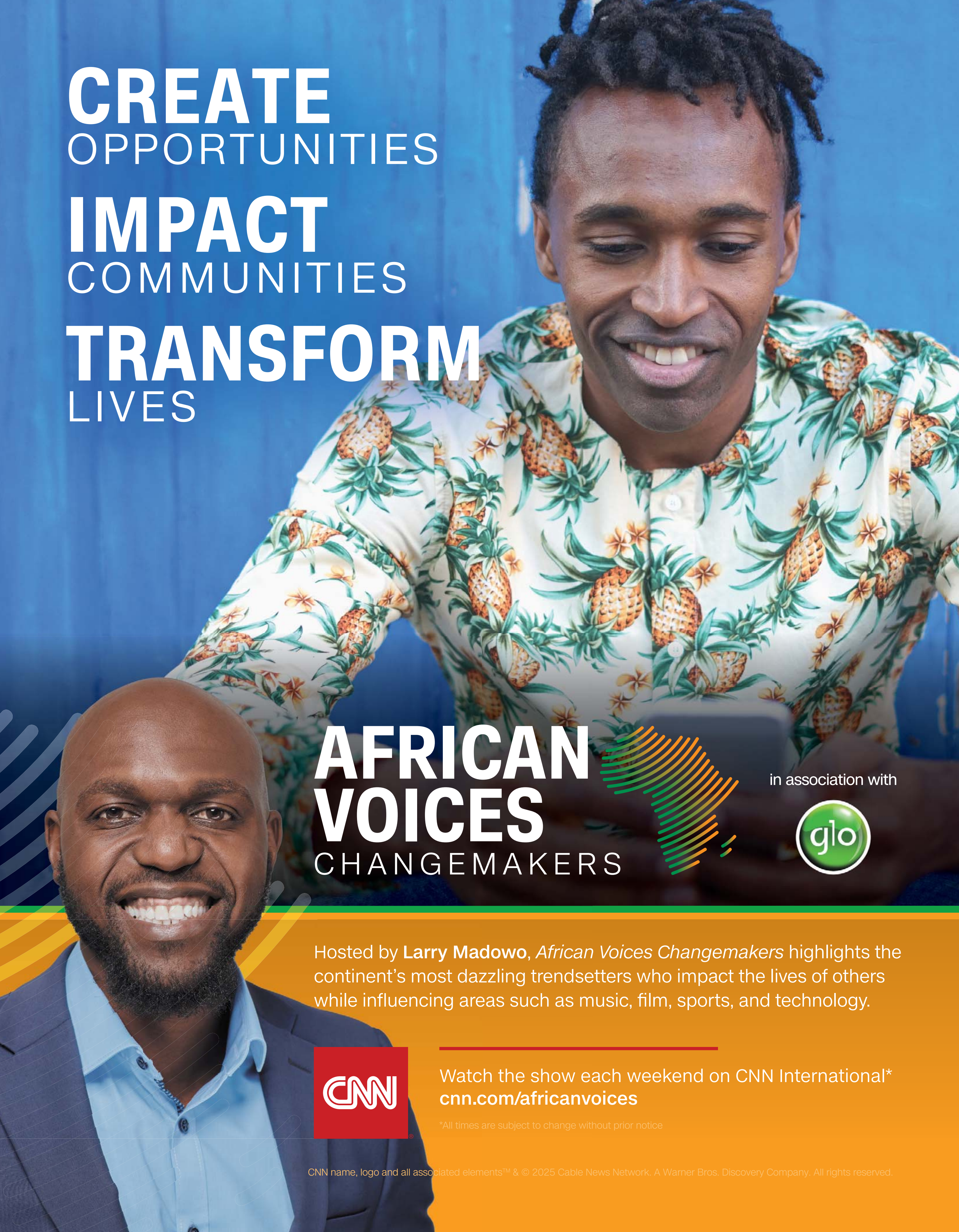
This mindset can be traced to his earlier experiences at Access Bank, the Nigerian banking giant, where Agboola first got his start. The bank, he recalls, sent some of its top talent to Wharton, the University of Pennsylvania's business school, for a bespoke training programme that yielded tremendous results. "That entire class is today either building companies, or working at big banks like JP Morgan, or running so many companies across Africa and globally. That is an example of how you build talent.

"Within our resources, we are also doing the same thing. We are investing in people, giving people opportunities, trying our best to ensure that we build the markets with the talent as we grow and scale."

Access Bank is also where he encountered – and was inspired by – Herbert Wigwe, the bank's famed founder, who tragically lost his life in a helicopter crash in the US last year. "Access Bank is a major mirror driver in my personal life – specifically Herbert," he reflects.

"Herbert hired me. My last company was acquired by Access Bank before I joined them, and I think he was a major part of Flutterwave's success and story." That support and belief, he says, was crucial to his going to San Francisco in the early days to pitch Flutterwave to investors. He also draws inspiration from a wide circle of African leaders, including Abubakar Suleiman, CEO of Sterling Bank; Arunma Oteh, the former Director-General of Nigeria's Securities and Exchange Commission; and Tony Elumelu of UBA. Another role model is Hakeem Belo-Osagie, whose record goes from founding banks and investment companies to a current academic role at Harvard.

Inevitably, that cycle continues, with Agboola now a source of inspiration to other innovators. A thought-leader and in-demand speaker, his views are sought by both policy makers and entrepreneurs in Africa and beyond. In 2023, he was appointed to the African Art Advisory Board of the Smithsonian, which he describes as "a big moment, personally and professionally". It may just be another step in a journey that has already generated many big moments and is sure to have many more in the future. ■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» Events: Afreximbank's 32nd Annual Meetings «

Prof. Oramah showered with honours as he bows out

After 32 years of dedicated service, Professor Benedict Oramah will leave Afreximbank in September. He has been lauded for visionary leadership that transformed it into a powerhouse of African trade, development and Global South collaboration.

When Benedict Okechukwu Oramah's curriculum vitae was sent by his doctoral supervisor to Christopher Edordu, who would become the pioneer President of Afreximbank, no one could have foretold that he was on the cusp of a three-decade career that would lead him to the apex of one of Africa's most important multilateral finance institutions.

Edordu was then Managing Director of NEXIM Bank and hiring Oramah was, in many ways, a case of the scriptural 'last becoming the first', as Edordu recalls it.

"I remember the young man coming to me from his doctoral supervisor, to ask if I was willing to consider him for a place in the Nigerian Export-Import Bank (NEXIM) in 1992 and this was after we had already concluded recruitment."

Edordu hired him on the strength of his credentials and later, when he invited a crop of high performers at NEXIM to join him at the nascent Afreximbank, Oramah accepted with alacrity. Edordu recalls: "At the start, Afreximbank was an organisation that was not sought-after because there were many negative aspects of developing African institutions at the time; but when we offered Okey (Oramah) a place, he jumped at it and along with others, we battled to make the Bank what it is today, not just a financial institution but a tool of African development."

After 32 years in the saddle, Oramah took his last bow in a shower of adulation and honour. At the 32nd Annual Meetings of the Bank, speaker after speaker from Africa to the Caribbean, North America to Asia, spoke of his visionary and inspiring leadership during his 10 years at the helm, during which he not only turned the Bank into one of the most significant promoters of trade and structured financing in Africa, but also facilitated a synergistic handshake with the CARICOM nations and battled a pandemic to a standstill.

On Friday 27 June 2025, President Bola Ahmed Tinubu of Nigeria conferred on Professor Benedict Oramah the Grand Commander of the Order of the Niger award, the nation's second-highest national honour, in recognition of his contributions not only to Africa but also to Nigeria, which has received over $52bn in financing support from the Bank.

Nigeria also currently hosts an Afreximbank African Trade Centre (AATC), an African Quality Assurance Centre (AQAC), and the first of Afreximbank's Medical Centres of Excellence, amongst other innovative facilities.

During his time, Oramah recruited some of the finest minds, from many disciplines, to work on his often soaring plans and he saw through even the most ambitious projects. He made Afreximbank a major global force that took its mandate to new levels and ushered in a revolution in how the continent is perceived and perceives itself. **TK**

Right: Nigeria's Minister of Finance, Wale Edun, presenting Professor Oramah (r) with Afreximbank's Long Service Award at the Bank's 32nd Annual Meetings in Abuja

An historic changing of the guard

Afreximbank's 32nd Annual Meetings (AAM), held in Abuja, had a special significance this year. With Professor Benedict Oramah's outstanding stint as the President of the organisation nearing its close, Dr George Elombi was announced as his successor, beginning in September, heralding a new era for the Bank in a changed world. The event provided an essential platform for some of the most robust discussions on Africa's socio-economic firmament. Our writers, **Toni Kan**, **Dulue Mbachu** and **Stanley Obinna** present vignettes to capture the spirit and energy of the occasion.


BUILDIN
DECADES

» Events: Afreximbank's 32nd Annual Meetings «

Dr George Elombi steps up as Bank's new President

Dr George Elombi, a long-serving Afreximbank executive, steps up as its new President, tasked with sustaining growth and credibility amid economic headwinds and ambitious goals for Africa's trade transformation.

The Bank chose to stick with continuity as it selected Dr Elombi, a seasoned insider, to lead the continental trade bank at a critical point in Africa's development.

The announcement that Dr Elombi has been picked as the successor to Professor Benedict Oramah was the crowning occasion of the Bank's 32nd Annual Meetings. He will become the fourth President of the Bank since its establishment in 1993 when Oramah steps down in September.

Under Oramah, Afreximbank emerged as an engine of African economic transformation and integration. It created a new Pan-African Payment and Settlement System to boost the African Continental Free Trade Area (AfCFTA) and provided funding for projects covering a diverse range of sectors, from energy to the creative industries. The Bank disbursed $20bn in trade finance in 2024 alone and is set to double the amount in one year.

Dr Elombi, who joined the Bank in 1996 as a legal officer, was part of its growth and evolution as he worked his way to the top. Prior to his current appointment, he was the Bank's Vice-President in charge of governance, legal and corporate services. He previously worked as a Director and Executive Secretary of the Bank after emerging from the legal department into the mainstream of management.

"I have worked alongside remarkable colleagues and extraordinary leaders to help shape this institution's vision, its mandate as well as its growth," Dr Elombi said in his acceptance speech. "I see Afreximbank as a force for industrialising Africa and for regaining the dignity of Africans wherever they are. I will work to preserve this important asset."

He emerged as the best candidate to take over at the helm just weeks after the global rating agency, Fitch, had downgraded Afreximbank to BBB- with a negative outlook from BBB, leaving it just one notch above the junk grade. (*See Editorial, p. 13.*) The Bank has strongly challenged the basis for Fitch's rating, but it has since been followed by a downward adjustment by Moody's, from Baa1 with a negative outlook to Baa2 with a stable outlook.

The downgrading would translate into higher borrowing costs for the Bank and this would be passed on to its customers, including Africa's multitude of small and medium-sized businesses. The challenge for Dr Elombi will be how to maintain the current momentum against the emerging headwinds and solve external challenges.

'I see Afreximbank as a force for industrialising Africa and for regaining the dignity of Africans, wherever they are. I will work to preserve this important asset.'

Dr Elombi has said that he is committed to achieving the shareholders' objective of raising the value of Afreximbank to $250bn over the next decade. Its total assets at the end of 2024 were $40.1bn, with another $7.2bn in shareholders' funds. It has investment-grade ratings from six international rating agencies including GCR at A, China Chengxin International Credit Rating Co. Ltd. (CCXI) at AAA, Japan Credit Rating Agency at A-, Fitch at BBB- currently, and Moody's at Baa2.

Dr George Elombi is a 1989 graduate from the University of Yaoundé in his homeland, Cameroon. He also has a master's degree in law from the London School of Economics and a doctorate in commercial arbitration. "His appointment followed a rigorous selection process initiated in January 2025," Afreximbank said in a statement. **DM**

Prof. Oramah (l) with his successor Dr Elombi at the Bank's 32nd Annual Meetings

Preferred Creditor Status essential for African MFIs

A panel of bankers, legal luminaries and development experts stoutly reaffirmed that African multilateral financial institutions need the preferred creditor status (PCS) not as a privilege, but as a necessity.

The PCS is an agreement between the lending institution and the borrowing client (usually a sovereign country, but also including parastatals) that it will have first priority when it comes to repayment. This is even if the borrower is distressed and seeking restructuring of its debt.

Moderating the panel *Strengthening Institutional Resilience for Africa's Growth and Prosperity: The importance of preferred creditor status for financing African growth and prosperity*, at Afreximbank's Annual Meetings, Anver Versi, Editor of *African Banker*, asked his panellists for their views on the threats faced by AMFIs over their preferred creditor status, especially since rating agency Fitch downgraded Afreximbank's rating to BBB- from BBB, claiming 'higher solvency risk' because of loans owed to it by Ghana, South Sudan and Zambia.

Afreximbank had countered that it could not restructure its loans as that would go against the terms of the treaty that set up the Bank, including PCS provisions. According to Afreximbank, "the treatment of its loans and other activities is governed by the treaty and not by classifications created outside its framework."

Professor Olabisi Akinkugbe, Associate Professor and Purdy Crawford Chair in Business Law at Dalhousie University, Canada was the first to respond. "The preferred creditor status is seen as conferred by recognition... the status is essential to the functioning of these organisations and African multilateral institutions cannot do the developmental work they want to do for Africa if the status is not there."



Above: A few of the panellists discussing the PCS. Professor Olabisi Akinkugbe (*l*), Purdy Crawford Chair in Business Law at Dalhousie University, Canada; Dr Muhammad Sani Abdullahi (*c*), Deputy Governor of Economic Policy at the Central Bank of Nigeria; and Dr Misheck Mutize (*r*), African Peer Review Mechanism

In his comments, Dr George Elombi, who was later declared as the new President of the Bank, replacing Professor Oramah, said the "issue of preferred creditor status has not just arisen; it's always been there but it wasn't seen as significant because there were just a few players in the arena."

He said the discussion had become more pronounced because African multilateral financial institutions are now playing much more significant development roles on the continent.

"A small number of African multilaterals have emerged and are making a statement, taking their place and becoming significant and creating anxiety among the established multilaterals and members of the Paris Club," Dr Elombi added.

He argued that the methodology and premise adopted by Fitch was erroneous and did not take into account the treaty setting up African multilateral finance institutions and their Africa-first mandates.

"Why should Fitch be worried that African governments want to protect their own institutions?" he asked. "We have become very relevant and important to our governments."

Dr Misheck Mutize from the African Peer Review Mechanism said: "It is double standards for Bretton Woods institutions to want to monopolise the preferred creditor status. It is inherent in the establishment of these institutions. They claim that African multilaterals are lending to risky projects but their lending is driven by need in line with the purpose they were established for."

Dr Muhammed Sani Abdullahi, Deputy Governor of Economic Policy at the Central Bank of Nigeria, described the discussion as timely and an existential imperative. "We need to build financial institutions that can withstand shocks and build long-term prosperity. Preserving the preferred creditor status is not a privilege but a necessity, so they can continue to bring about development for Africa."

Emmanuel Mpawe Tutuba, Governor of the Bank of Tanzania, said African MDFIs had supported his country's rapid economic growth and that any threat to their PCS undermined the continent's development trajectory. **TK**

» Events: Afreximbank's 32nd Annual Meetings «

Jeffrey Sachs: The rating agencies do not understand development

Professor Jeffrey D. Sachs (below right), a leading economist and thinker, champion of development economics and expert in global macroeconomics, said Africa needs more debt rather than less.

"Africa needs more debt, not less debt," he told Afreximbank's 32nd annual meetings.

"The problem with African debt is not the scale, it is that it is short term and at high cost. Investments require a 20- to 30-year time horizon. Long-term, reliable financing is the key."

He also said rating agencies too often apply a "crude" approach to rating African countries.

In his view, "the way rating agencies make sovereign ratings differs from how they make business ratings. With sovereign ratings they use a crude model and then they apply what they call the sovereign ceiling concept. The sovereign ceiling is completely outdated.

"The rating agencies do not understand development. Their job is to predict the risk of a credit event or a default. They're pretty good at that but what is missing is a design of strategy in Africa to take advantage of the fact that Africa's growth prospect is actually the highest in the world, something that rating agencies don't understand and don't even incorporate into their models.

"African governments individually just need to show to the rating agencies, whether it's an African rating agency or Moody's, here is our scenario over the next 25 years. We are not going to default. This is absolutely sound finance."

The Harvard-educated economist told the audience: "I believe that the next decades are Africa's turn for supercharged economic growth."

Citing examples from Asia, he said: "India and China grew rapidly by exporting to the world. The next period of rapid growth is Africa's from now to 2063 but China and India won't stop growing."

But to achieve economic growth, Professor Sachs said African nations must focus on three key areas: "The goldmine for Africa is investment in education. No country grows without investing in its young people's education and creating a skilled work force. Do this and Africa will have it made. It is core to China's success and a core part of India's success."

"The second goldmine is investment in infrastructure. Electricity, digital access and transport networks for everyone – which means a lot of construction as Africa builds its physical infrastructure."

The third area of focus is "the business sector; the private economy. If the skilled work is there and the infrastructure is there, then Africa will experience a boom from the private sector which must be supported by the right policies."

"Domestic resource mobilisation and international capital are key to Africa's growth. If international financing sees that Africa is growing, capital will pour in at low interest rates. We must make sure it's low-cost financing."

Domestic financing for development, he noted, will come from African financial institutions that understand the peculiar needs and requirements. In his words, "Multilateral banks in Africa are essential to Africa's growth. They are the pipeline to financing trade, human capital and industry." **TK**

'I believe that the next decades are Africa's turn for supercharged economic growth.'

Technology is the only way forward

The Pan-African Payment and Settlement System (PAPSS), an Afreximbank-led initiative aimed at simplifying cross-border transactions within Africa, has expanded its reach to 16 countries.

This milestone marks significant progress in the effort to boost intra-African trade by reducing reliance on foreign currencies, lowering transaction costs, and accelerating payment processes.

The system, which leverages digital innovation and real-time settlement capabilities, is seen as a cornerstone of the African Continental Free Trade Area (AfCFTA) and a major step toward economic integration across the continent.

Speaking on the journey so far for PAPSS, during a panel session on the theme: *Technological Advancements & Artificial Intelligence: Pathways to Africa's socio-economic development,* at the Afreximbank Annual Meetings in Abuja, Nigeria, Mike Ogbalu, CEO, PAPSS, said that "PAPSS has expanded to 16 countries, with 15 financial institutions and 14 switches connected across Africa – and we're growing rapidly. We're beginning to see meaningful scaling and adoption of PAPSS capabilities across digital channels, which is accelerating our impact."

He pointed out that AI was also helping to transform businesses on the continent. "Today, payments are more about data than physical cash. With AI tools, we can process and analyse vast datasets to generate actionable insights.

"For instance, we now use AI in our Anti-Money Laundering (AML) systems. Instead of relying solely on static rules, our systems are now trained to detect and learn new patterns, making it easier to predict and prevent fraud.

"By the end of this year, we expect to expand to 30 countries, covering more than 500m bank accounts," Ogbalu said

'PAPSS has expanded to 16 countries, with 15 financial institutions and 14 switches connected across the continent – and we're growing rapidly.'

Top: Prof. Andreas Klasen, Honorary Research Associate, University of Oxford. Above: Mike Ogbalu, CEO, PAPSS

Prof. Nicholas Ozor, Executive Director, African Technology Policy Studies Network (ATPS) noted that: "In Africa, over 70% of the population is involved in agriculture, yet we still struggle to feed ourselves. Meanwhile, in countries like the United States, only about 4% are involved in agriculture, and they are food-sufficient. The difference lies in the application of science, technology, and innovation."

He said that innovation enables us to do things smarter. "For example, 120 farmers working for eight hours can be replaced by a single tractor that completes the same task in just one hour. That's the power of technology."

He added: "In my organisation we've developed tools that can accurately estimate rainfall volume for an entire year in specific locations. At ATPS, we are leading efforts in developing, deploying, and scaling AI across food systems and agriculture."

Technology, he said, now allows remote farm management through the Internet of Things (IoT). "I can irrigate crops from where I am, monitor soil moisture using sensors, and automate watering. I can track my livestock, monitor their movement, detect when an animal is in heat and needs to be mated – all from a distance. We can even embed chips in cattle to prevent rustling and ensure security. This is the power of technology in agriculture and beyond."

For Prof. Andreas Klasen, Honorary Research Associate, University of Oxford, innovation across the African continent is not just desirable, it's essential.

"I worked on a project for the Asian Development Bank in Georgia last year, focused on economic development and digital trade. What we discovered applies equally to Africa: digitisation is a game-changer for developing and emerging economies," he said. **SO**

» Events «

Banking innovation, the blending of traditional and modern techniques, and forward-looking policy frameworks advocated as critical to sustainable housing in Africa.

Sustainable housing takes centre stage at Shelter Afrique's AGM

Following the official launch of Shelter Afrique Development Bank's 44th Annual General Meeting in Algiers, two high-level debates were held in the afternoon, demonstrating how housing and urban development issues in Africa are mobilising a wide range of stakeholders and generating keen interest across the continent.

Decision-makers, international experts and institutional actors highlighted the urgency of the situation and Africa's creativity in the search for sustainable solutions.

Focus on governance

The first session focused on national housing policies and governance and engaged the attention of participants on the major institutional and financial issues facing the sector. Mohamed Mordjani, director general of housing at the Algerian Ministry of Housing, provided a clear diagnosis: "Access to decent housing remains a national priority, even as demographic challenges loom large. Our task is to orchestrate smart governance and innovate in the mobilisation of resources to build territorial equity." His speech highlighted the need for greater rigour and transparency in the conduct of public policies, while stressing that the adaptation of regulatory and financial frameworks remains a major challenge.

Mohamed Tayeb Abdelouahed, representative of the Fonds de Garantie (Algerian Guarantee Fund), spoke about the rise of financing mechanisms tailored to the social fabric. Aware of the limitations of traditional instruments, he called for more innovative solutions to secure credit for housing construction and acquisition. "Guaranteeing is encouraging. We have a duty to make credit available to as many people as possible, while controlling systemic risk." He said that this approach is enjoying increased confidence from the banking sector, which is now a key partner in the transformation of the market.

Astrid Hass, an urban economist, enlivened the conversation with an international perspective while keeping it grounded in African realities: "The efficient mobilisation of resources, particularly through municipal finance and the creation of hybrid ecosystems, is essential." She added that decentralisation, when accompanied by real local empowerment, makes it possible to connect financial innovation and inclusive governance, citing Asian and African examples that prove the value of a context-specific approach.

Hermann Kamonomono, director-general of the Société Nationale Immobilière (SNI) in Gabon, emphasised the need for public and parastatal operators to be involved in long-term planning. In his view, "we need leadership based on mutual trust, transparency in resource allocation and the ability to adjust to the pace of people's needs." He shared experiences from Central African capitals where the pooling of land, expertise and financing is presenting significant opportunities for urban transformation.

> Smart governance and resource innovation are key to achieving equitable, decent housing for all.

Social innovation in the field

The second session focused on social innovation and inclusive approaches to accessible, quality and economically viable housing. Ahmed Nouh, president of the Amidoul Foundation in Algeria, captivated the audience with a presentation on the community-led pilot housing project in Ksar de Tafilalt, in Ghardaïa, southern Algeria, with descriptions of its originality and the harmonious blending of heritage, traditional techniques and new sustainability standards. "We have proven that integrating the social fabric and enhancing old buildings provides well-being and a sense of belonging," he said.

Jerry Simu, who heads a large affordable housing programme in Kenya, spoke of the progress made thanks to active community participation and public-private collaboration. He emphasised financial models that offer genuine accessibility and stressed the importance of supervised self-build projects: "Inclusive housing is a driver of collective empowerment: it creates value, stabilises families and stimulates growth."

Sihem Lassel, representing the National Housing Bank of Algeria (Banque Nationale de l'Habitat), detailed the leading role played by her organisation in financing housing in Algeria. She made the point that banking innovation – credit carrying, partnerships with insurers, digitalisation of processes – promotes household solvency and the proliferation of inclusive projects. "Our ambition is to streamline the financing chain and create a virtuous dynamic across the entire sector."

New momentum in Africa

As the discussions progressed, one thing became clear: Africa is moving forward, drawing strength from its unique characteristics and successfully combining institutionalisation with innovation, inclusion and profitability. Against a backdrop of diverse approaches and shared ambition, the work carried out in Algiers is providing a unique example of a new African housing pact that is both rooted in the reality of citizens' lives and open to the promises of modernity. ■

'Access to decent housing remains a national priority, even as demographic challenges loom large. Our task is to orchestrate smart governance and innovate in the mobilisation of resources.'

» Events «

Six years into their collaboration, the AfDB and Shelter Afrique have sealed an ambitious partnership in Algiers for sustainable housing in Africa.

Shelter Afrique and AfDB – a game-changing alliance

Above, from left to right: Oluranti Doherty, MD, export development division at African Export-Import Bank; Selma Malika Haddadi, vice-president, AU Commission; panellists on national housing policies and governance; and Dennis Ansah, regional non-sovereign operations lead at the African Development Bank (l) with Thierno-Habib Hann, MD and CEO at Shelter Afrique (r), and the MoU.

A firm handshake may have changed the future of housing in Africa. When representatives of Shelter Afrique Development Bank and of the African Development Bank (AfDB) shook hands inside the El Mawakif conference room of the Aurassi Hotel in Algiers on Tuesday 15 July 2025, they formalised an alliance between the two institutions.

The strategic alliance was cemented on the sidelines of the 44th annual general meeting of Shelter Afrique Development Bank. It consolidates co-operation that has been active since 2018 and paves the way for structural investments in sustainable housing across the continent.

Mike Salawou, director of infrastructure, cities and urban development at the AfDB, outlined the details of this enhanced collaboration to the assembly in Algiers. "This letter of intent demonstrates our shared commitment to supporting the development of inclusive, climate-resilient and financially viable housing solutions," he said, adding that the agreement is based on four strategic pillars.

The first pillar relates to strengthening policies and governance, particularly regarding land tenure and regulatory frameworks. The second focuses on promoting climate-smart housing, including simplifying building permit procedures. The third pillar aims to support the implementation of structural projects, including the preparation of construction sites, the establishment of project portfolios and the planning of investment programmes.

> The AfDB-Shelter Afrique alliance marks a major step toward coordinated, sustainable housing development across Africa.

Finally, the fourth pillar develops innovative solutions such as CD-Alpha Plus and risk-sharing platforms.

'Shelter Afrique has reached a certain maturity'

This signing comes after six years of fruitful collaboration, during which two concrete initiatives have already emerged from the partnership. The first of these is the Urban and Municipal Development Fund, offering $500,000 in technical assistance to structure the African Fund for Sustainable Housing and Urban Development. The second is part of the Transition Support Facility, supporting the implementation of the Habitat Africa legal framework and project operations in 14 countries.

Thierno-Habib Hann, managing director of Shelter Afrique, welcomed this development of the partnership, recalling how far it has come. "As a major shareholder, we have supported this vision and accompanied its implementation. Today, we are proud to see that Shelter Afrique has reached a certain maturity," he said in his speech. He highlighted the transformation of the company: "It is now a modern, dynamic institution, backed by major companies and important shareholder institutions, and firmly focused on growth."

This maturity is reflected in increased recognition on the ground, as Thierno-Habib Hann illustrated: "Every time we visit a country, partners of the African Development Plan call us to say: 'You absolutely must talk to this or that country;

it is up to you to support them in their housing policies'."

The diagnostic tool

Shelter Afrique relies on innovation to optimise its interventions, and the institution has developed a bio-sectoral diagnostic tool to identify all the bottlenecks in the housing ecosystem. "This tool aims to remove obstacles to investment and create the conditions for effective development of the sector," explained Thierno-Habib Hann as he announced its upcoming deployment in several countries.

These diagnostics will serve as a basis for the development of national partnership strategies for housing and urban development albeit tailored to local realities. This approach will respond to the specific challenges of each market while maintaining a coherent continental vision in the face of the scale of needs to be met.

The stakes are much higher than mere announcements. According to UN-Habitat, Africa needs to build 51m additional homes by 2030. With an urban population set to double by 2050, from 600m to 1.2bn, the race against time is on.

But the challenges are many: financing; regulatory frameworks; training local actors; and adapting to climate change. The AfDB-Shelter Afrique alliance does not claim to be a silver bullet for this complex equation. However, it offers a coordinated institutional response to one of the continent's most pressing challenges.

The signing in Algiers marks a new stage in the structuring of the housing sector in Africa, with two pan-African financial institutions pooling their expertise and resources to meet the growing need for sustainable housing on the continent. This collaboration, which has been extended to countries that are not operationally active at the local level, confirms the ambition of an inclusive approach to African urban development. ■

'INDUSTRIAL DEVELOPMENT MUST MEET HUMAN NEEDS, OTHERWISE IT REMAINS FRAGILE'

Gone are the days when development banks were content to finance industrial projects without concern for workers' housing. Oluranti Doherty, head of export development at Afreximbank, explained how the alliance with Shelter Afrique can transform the approach and create an inclusive development model:

Oluranti Doherty's speech at Shelter Afrique's 44th annual general meeting provided fresh perspectives to the discussions. During the session on "industrialisation and the adoption of sustainable construction materials and technologies", Doherty, the managing director in charge of export development at Afreximbank, presented the concrete results of a partnership that is redefining the rules of development financing in Africa.

This collaboration between Afreximbank and Shelter Afrique, she noted, goes beyond the traditional framework of institutional agreements. It embodies a new vision in which industrial development and social housing converge to create an inclusive growth model.

The two institutions have jointly developed a comprehensive financial toolkit: dedicated credit lines, innovative guarantee instruments and project preparation mechanisms specifically designed to support sustainable urbanisation around industrial hubs. This integrated approach makes it possible to mobilise substantial resources while pooling the sectoral expertise needed for large-scale projects.

However, innovation goes beyond financial instruments. Oluranti Doherty explained how Afreximbank is redefining its role to become a catalyst for transformation. "We also deploy policy support and advocacy tools. When we work with African governments, we don't just finance projects – we help build the regulatory frameworks that make them possible."

Housing as the foundation for sustainable industrialisation

This conviction has been forged through experience on the ground. Across the continent, industrial zones that lack decent housing for their workers struggle to reach their potential.

'We have seen that in projects such as the Mawengo Industrial Park in Malawi. It was essential to integrate urban housing, schools and services. Industrial development must meet human needs, otherwise it remains fragile," Oluranti Doherty emphasised.

This proven observation now guides Afreximbank's intervention. The bank supports governments in reviewing industrial policies, modernising land tenure systems and adapting market access conditions for private investors. This upstream intervention creates a favourable regulatory environment that secures long-term investment while attracting the private sector.

Afreximbank's partnership with Shelter Afrique is helping to make this vision a reality. Together, the two institutions are creating comprehensive ecosystems where industrial infrastructure and social housing complement each other. This holistic approach builds workforce loyalty, attracts investors and generates an economic network that multiplies the impact of initial investments.

The focus on small and medium-sized enterprises (SMEs) complements this approach. SMEs, which form the backbone of the economic fabric in industrial zones, benefit from privileged access to finance and increased visibility opportunities.

Oluranti informed her audience that the next Intra-African Trade Fair in Algiers, planned for 4 to 10 September 2025, will showcase this approach. Afreximbank will participate actively, in collaboration with the Algerian Ministry of Housing, to identify local players in the urban housing sector and offer them a continental platform.

"We see this event as a showcase for SMEs engaged in urban housing development. We are working with the Algerian Ministry of Housing to identify local players to highlight," said Doherty.

This partnership and its outcomes prove that inclusive industrialisation is a realistic goal. By making housing a key pillar of African industrialisation, the Afreximbank-Shelter Afrique alliance offers a concrete response to the challenges of continental development. 'Inclusive industrialisation is a realistic ambition – if policies, financing and public and private actors move forward together,' said the Afreximbank representative.

» Topic «

AfBD's new leader, Dr Tah sets out to lock horns with hostile forces

Mauritanian Dr Sidi Ould Tah is set to take the reins at the African Development Bank (AfDB) in September, succeeding Nigeria's Akinwumi Adesina, who has served two five-year terms. Given the generally hostile financial and economic environment Africa finds itself in, what should his priorities be? Analysis by **Lennox Yieke.**

Dr Sidi Ould Tah is the former President of the Arab Bank for Economic Development in Africa (BADEA), which he led for 10 years until April, when he stepped back to campaign for the AfDB Presidency. He was Mauritania's economic affairs and finance minister from 2008 to 2015 and has close to four decades of experience in African and international finance.

The AfDB's shareholders demonstrated strong confidence in Dr Tah, who secured 76.18% of the total votes and 72.37% of the regional votes in the third round of voting during the Bank's Annual Meetings in Abidjan.

He defeated Zambia's Samuel Maimbo, Senegal's Amadou Hott, Chad's Abbas Mahamat Tolli, and South Africa's Bajabulile Swazi Tshabalala. He will begin his new role with the AfDB on 1 September.

The AfDB's shareholder base comprises 54 African and 27 non-African countries, with a candidate needing at least 50.01% of both the regional and total votes to win. Votes are proportional to each country's capital contribution.

Analysts attribute Dr Tah's decisive victory in the AfDB's elections to his track record at BADEA. During his tenure the

Below and opposite: The AfDB's incoming new President, Dr Sidi Ould Tah, greeting delegates and delivering his acceptance speech at the bank's AGM in Abidjan

Riyadh-based development bank more than tripled its authorised capital to $20bn. He also helped it secure the second-best credit rating a financial institution can attain – it is rated double A-plus (a notch below the coveted AAA rating) by Moody's, Standard & Poor's, Fitch and the Japanese Credit Rating Agency.

Dr Tah takes charge of Africa's biggest multilateral development institution at a time when heightened global uncertainty threatens to derail development on the continent. Africa's main Western donors are slashing their foreign aid budgets amid a stronger focus on domestic affairs and rising defence spending.

Washington is leading the charge as officials mull a potential cut of $555m to the African Development Fund (ADF), the bank's concessional lending arm focused on the continent's poorest nations.

Currently in its 17th replenishment cycle, the AfDB aims to raise $25bn, a significant increase from the record $8.9bn mobilised during its previous cycle. However, the proposed US cuts and broader declines in aid could hinder efforts to meet this goal, placing pressure on Dr Tah to find alternative sources of funding for the AfDB.

Dr Tah's strong links in the Gulf region could prove instrumental in securing alternative funding in the face of these aid cuts.

"With the US – one of the largest contributors to the AfDB – proposing to cut $555m in contributions, voting members smartly sought a solution to help the AfDB look beyond traditional Western donors," says Benjamin Mossberg, deputy director of the Africa Center at the Atlantic Council, a think-tank. "By selecting Dr Tah, the outgoing President of the Arab Bank for Economic Development in Africa, AfDB will be well-positioned to seek contributions from Arab League members," Mossberg argues.

This view is echoed by other Africa experts. "Dr Tah's large victory should give him the momentum needed to tackle the huge challenges facing the AfDB. Among them, he will have to deal with the erosion of the traditional donor base…he will need to tap new donors and solicit more support from current donors – for example, Gulf states – as well as unlock the full potential of the private sector," said Emilie Bel, a nonresident senior fellow with the Africa Center.

During his campaign, Dr Tah emphasised that he was looking to forge strategic partnerships not only with the Gulf countries, but also with other countries like Turkey and China. "The next AfDB president must speak to investors in Riyadh, Beijing, and Nairobi with equal fluency. I bring a partnership model built not on aid but aligned capital and shared purpose," he posted on social media platform X on 28 May – a day before the elections.

Absorbing tariff shocks

Global trade disruptions stemming from President Donald Trump's tariffs pose another major challenge for Africa that Dr Tah will need to focus on during the early months of his presidency at the AfDB.

The AfDB president must speak to investors in Riyadh, Beijing and Nairobi with equal fluency. I bring a partnership model built not on aid but aligned capital and shared purpose.

The tariffs are anticipated to slow GDP growth across Africa. In its annual *Africa Economic Outlook* report, which was released in May during the Bank's Annual Meetings, the AfDB revised its growth projections for the continent. It lowered the forecast for 2025 by 0.2% to 3.9%, and for 2026 by 0.4% to 4.0%. This adjustment was attributed to the projected impact of trade tariffs on demand.

"Although Africa's growth outlook has strengthened, recent trade policy shifts and retaliatory tariffs have increased global uncertainty," the report states.

"Since January 2025, the world has experienced additional shocks, exacerbating an already complex global macroeconomic landscape…These shocks include a plethora of new tariffs imposed by the United States and retaliatory measures announced and implemented by its trading partners."

The bank's economists argue that the tariffs could reduce export revenues from African countries, particularly those reliant on the US market, and increase the cost of imports, straining already limited fiscal space. If this scenario materialises, the AfDB may face increased pressure to proactively help vulnerable countries with high debt repayments and limited liquidity to absorb these shocks.

Dr Tah must strike a balance between helping the bank navigate these challenges and proactively fulfilling his campaign pledges. On the campaign trail, he promised to reform Africa's financial architecture; turn the continent's demographic boom into an economic strength; foster industrialisation while leveraging natural resources; and mobilise large-scale capital.

He said he would prioritise efforts to integrate financial systems on the continent to improve risk management, mobilise capital at scale, and lower borrowing costs. He further noted that, under his leadership, the AfDB would leverage blended finance, green bonds, and AAA-backed risk guarantees to mobilise over $400bn annually.

On initiatives aimed at harnessing Africa's demographic dividend, Dr Tah's proposals include the mass formalisation of the informal economy, the expansion of vocational training, the creation of an Africa Skills Passport, and the empowerment of youth and women in business through increased access to finance, mentorship, and technological support.

"Africa's rising population is a booming opportunity, not a burden… build talent, back it with policy – and the future will build itself," Dr Tah said.

He also articulated a bold vision for infrastructure, particularly energy, where he committed to driving a just energy transition that respects Africa's right to develop while advancing both renewables and gas projects.

Internally, Dr Tah is keen on re-engineering processes within the AfDB to ensure it moves with greater speed and agility – and that this translates to large-scale financing becoming available where it is needed, and faster. He pledged to undertake deep internal reforms to make the "AfDB decentralised, digitally transformed, and relentlessly results-driven".

This will ensure that the bank is able to raise and deploy large-scale financing at speed. The Bank currently disburses between $8bn and $10bn a year, a figure that is dwarfed by the continent's annual infrastructure financing gap, which is conservatively estimated at $100bn.

"In comparative terms, the AfDB's balance sheet remains modest – particularly when you look at its peers like the Asian Development Bank or the Inter-American Development Bank," Dr Tah said in an interview before the elections. Indeed, Africa is the only region globally where the World Bank is still a bigger project backer than the regional development bank designed primarily for that purpose.

A deeper role for private sector

Dr Tah has indicated that he is eager to partner more closely with the private sector to drive Africa's development agenda. With the public sector fiscal space constrained by high debt and limited resources, he argues that the onus for developing critical infrastructure and productive sectors falls on private enterprises.

"Unless we unlock the private sector, we won't be able to advance the African Continental Free Trade Area or achieve the goals outlined in Agenda 2063," Dr Tah warns. He emphasises the need for the AfDB to lead efforts to create a conducive business environment by eliminating barriers that impede private sector growth and foreign direct investment.

Within his first 100 days, Dr Tah says he'll convene development banks, credit rating agencies, and insurers to address private capital bottlenecks. This new development model, based on private investment from commercial sources, will help Africa cut its unhealthy reliance on donor aid.

However, to attract more foreign investment, Dr Tah insists that African financial institutions and investors must lead by example and allocate more capital to their local economies. This sends an important signal to global investors about the confidence that locals have in their own economies.

Dr Tah sees untapped potential in mobilising domestic resources – pension funds, sovereign wealth funds, and insurance capital – and channelling them into transformative development. For Dr Tah, developing Africa using its own capital does more than just attract foreign investors; it helps Africa assert its economic self-reliance at a time when the global financial and trade system threatens to usurp this autonomy. Africa must fight back and seize back control of its development agenda, he argues.

> Africa's rising population is a booming opportunity, not a burden; build talent, back it with policy – and the future will build itself.

"The future is still ours to claim. But it will not be given. It must be built – by Africans, for Africans, with partners who respect our agency and match our ambition," Dr Tah says.

"Africa's transformation will not be financed or executed from afar. It must be driven from within. Institutions like the AfDB must be judged by their proximity to African priorities, their agility in execution, and their credibility with African citizens – not only with rating agencies or donors," he notes.

"That is the vision that I am committed to. A continent where Africa trades with Africa first. A continent where youth no longer migrate for survival but innovate for prosperity. A continent where infrastructure corridors unlock opportunity, not merely extraction. A continent where development banks serve the people – not the other way around." ■

Soundbites from the AfDB Annual General Meeting in Abidjan, Côte d'Ivoire, 26-30 May 2025

Koffi N'Guessan,
Côte d'Ivoire's Minister of Vocational Training and Apprenticeships:

"Africa is poised to become a major global power, alongside China and India, due to its demographic potential. However, we must prioritise vocational and technical training to fully harness this demographic dividend." Unfortunately, approximately 22.5% of young people aged 15 to 24 in Africa are unemployed with no education or training. Moreover, 250m children and young people in low-income countries are not in school. "Youth can become a liability if robust training policies are not implemented – from nursery school through to university," he noted.

Kader Hassane,
senior investment director at Africa50:

The platform's innovative approach, including tapping into African pension funds through the Africa50 Infrastructure Acceleration Fund, has mobilised large-scale institutional capital for infrastructure projects. "For the first time in Africa, we were able to launch an infrastructure fund and raise over $200m almost exclusively from African institutional investors. We have pension funds from Morocco, Côte d'Ivoire, Cameroon, and even PIC [the Public Investment Corporation] from South Africa involved."

Alassane Ouattara,
President of Côte d'Ivoire:

"We can't keep waiting for outsiders. Our roads, schools, and jobs should be built with our own capital. It's time to invest in ourselves."

John Mahama,
President of Ghana:

"We've transitioned into a transactional world, which signals to Africa that we need to pull ourselves up by our bootstraps. Unfortunately, the system is being amended and countries have decided to impose tariffs based on their own interests. It sends a signal to Africa that there is no free lunch anywhere."

The African Development Bank's 2025 African Economic Outlook (AEO) report:

Africa hosts 30% of global mineral reserves. With the right policies that enable Africa to stake a greater economic claim on its natural resources, the continent stands to capture over 10% of the projected $16trn in global revenues from key green minerals by 2030.

The continent's mining sector is presently dominated by foreign firms that mostly focus on the extraction and exportation of raw minerals, limiting the flow of natural resource wealth to local people.

Frannie Léautier,
Nonresident Fellow with the Atlantic Council's Africa Center:

African pension funds, which held assets worth $455bn in 2024, should invest more heavily in low-income countries through the African Development Fund (ADF), the AfDB's concessional funding window. Pension funds cannot currently invest directly in the ADF.

"The African Development Fund can only receive capital from member countries. There are some reforms that are currently underway to bring in capital from outside the traditional member countries. This could open the way for African pension funds to get more involved."

Kevin Uramah,
the AfDB's chief economist and vice president:

Compared to $190.7bn of financial inflows that Africa received in 2022, approximately $587bn was lost from financial leakages. Of this, around $90bn was lost to illicit financial flows, a further $275bn was siphoned away by multinational corporations shifting profits, and $148bn was lost to corruption. "When Africa allocates its own capital – human, natural, fiscal, business and financial – effectively, global capital will follow Africa's capital to accelerate investments in productive sectors in Africa," he said.

» Gender Issues «

The Arab Bank for Economic Development in Africa (BADEA) has formed a partnership with African Women Leaders Network (AWLN) to provide women-led enterprises with easier access to capital. **Lennox Yieke** reports on the discussions that followed.

Solidarity with women not a slogan but an economic strategy

The Arab Bank for Economic Development in Africa (BADEA) and the African Women Leaders Network (AWLN) signed an MoU in Abidjan, Côte d'Ivoire during the AfBD AGM in May to work together to boost access to capital for women-led and women-owned businesses in Africa.

The two organisations will also advocate for greater representation of women in corporate boardrooms, management positions, and key decision-making roles.

Launched in 2017 under the aegis of the African Union Commission (AUC) and the UN, AWLN is a network of accomplished African women leaders from the political, business, academic, science, community and general leadership arenas.

Bineta Diop, AU Special Envoy on Women, Peace and Security and AWLN co-convener, said that the move was aligned with the network's mission to empower women by a variety of means. "AWLN," she elaborated, "through its Private Sector Coalition and African Women Impact Fund, works to reduce disparities by forming partnerships, securing funding, and building alliances that empower women with resources and decision-making power."

Diop added: "Financial inclusion for women in Africa continues to be a significant obstacle. According to ACET [African Centre for Economic Transformation], women make up 58% of Africa's active workforce, yet only 30% have access to formal financial services. The financial inclusion of women is a vital economic growth strategy."

She urged business leaders and decision makers in the private sector to make more space for women in corporate leadership. "We still have a low representation of women on boards and in management. We are still below 10% in Africa."

Fatima Farouk Elsheikh El Toum, Secretary General of the boards of directors and governors of BADEA, said that getting more women on boards required a mindset shift – and not just among men, but also among women in leadership positions. She urged women leaders to be more assertive and confident in their abilities.

"You need to have the feeling that you can lead, you can thrive, you don't have to be apologetic for who you are. It is never something that is handed to you: it has to be demanded. We're not usually granted opportunities," she said during a panel discussion.

> You need to have the feeling that you can lead, you can thrive, you don't have to be apologetic for who you are. It is never something that is handed to you: it has to be demanded.

She highlighted the need for more public and private investment in education, arguing that this was the key to arming women with the power to lead major organisations.

"We have to believe that we are part of the making of the future and we have to make sure that this continent is offering girls quality education that can make them future leaders. Without education we will not reach our vision," she said.

"It's on us to create the opportunity for the next generation. We must ensure there is quality education so that we can bring a woman [into a boardroom] who is equally competent and able to speak to the chairperson of a corporation and tell him 'no'."

Right attitude

Speaking on the same panel, Mitwa Ng'ambi, CEO of MTN Côte d'Ivoire, delved into how African women in business can ascend to positions of leadership and responsibility much quicker. "You must have self-belief and a support network," she noted. She also highlighted the importance of networking to find mentors. "It's not always about formal mentorship. Take advantage of the people you meet."

Gambi said that as well as the right attitude and network, women leaders needed to invest in themselves, to boost their skills, knowledge and understanding of their field: "Ultimately you have to be great at what you do. You need to sharpen your craft, going to bed knowing something new each day."

Toyin Sanni, founder of the Emerging Africa Group, recounted her journey establishing the group seven years ago, saying that it was important for women leaders to embrace risk.

"Courage is of critical importance. We must change our attitude towards risk-taking. I left a high-paying job in a listed investment bank. Today I employ around 120 people and we've helped raise more than $1bn for our clients," Sanni said.

She added that her firm is keen on creating a working environment where women's contributions can be seen and rewarded. "We have set up an environment to groom women into leadership positions. Those in key roles such as the head of risk management and our CFO are now women," she said.

Dr Monique Nsanzabaganwa, former Deputy Chairperson of the AUC, underlined the crucial role of the private sector in levelling the playing field for women in Africa. "Our aspirations to empower women will remain a vision and a statement until the private sector is involved. Jobs are created in the private sector."

She welcomed the trend by an increasing number of companies to report on the role of women in the workforce. "Reporting by the private sector about women's representation on boards and in management is key. You're opening yourself up to scrutiny and it works. As we speak we have seen how the number of women in board and executive and CEO positions has grown [as a result of such feedback]."

Nasseneba Touré, Côte d'Ivoire's Minister for Women, Family and Children, stressed the need for an inclusive approach that doesn't leave behind women in rural areas, particularly those working in agriculture.

"Supporting women is key for Africa's prosperity. Solidarity with women is not a slogan but an economic strategy, and that's why we must not leave behind women in rural areas. It is thanks to them that we eat in our cities and villages. These are the women who feed Africa," she emphasised. ■

Opposite (l to r): Fatima Farouk Elsheikh El Toum, Secretary General, BADEA with Joyce Mends-Cole, Executive Director of the African Women Leaders Network (AWLN), and Bineta Diop, AU Special Envoy on Women, Peace and Security

Below (l to r): Hafou Toure, Co-chair of the AWLN private sector coalition; Toyin Sanni, Founder, Emerging Africa Capital Group; Fatima Farouk Elsheikh El Toum, Secretary General of the boards of directors and governors, BADEA; Dr Monique Nsanzabaganwa, former Deputy Chairperson of the African Union Commission; and Mitwa Ng'ambi, CEO, MTN Côte d'Ivoire

Somalia's banking sector is undergoing a quiet transformation, potentially marking one of the Horn of Africa's most ambitious financial overhauls. Over the past decade, the country has made strides in rebuilding its banking institutions, embracing digital innovation, and introducing long-awaited reforms. But alongside this progress lies a stark reality – liquidity constraints, dollarisation and governance challenges threaten to undermine fragile gains.

As the Central Bank of Somalia (CBS) strengthens its regulatory framework and new legislation reshapes the financial landscape, the country stands at a crossroads. Can Somalia's banking sector deliver meaningful, inclusive growth? Or will systemic weaknesses erode confidence in a sector that desperately needs public trust?

Somalia's financial sector has grown rapidly over the years – there are 13 licensed banks active in the country, the largest of which include the International Bank of Somalia (IBS), Premier Bank, Salaam Somali Bank, Dahabshiil International Bank, and Amal Bank.

According to the US International Trade Administration (ITA), there are seven money transfer businesses, popularly known as *hawalas*, licensed to transfer and receive money through informal networks and channels. Three licensed mobile payments service providers are linked to the biggest of seven mobile network operators.

Financial services are dominated by informal conglomerate groups, each containing a bank, money transfer business, mobile payments service provider, and mobile network operator. Most banks use 'Islamic models' to offer commercial retail banking, trade finance, and investment services. Despite this banking sector growth, access to financial services is low and largely confined to urban areas. The ITA notes that Somali incomes are generally low, with 55% of households supported by remittances, mainly through *hawalas* and mobile payment service providers.

85% of adults have a mobile phone, and 82% of adults use a mobile phone for financial transactions, typically mobile payments. Less than 9% of adults have a bank account, mostly in urban and rural (fixed agricultural) areas, with minimal access to banks in nomadic (herding) areas. Only 26% of households have loans, mostly from merchants and traders, with only 2% from banks.

According to the World Bank, remittances from the Somali diaspora contribute nearly $2bn annually – equivalent to about

Op-Ed: by **Mohamed Ibrahim**

Despite its image as a dysfunctional state, Somalia seems to have overcome the worst aspects of civil war-induced destabilisation and is slowly finding an even keel. It has embarked on rebuilding, modernising and transforming its financial sector. The success of this sector is crucial in the overall economic stability of this East African nation.

Reforming Somalia's banking sector amid crisis and opportunity

30% of the country's GDP. Much of this flows through mobile money platforms like Hormuud's EVC Plus, now a fixture of daily life across Somalia, particularly in Mogadishu.

Liquidity challenges

Somalia's banking sector is expanding, yet many banks face hurdles in effectively managing liquidity. While liquid assets are available, deploying them efficiently remains a challenge due to limited investment channels and the need to align with Islamic banking frameworks.

Regulatory reforms led by the Central Bank of Somalia (CBS) are beginning to address structural gaps, but the system still lacks key mechanisms – such as deposit insurance – that are critical for building depositor confidence and long-term stability. Continued progress on these fronts will be essential for strengthening trust in the formal financial system.

The dollarisation dilemma

One of Somalia's most intractable challenges is its near-total dependence on the US dollar. Following the collapse of the Somali shilling in the 1990s, the dollar has become the currency of daily life. While this has stabilised pricing, it limits the central bank's ability to conduct monetary policy and exposes the economy to external shocks.

The CBS has outlined plans to gradually reintroduce the Somali shilling, beginning with lower-denomination notes and a controlled monetary framework under a currency board arrangement. This would allow limited currency issuance backed by foreign reserves. However, rolling out a new currency requires significant political coordination, public trust, and logistical readiness – which can prove a challenge in Somalia's current environment.

Recognising the stakes, the CBS has ramped up its regulatory activities since 2021. All commercial banks and mobile money operators are now licensed, and key macro-prudential regulations – including capital adequacy ratios, liquidity coverage requirements, and reporting standards – are being enforced.

Somalia's parliament is also reviewing critical pieces of legislation, including a revised Central Bank Act, Financial Institutions Law, National Payment System Act, and Insurance Law. These will provide the legal backbone for a modern financial sector, enabling supervisory independence, consumer protection, and sectoral diversification. Additionally, the CBS has made significant strides in Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) compliance, with new guidelines and a national risk assessment aligning Somalia's framework with international norms.

This is crucial to restoring correspondent banking relationships and easing international transactions, especially for remittance operators.

Over the past decade, Somalia has made strides in rebuilding its banking institutions, embracing digital innovation, and initiating essential reforms.

Perhaps the most promising development lies in Somalia's rapid digital transformation. Mobile money is nearly ubiquitous, with over 70% of the adult population using it for everything from utility payments to market purchases, according to the World Bank. Mobile banking apps and digital wallets are bridging the formal-informal divide, especially for young and urban populations.

In 2021, Somalia launched its first real-time National Payment System (NPS), connecting all banks for interbank transfers. In its first year alone, the system processed over $1bn in transactions. A national QR code standard, interoperable mobile-banking platforms, and a SWITCH system integrating ATMs and point-of-sale transactions are currently under development.

Digital identity is also making strides. Somalia's nascent National ID system is being integrated with the financial sector, enabling electronic Know-Your-Customer (e-KYC) protocols that can support greater inclusion and regulatory compliance.

Somalia's banking sector stands on the brink of a pivotal transformation. It has shown encouraging momentum through digitisation, legal reform, and regulatory expansion, but liquidity constraints, limited financial inclusion and dollar dependency reveal how fragile these reforms remain.

The road to a stable, inclusive financial system requires more than infrastructure. It demands accountability, transparency, and bold public policy choices. If done right, banking can become a cornerstone of Somalia's broader economic recovery – offering not just services, but trust, dignity, and opportunity in a country long defined by their absence.

Ongoing challenges

Despite the reforms, systemic weaknesses persist.

Governance and oversight gaps: Opportunities remain in strengthening regulatory oversight, enhancing internal controls, and ensuring lending practices are guided by sound financial principles to support long-term stability in the banking sector.

A trust deficit: With no deposit protection mechanism, many Somalis still prefer to keep their savings in cash or mobile money wallets.

Exclusion of rural populations: Most banking services remain concentrated in urban centres. Women, pastoralists, and internally displaced persons are largely unbanked.

Dollar dependency: Without local trust in the shilling, the dollar's dominance will persist, restricting monetary policy and reducing access to local-currency credit.

Policy recommendations

Establish deposit insurance: Introduce a basic deposit protection mechanism to shield depositors and restore confidence in the banking system.

Enforce prudential regulation: The Central Bank must enhance surveillance, require regular audits, and penalise institutions that breach customer trust.

Accelerate digital integration: Scale up interoperability between banks and Market Making Organisations (MMOs), support e-KYC rollout via national ID, and expand digital literacy programmes.

Support local currency introduction: A phased reintroduction of the Somali shilling, backed by a currency board and broad public education, is essential.

Enable credit infrastructure: Establish credit bureaus, collateral registries, and public guarantees to improve access to credit for SMEs and households. ■

Mohamed Ibrahim (above left) is the CFO at Gargaara Finance Limited. He is a former Economic and Financial Policy Advisor to the Office of the Prime Minister of Somalia. The views expressed here are his own.

Payment Systems

The ambitious payment settlements platform can help to keep more of Africa's revenues in the continent, reports **Stanley Obinna.**

PAPSS aims to plug Africa's $1.3trn illicit financial flows

With an estimated $1.3trn siphoned out of Africa over the past five decades through corruption, tax evasion, trade mis-invoicing, as well as other criminal activities, illicit financial flows continue to cause the continent to bleed much-needed development cash. These losses not only rob African countries of much-needed revenue but also hinder infrastructure development, social services, and sustainable growth. While policy reforms and global cooperation have been ongoing, the scale and sophistication of these illicit funds demand bolder, tech-enabled solutions.

The Pan-African Payment and Settlement System (PAPSS), as well as emerging artificial intelligence (AI) tools, have been identified as powerful means that could reshape Africa's response to illicit financial flows.

This is because AI offers real-time data analytics, anomaly detection, and predictive insights capable of identifying suspicious financial behaviour across borders, sectors, and languages.

Increase transparency and close loopholes

Meanwhile, PAPSS is streamlining intra-African transactions by reducing reliance on foreign currencies and external financial systems, a key vulnerability exploited by illicit financiers. A combination of these technologies holds the potential to increase transparency, close loopholes, and empower regulatory bodies. PAPSS, an Afreximbank-led initiative, aims at simplifying cross-border transactions within Africa. The payment system has continued to expand, in July reaching 17 countries, with 15 financial institutions and 14 national switches connected.

The system, which leverages digital innovation and real-time settlement capabilities, is seen as a cornerstone of the AfCFTA and a step toward economic integration across the continent.

The founder and chief executive officer of the Center for the Promotion of Private Enterprise (CPPE), Muda Yusuf, believes the impact of AI-powered financial surveillance and PAPSS could be significant for intra-African trade and development.

"It would facilitate the localisation and re-channelling of such resources into more useful economic activities within the continent. It would boost resource availability for investment and development. It would also moderate the need for borrowing by countries on the continent. The huge indebtedness of many African countries has become a major impediment to economic progress.

"The developmental impact of blocking such leakages would be enormous, given the adverse impact of corruption and illicit financial flows on economic development in Africa. Such illicit flows had also fuelled the troubling phenomenon of insecurity and terrorism on the continent. The benefits of an effective technology-driven surveillance system would be incredible," Yusuf explains.

PAPSS CEO Mike Ogbalu says that AI is also helping transform businesses on the continent. "Today, payments are more about data than physical cash. With AI tools, we can process and analyse vast datasets to generate actionable insights. For instance, we now use AI in our Anti-Money Laundering (AML) systems. Instead of relying solely on static rules, our systems are now trained to detect and learn new patterns, making it easier to predict and prevent fraud.

"We're optimistic about the pace of adoption. We're currently active in 17 countries and are seeing momentum in Francophone Central and West Africa. By the end of this year, we expect to expand to 30 countries, covering more than 500m bank accounts," Ogbalu says.

Nicholas Ozor, executive director at the African Technology Policy Studies Network (ATPS), says that tech has the potential to drive Africa forwards. "In Africa, over 70% of the population is involved in agriculture, yet we still struggle to feed ourselves. Meanwhile, in countries like the United States, only about 4% are involved in agriculture, and they are food sufficient. The difference lies in the application of science, technology, and innovation.

"Innovation enables us to do things smarter. Currently, Africans are increasingly embracing technology across all sectors, because it is the only sustainable way to achieve economies of scale and increase productivity."

Chimmuanya Ijezie, an artificial intelligence engineer and business analyst, based in Manchester, United Kingdom, believes that AI-driven tools can significantly enhance PAPSS by adding real-time monitoring and intelligent analysis to cross-border transactions.

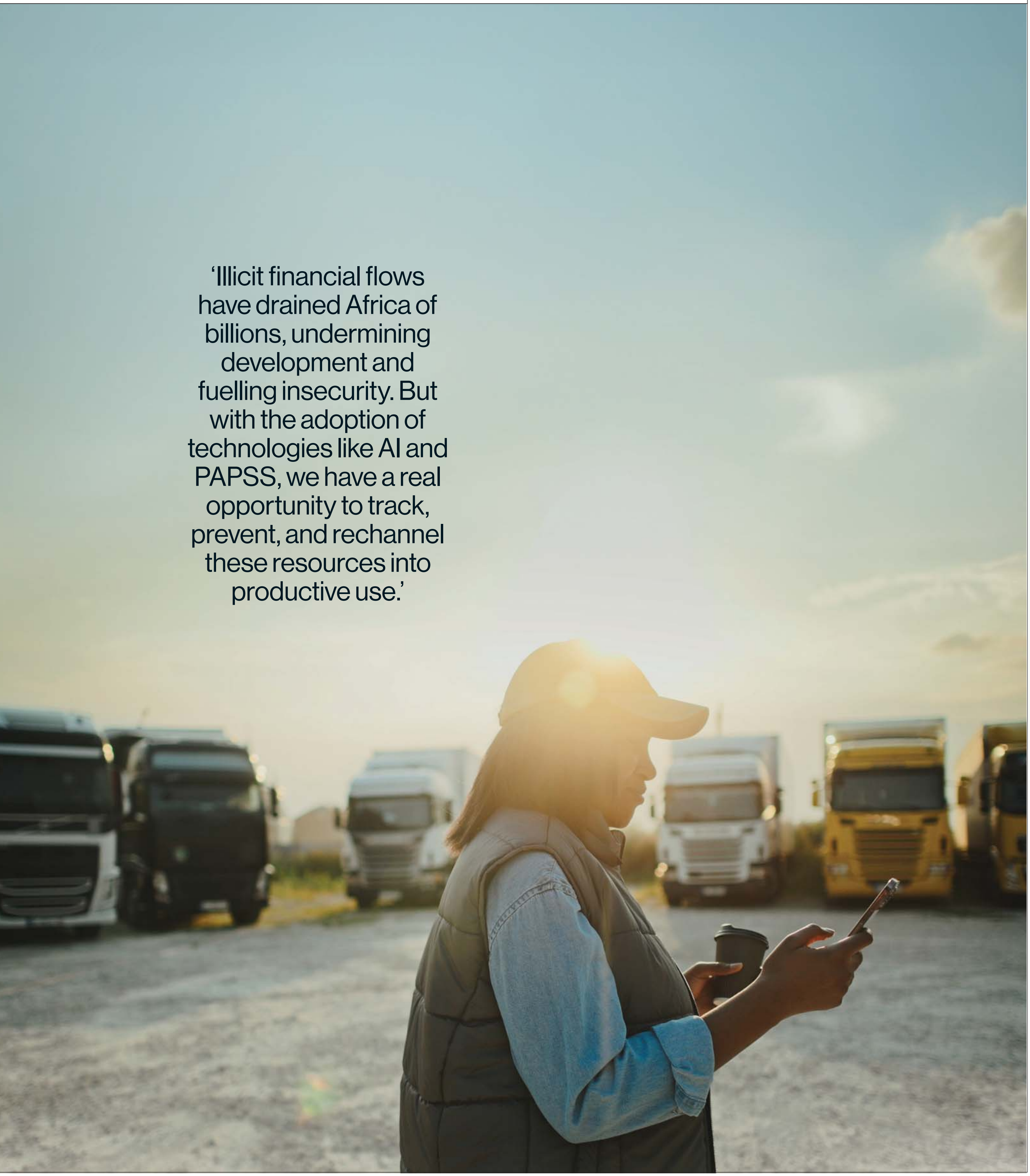
Machine learning

"As the AfCFTA increases the volume of intra-African trade, PAPSS must handle more transactions while safeguarding against illicit financial flows. AI helps by detecting suspicious patterns like unusual transaction frequencies, sudden value spikes, or mismatched trade declarations that might otherwise go unnoticed.

"Machine learning, an aspect of AI, can help PAPSS to scan large volumes of transaction data and flag anomalies instantly. Natural language processing (NLP), another key AI tool, can analyse unstructured information such as emails, contracts, or invoices to identify red flags like mis-invoicing or shell company activity," he notes.

From the foregoing, with Africa's perennial struggle with illicit financial flows, the integration of cutting-edge technologies such as AI and platforms like PAPSS offers a transformative path forward.

Achieving a synergy between AI and PAPSS will be a strategic leap towards economic sovereignty and sustainable development. ■



'Illicit financial flows have drained Africa of billions, undermining development and fuelling insecurity. But with the adoption of technologies like AI and PAPSS, we have a real opportunity to track, prevent, and rechannel these resources into productive use.'

» Payment Systems «

Geopolitical tensions have made African control of its payments systems a necessity, reports **Dulue Mbachu.**

Africa and the road to payment sovereignty

In a world marked by increasing geopolitical polarisation and sudden disruptions in trade and financial flows, ensuring sovereignty and the resilience of payments and settlements have become vital considerations for economic survival.

The global payments and settlement system has been dominated by Europe and America, an outcome of their domination of the global economic system in the current era. Efforts have been made by Russia and China in recent decades to increase the independence of their payment and settlement systems, especially in the face of the global reliance on the US dollar and Western sanctions such as denial of access to the international money transfer system and settlement system.

Until now African countries have had no choice but to tag along with the Western payment and settlement systems. In practice, this arrangement meant that transactions from African countries were often sent through payment and settlement systems controlled in Europe or the US, either in the form of wire transfers sent through the SWIFT system or payment cards issued by the likes of Visa, Mastercard or American Express.

This often resulted in higher transaction costs, with the transfers going through several intermediaries and undergoing multiple currency conversions. Overdependence on these foreign payment systems also amounts to over-reliance on international currencies and leads to a need to have large reserves of these, particularly the US dollar, to settle payments.

This further entrenched dependence on foreign payments and correspondent banking. In the process, African countries have scant control over their data, raising issues of governance and sovereignty, while at the same time leaving them even more susceptible to geopolitical shocks, such as sanctions, wars and disruptions to those trading systems.

In another part of the world, China's efforts to achieve payments and settlements sovereignty have been characterised by a need to avoid or reduce Western limitations or restrictions on its global trade. To promote international use of its currency, China created the Cross-Border Interbank Payment System (CIPS) that seeks to reduce reliance on dollars and the SWIFT system by facilitating the use of its renminbi currency in global trade and finance. A digital version of the renminbi serves as an alternative legal tender that can be transferred directly without the need for a bank account.

> For decades, African transactions have been routed through Western-controlled systems like SWIFT and Visa, leading to high costs, multiple currency conversions, and a loss of sovereignty.

Russia has stepped up efforts to achieve greater payments and settlements sovereignty following the sanctions it has faced from Western powers over its war in Ukraine. It created a new mechanism for payments and settlements related to its sovereign bonds. Alternative mechanisms for trade have also been worked out on a bilateral basis with important trading partners.

Even in Europe, there is growing unease about the influence of traditional US payments operators Visa, Mastercard and American Express, as well as those owned by tech giants such as Apple Pay, Google Pay and PayPal. The European Payments Initiative, started by a group of European banks in 2020, is part of the effort to seek payments sovereignty by creating a regional infrastructure that will reduce Europe's reliance on foreign systems and technologies. The Single European Payments Area legislation is designed to build an integrated payment system with a fine balance of innovation, sovereignty, security and consumer confidence.

A fragmented international trading and financial system, riven by geopolitical rivalries, presents Africa with an opportunity to forge its pathway to payments and settlements sovereignty, according to experts in African multilateral financial institutions. The Pan-African Payments and Settlements System (PAPSS), which began operations in 2022, enabling instant payments for goods and services in local currencies for businesses and individuals, is the arrowhead of that effort.

PAPSS makes routing African payments through other currencies unnecessary, with the potential to save the continent an estimated $5bn a year, combining stronger sovereignty with great savings. Africa can also keep the data generated from these transactions. The possibilities have been expanded with the introduction of the PAPSS Card, which can be used for business travel and cross-border payments. The payment system is complemented by the PAPSS African Currency Marketplace, "an order book-driven, continent-wide liquidity pool" to service African commerce, according to Mike Ogbalu, PAPSS chief executive officer.

Ultimately, it is all about building a system that supports Africa's future, says Muzaffar Khokhar, executive chairman of the Mercury payments company, a partner in developing the PAPSS Card. "This is about sovereignty, innovation, and building trust in African systems to shape the continent's financial future." ■

Integrating African banks onto the payments platform is one of the key goals of its founders, writes **Dulue Mbachu.**

African banks sign up to PAPSS

For decades after independence, African countries were stuck with economic structures and payment systems tied to their former colonial rulers. This ensured that African countries traded more with their former colonial rulers than with each other, to the extent that even payments destined for other African countries were routed through European capitals first.

This situation left African economies fragmented, further slowing development. The Pan-African Payment and Settlement System (PAPSS) aims to change that by making instant payments possible between businesses and individuals across Africa, using their local currencies.

The payment system went live on 13 January 2022, with an official launch in the Ghanaian capital, Accra. Six months later, eight African central banks had signed up, bringing the total to 28 commercial banks. PAPSS got a major boost in June 2023 when it concluded a memorandum of understanding with several lenders that already had cross-border networks across the continent. These included the Standard Bank Group of South Africa, the Ecobank Group based in Togo, and the Kenya Commercial Bank (KCB) Group, as well as the Access Bank and UBA groups, both from Nigeria.

With this partnership, the effective coverage of PAPSS has extended to more than 40 countries across Africa where these lenders have operations, including vast network of branches and representative offices. The latest data from PAPSS shows that 17 countries have so far signed up, extending its reach to more than 150 commercial banks across Africa.

Below: Mike Ogbalu, CEO of PAPSS (l), with Dr Diane Karusisi, CEO of the Bank of Kigali, at the bank's launch event for PAPSS earlier this year. It facilitates seamless intra-African payments via the Bank of Kigali's platforms

Nigeria leads with 22 of its 26 commercial banks already signed up, followed by Ghana with 19. The central banks of French-speaking countries in West and Central Africa are reportedly now working to adapt their systems to PAPSS; officials expect all commercial banks on the continent to be on board by the end of the year.

The impact is beginning to show. Trade among African countries rose from about 3.5% of Africa's total trade a decade ago to 15% at present, Yemi Kale, the group chief economist of Afreximbank, told reporters in Abuja in June. He added that payments through PAPSS rose 10-fold in the preceding year. "Africa still trades more with other parts of the world," said Kale. "But African countries are also increasingly trading with each other."

Africa's growing cross-border payments business is currently worth at least $329bn and is set to climb to $1trn in a decade on the back of a surge in intra-African transactions, according to Oui Capital, an Africa-focused venture capital firm in a recent report. The major drivers will be increased use of mobile money and adoption of fintech innovations in transactions between businesses and individuals. The main impediments have been technical and regulatory. In some countries, banks are still running old technologies that don't work with PAPSS. Regulatory systems also vary with different anti-money laundering, currency control and taxation rules applicable, sometimes from one jurisdiction to another. While the political will has been there in most cases, the process of aligning and harmonising the regulations must go through painstaking negotiations, slowing the process.

While the banks have stepped up staff training and adoption, many small and medium businesses as well as individuals across Africa are unaware of the payment system. Solving these technical and regulatory problems and boosting awareness of PAPSS may well be the needed catalyst to spark the next phase of explosive growth in intra-African payments. ■

Payment Systems

Trade across borders has long been needlessly complicated and expensive, but the Pan-African Payments Settlement System (PAPSS) could improve matters, writes **Lennox Yieke.**

How PAPSS is transforming cross-border payments in Africa

The expense and difficulty of making cross-border payments in Africa has been one of the chief barriers to increased trade between African countries. With a fragmented financial system and 41 different currencies in use, most African cross-border transactions are routed through foreign correspondent banks.

This process requires converting local currencies into dollars or euros before finally exchanging them into the recipient's currency – introducing not only high transaction costs but also financial risk due to exchange rate volatility.

Moreover, transactions routed through foreign banks may experience delays before they are settled due to the multiplicity of intermediaries, hindering trade efficiency and disrupting business operations.

In response to these challenges, PAPSS allows cross-border payments to be made and received instantly in local currencies across participating banks in Africa. The process is simple: an originator in one African country issues a payment instruction in their local currency to their bank or payment service provider (PSP). The instruction is validated by PAPSS, routed through the respective central banks, and settled in the beneficiary's local currency, bypassing the need for currency conversion.

> PAPSS enables instant cross-border payments in local currencies, cutting costs and boosting intra-African trade efficiency.

Thanks to real-time gross settlement (RTGS), PAPSS enables near-instantaneous cross-border payments, eliminating delays of days or weeks associated with traditional correspondent banking systems that route transactions through external banks.

PAPSS operates by linking the RTGS systems of individual African central banks. The platform integrates central banks, commercial banks, fintechs, and payment service providers (PSPs).

"We're beginning to see meaningful scaling and adoption of PAPSS capabilities across digital channels, which is accelerating our impact," said Mike Ogbalu, CEO of PAPPS, during Afreximbank's annual meetings in June.

"We're optimistic about the pace of

TRANSIT SCHEME AIMS TO RESHAPE AFRICAN TRADE

Afreximbank's African Collaborative Transit Guarantee Scheme aims to overcome some of the barriers to intra-African trade, writes Stanley Obinna.

Some of the factors that have, over the years, hindered Africa's intra-continental trade potential include bottlenecks at borders, complex transit systems, and heavy reliance on foreign currencies for cross-border payments. These, coupled with growing geopolitical tensions and increasing adoption of isolationist trade policies, are forcing policymakers on the continent to re-strategise and adopt new models to support the continent's development.

That is why, with its collection of initiatives such as the Afreximbank African Collaborative Transit Guarantee Scheme (AACTGS) and the Pan-African Payment and Settlement System (PAPSS), Afreximbank is reshaping how goods and money move across the continent, in the hope of eliminating constraints and catalysing a new era of economic integration.

The AACTGS is unlocking the movement of goods across multiple African countries by addressing the costly and time- consuming barriers that discourage traders from expanding across borders.

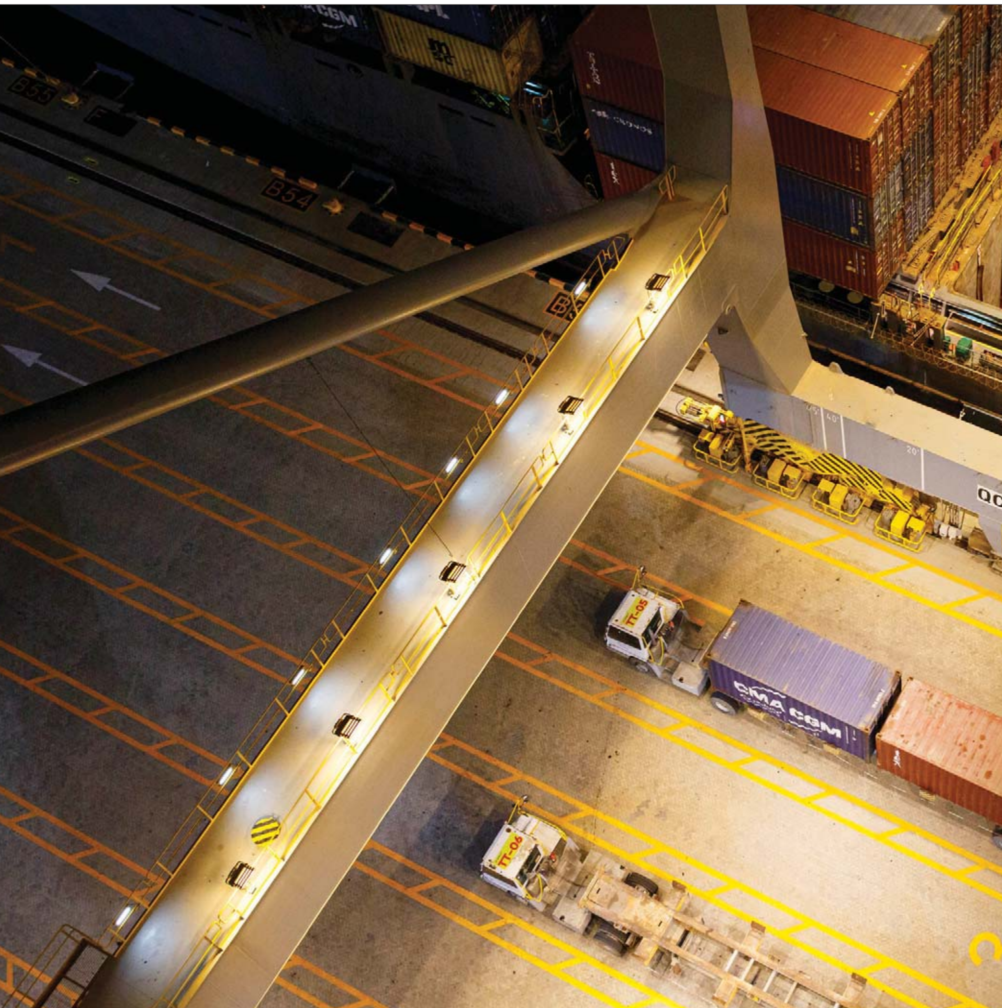
By providing a continent-wide transit guarantee mechanism, the AACTGS replaces the need for individual national guarantees and simplifies logistics across corridors, particularly for landlocked countries. The goal: lower trade costs, faster delivery, and greater confidence among small and medium-sized enterprises (SMEs) to participate in intra-African commerce.

Additionally, the AACTGS was designed to promote the movement of goods across multiple national customs borders, as a means of improving efficiency and shortening the time for border clearances.

The $1bn collaborative guarantee scheme is expected to accelerate cross-border trade in Africa and save the continent about $300m annually in transit costs. It is being implemented in partnership with the AfCFTA Secretariat as well as Africa's regional economic communities.

Since its 2021 launch, AACTGS has gradually expanded, with notable pilot successes covering multiple borders and goods. National customs bodies, insurers, and the AfCFTA Secretariat are aligning to support a continental framework and IT infrastructure.

Denys Denya, Senior Executive Vice President at Afreximbank notes that the pan-African bank's experience could be leveraged to chart a path for the continent's future.



adoption...by the end of this year, we expect to expand to 30 countries, covering more than 500m bank accounts," he added.

Afreximbank has already channelled over $40bn through PAPSS since its inception to support trade payments in local currencies, underlining the platform's capacity to support significant transaction volumes. With many of the continent's largest commercial banks – such as Ecobank, Zenith Bank and Standard Bank – already connected, PAPSS is poised to unlock a host of economic benefits for customers.

African corporate and SME customers who make use of PAPSS to import or export goods and services can expect near-instant payments, reduced FX costs, and improved working capital.

PAPSS also makes it easier to send remittances to family across borders, make payments related to travel and tourism in local currencies, and for freelancers and remote workers, receive payments from clients in other African countries.

Because it eliminates reliance on foreign currency to settle trade transactions, PAPSS also enables central banks to optimise their foreign reserves and stabilise their local currencies.

By eliminating extra currency conversions, enabling instant settlements, and reducing other transaction costs, PAPSS is projected to generate savings of around $5bn annually. ■

"Africa is at a crossroads and a point where we need to be intentional about our aspirations and determined in our collective purpose to shape the future," Denya says.

For Ibrahim Gerarh Umaru, of the Department of Economics at Kaduna State University, the AACTGS could be a game-changer. "By pooling risks with local insurers, such as Zambia's IGI, and offering bank-backed guarantees, the scheme makes transit bonds more affordable and accessible for SMEs and freight operators.

"However, challenges persist. Regulatory fragmentation across countries, weak transport infrastructure, and poor digital readiness limit impact. Despite a $1bn funding target, actual bond issuance remains modest.

"For full-scale success, AACTGS must integrate with systems such as PAPSS, harmonise customs protocols, and enhance trust through stronger insurer capacity and digital cargo tracking," he adds.

According to him, moving forward, priority actions should include standardising customs and automating documentation; investing in infrastructure and digital systems; training national insurers; and aligning with other AfCFTA trade facilitation tools.

Deepened public-private collaboration at borders is also essential, he says.

"In summary, AACTGS is a bold innovation with transformative potential. It addresses long-standing logistical and financial barriers to regional trade. With sustained political will, regulatory alignment, and digital investment, the scheme can significantly accelerate the realisation of Africa's intra-continental trade ambitions.

"For Nigerian exporters – especially members of the Manufacturers Association of Nigeria (MAN) Export Group – the scheme offers significant benefits: reduced clearance times, fewer intermediaries, and improved access to African markets. Nigeria's leadership in implementing AACTGS can position it as a trade hub in the region," he concludes.

The executive secretary of the Manufacturers Association of Nigeria Export Group, Benedict Obhiosa, says the scheme addresses challenges by supporting importers and exporters in moving goods through transit without incurring customs duties or experiencing unnecessary delays, provided they present the transit guarantee to customs authorities. The goal is to make it easier to move goods across the African continent and support the goals of the AfCFTA.

"The main challenge in Africa is that very few regional economic communities are fully implementing their regional transit guarantee schemes," he adds.

Events: ABK Awards

Reflecting current trends in the African finance industry, Development Finance Institutions (DFIs) scooped major accolades during the 2025 African Banker Awards, held this time in Abidjan, Côte d'Ivoire.

DFIs recognised and honoured at African Banker Awards 2025

The 19th African Banker Awards ceremony, this year held at the Sofitel Hotel in Abidjan on the sidelines of the African Development Bank Annual Meetings, was again the glamour event of the occasion. Over 500 delegates attended the event, which celebrates achievements by institutions and individuals in Africa's banking and finance firmament.

The nominations for the awards are put forward largely by the industry itself and closely reflect the sector's current preoccupations, priorities and concerns. It was therefore not surprising that in the wake of the polycrisis generated by the Covid pandemic, the global shutdowns and the subsequent steep rise in the cost of living following war-induced supply chain disruptions, the contribution of Africa's Development Finance Institutions (DFIs) in robustly dealing with the issues was recognised and honoured.

Africa's DFIs scooped many of the major awards, winning plaques in various categories. The winners included: Banker of the Year: Mrs Patricia Ojangole, Man-

Below: All the winners posing for a group photo at the 2025 awards ceremony

aging Director at Uganda Development Bank; Bank of the Year: Trade and Development Bank Group (TDB Group); DFI of the Year: African Trade & Investment Development Insurance; and Finance Minister of the Year: Nadia Fettah Alaoui of the Kingdom of Morocco for her sound macroeconomic management.

Nigerian Olayemi Cardoso won the Central Bank Governor of the Year accolade for making the tough decisions needed to stabilise markets and instil renewed confidence in investors.

Ecobank won this year's AFAWA Award, which recognises gender-lens lending and banks supporting women-led businesses. Beth Dunford of the African Development Bank leads on the initiative.

> "I learned that champions are not made on the podium. They are forged in the quiet, unseen moments, in the discipline it takes when no one is watching."

The award for the SME Bank of the Year went to Tanzania's CRDB Bank.

The African Banker Awards has also become notable for recognising inspiring achievers from outside the financial industry. This year's special guest was Ivorian sprinter and silver medallist Murielle Ahouré-Demps, a multiple medal-winner at world events.

Presenting the African Banker of the Year award to Mrs Patricia Ojangole, Managing Director of Uganda Development Bank, she said she had "learned that champions are not made on the podium. They are forged in the quiet, unseen moments in the discipline it takes when no one is watching. And as African women, we carry within us a powerful legacy: one of strength, of wisdom, and of vision. I am deeply proud of that."

Key to unlocking scale

Vincent Nmehielle, Secretary-General of the African Development Bank, paid tribute to IC Publications for projecting the voice of Africa internationally and presenting an African perspective on international affairs.

Omar Ben Yedder, chair of the awards committee and Group Publisher at IC Publications, argued that the private sector and banks were critical in the economic transformation of the continent. "Thomas Sankara [former president of Burkina Faso] said the ones that feed you, rule you. To paraphrase him, we could easily say the ones that finance you, rule you.

"We need strong African-owned banks. The private sector is the key to unlocking scale, and banks are the fuel for driving Africa forward. African DFIs have won big because of the catalytic role they are playing in transforming the investment landscape as well as working more closely with the African private sector to support SMEs and other asset classes that are underfunded."

The Awards are supported by the African Development Bank and high-level sponsors such as the African Guarantee Fund. A cocktail reception took place before the gala, sponsored by African Trade and Investment Development Insurance (ATIDI).

Other sponsors and supporters of the Awards were Afreximbank, the ECOWAS Bank for Investment and Development (EBID), Atlantic Finance Group, Nigeria's Bank of Industry, the African Guarantee and Economic Cooperation Fund (FAGACE), 4G Capital, IFG Executive Education and African Hidden Champions. ■

"As African women, we carry within us a powerful legacy: one of strength, of wisdom, and of vision. I am deeply proud of that."

Murielle Ahouré-Demps

Below: Patricia Ojangole, MD, Uganda Development Bank (*2nd l*), receiving the African Banker of the Year award from Ivorian sprinter Murielle Ahouré-Demps (*far l*), flanked by Geoffrey T. Kihuguru, Board Chair, UDB (*r*) and Sophie Nakandi, Company Secretary, UDB (*far r*)

Full list of the 2025 winners

Banker of the Year

Mrs Patricia Ojangole, Managing Director at Uganda Development Bank

Bank of the Year

Trade and Development Bank Group (TDB Group)

Lifetime Achievement

Idrissa Nassa, Group CEO, Coris Bank

Central Bank Governor of the Year

Olayemi Cardoso, Governor, Central Bank of Nigeria

Minister of Finance of the Year

Nadia Fettah Alaoui, Finance Minister of the Kingdom of Morocco

Sustainable Bank of the Year

Nedbank

DFI of the Year

African Trade & Investment Development Insurance

AFAWA Bank of the Year Award

Ecobank

Fintech of the Year

4G Capital

SME Bank of the Year

CRDB Bank

Deal of the Year – debt

The Bank of Industry €1.87bn syndicated debt issuance facility – **Africa Finance Corporation and Afreximbank**

Deal of the Year – equity

Project Arden – Renaissance Energy's $2.4bn acquisition of Shell Petroleum Development Company **– PwC Nigeria**

Deal of the Year – infrastructure

The Suez 1.1GW Wind Power Project in Egypt **– African Development Bank**

Best Regional Bank – North Africa

Commercial International Bank

Best Regional Bank – Southern Africa

Mauritius Commercial Bank

Best Regional Bank – West Africa

GTBank

Best Regional Bank – Central Africa

BGFIBank Group

Best Regional Bank – East Africa

Equity Bank

Africa takes charge of shaping its capital

Slowly but surely, Africa is beginning to take control of sourcing and shaping its capital from its own resources, rather than relying on the 'goodwill' of others. This will be a major step forward but a good deal of work is still needed to bring it about, not only for continental Africa but Global Africa, including the diaspora. This is an edited version of Prof. Abor's paper.

Op-Ed: by Prof. Joshua Yindenaba Abor

Africa's relationship with global capital is evolving from aid dependency to assertive investment partnerships. While geopolitical competition presents both risks and opportunities, the continent is beginning to shape the narrative, seeking capital that supports inclusive growth, sustainability, and value addition, rather than extractive arrangements.

In recent years, Africa has increasingly become a strategic frontier for global capital. With growth slowing in developed markets, investors have turned to emerging and frontier markets, and Africa, with its youthful population, vast natural resources, and digital potential, has attracted both interest and investment.

Private equity and venture capital flows have increased, particularly in fintech, agritech, and health tech. Sovereign wealth funds, particularly from the Gulf and Asia, are showing rising interest in African infrastructure and logistics.

African countries are also increasingly developing their domestic capital markets, improving regulatory frameworks, and encouraging pension funds and insurance companies to invest locally. The African Continental Free Trade Area (AfCFTA) is encouraging cross-border investment, regional industrialisation, and supply chain development.

Making capital work better

In the African context, the notion of 'making capital work better' must transcend the conventional confines of financial efficiency and returns. Historically, capital has been understood primarily in monetary terms, mobilising investment, improving liquidity, and achieving higher yields. However, this narrow interpretation often overlooks Africa's multifaceted development needs and the continent's rich yet undervalued assets in human, social, and natural capital.

To truly make capital work better for Africa, there is an urgent need to reframe the concept. Capital must be seen not only as financial resources but as a composite of interconnected forms, human, social, and natural. This broader view enables the continent to design a development model that is inclusive, sustainable, and regenerative. Human capital, encompassing education, health, and skills, is foundational for driving long-term productivity and innovation. Africa's youth demographic presents a significant opportunity if properly nurtured through investment in education, vocational training, and entrepreneurship. This shifts the focus from merely financing physical infrastructure to empowering people as agents of transformation.

Social capital refers to trust, relationships, and institutional frameworks that support cooperation and resilience. In Africa, this includes traditional governance systems, community networks, and informal economic structures that are often sidelined in formal economic planning. Recognising and investing in social capital helps create inclusive institutions and ensures local ownership of development processes.

Natural capital includes Africa's abundant land, water, biodiversity, and ecosystems, which represent both a heritage and an economic opportunity. Making this capital work better involves protecting ecosystems while unlocking their value through sustainable practices. This can be achieved through mechanisms such as carbon markets, regenerative agriculture, and eco-tourism that ensure fair benefit-sharing and ecological stewardship.

Right: Imported cars being taken from Djibouti City to Awash in Central Ethiopia

To operationalise this reframing, financial systems must be redesigned to reflect Africa's realities. This includes expanding access to inclusive finance, leveraging blended finance to de-risk investments, and creating instruments aligned with impact, not just profit. In addition, integrating environmental and social metrics into national accounting systems will help measure what truly matters beyond GDP.

Ultimately, making capital work better in Africa is about unlocking the continent's full potential, mobilising diverse forms of capital in ways that are locally driven, socially inclusive, and ecologically sustainable. It is a call to build a resilient Africa by reimagining development from within.

As global powers reconfigure supply chains due to geopolitical tensions (US–China decoupling, Russia–Ukraine war), Africa and the Caribbean have the chance to position themselves as alternative hubs for nearshoring and friendshoring (especially for the Caribbean, due to proximity to North America), raw material processing and light manufacturing; and countries with stable political climates and improving logistics (Rwanda, Ghana, Jamaica, Dominican Republic) are well placed to attract FDI.

Africa and the Caribbean can leapfrog to green technologies, attracting global climate finance. For instance, Africa is noted for solar, wind, and green hydrogen investments (in Morocco, South Africa, Namibia), while the Caribbean is noted for blue economy opportunities – marine ecosystems, sustainable fisheries, ocean energy. Both regions are now climate advocacy leaders, giving them influence in global climate negotiations such as the Bridgetown Initiative by Barbados.

The booming fintech, mobile banking, and digital entrepreneurship sectors offer scalable growth; mobile money (e.g. M-Pesa) is transforming finance and enabling SMEs.

AfCFTA can reshape Africa's economic future through intra-African trade expansion, cross-border industrialisation, and SME growth via harmonised policies.

Caribbean digital currency pilots such as the Bahamas' Sand Dollar are pioneering central bank digital currency (CBDC) adoption while the Caribbean Single Market and Economy, while slower moving, presents similar long-term potential.

However, African and Caribbean nations face a critical challenge: financing long-term development while reducing dependency on volatile external sources.

Historically reliant on foreign aid, concessional loans, and international capital markets, many of these countries have become increasingly vulnerable to global economic shocks, currency fluctuations, and debt distress. To foster resilience and self-determined development, the priority must be to mobilise and better utilise domestic capital, both public and private.

Tax systems need to become more efficient, equitable, and digitally enabled to broaden the tax base and curb leakages. At the same time, combatting illicit financial flows and closing tax loopholes, particularly from multinational corporations, can reclaim significant lost revenues. Governments must also channel public

expenditure toward productive, long-term investments, especially in infrastructure, education, and health.

Self-reliant models

Equally important is unlocking private domestic capital, particularly from institutional investors such as pension funds, insurance firms, and sovereign wealth funds. These long-term pools of capital can be directed into strategic sectors through well-structured public-private partnerships (PPPs), infrastructure bonds, and local capital markets.

Encouraging local savings and investment, via inclusive financial services, digital banking, and community-based finance, can expand the capital base at grassroots levels.

While external finance will remain a component of development funding, African and Caribbean nations can and must build stronger, self-reliant financial foundations. By enhancing domestic resource mobilisation, unlocking local private capital, and strengthening financial institutions, they can secure a more resilient path to long-term development that is led from within.

As Africa strives toward economic transformation, the continent's sovereign wealth funds (SWFs), pension funds, and insurance capital represent a largely untapped but strategic resource for financing industrialisation. These institutional pools of long-term capital, estimated in the hundreds of billions of dollars, can be harnessed to close Africa's infrastructure gap but also to support the development of local industries, supply chains, and value-added production systems.

Historically, these funds have been invested mostly in foreign assets, driven by risk aversion, regulatory restrictions, or limited local investment vehicles. However, to accelerate industrialisation, there must be a paradigm shift toward redirecting a greater share of these assets into strategic domestic sectors such as manufacturing, agro-processing, renewable energy, digital technology, and logistics.

SWFs can serve as catalytic investors by anchoring industrial projects and de-risking investments for private sector partners. Countries like Nigeria, Ghana, Rwanda, and Botswana have already begun using their SWFs for economic diversification and infrastructure development.

SMEs are the backbone of African and Caribbean economies, contributing significantly to employment, innovation, and economic resilience. Yet, they continue to face chronic challenges in accessing finance due to perceived high risk.

To bridge this financing gap, a new generation of innovative financial instruments and blended finance models is urgently needed. By using concessional funds to de-risk SME investments, development partners can crowd in commercial lenders and investors.

Instruments such as first-loss guarantees, credit risk-sharing facilities, and technical assistance grants help mitigate real and perceived risks, encouraging greater private participation in SME financing. One effective model is the SME impact fund, where concessional donors or governments invest alongside commercial banks and venture capitalists.

Africa and the Caribbean possess vast economic potential, rich natural and human resources, and increasingly dynamic private sectors. However, to translate these assets into inclusive growth, it is imperative that both regions strengthen and strategically leverage their financial markets and institutions to boost cross-border trade and investment.

Designing a blueprint to make Global Africa's capital truly work for the continent's development over the next decade requires a transformative shift, one that is bold, homegrown, and inclusive. ■

Prof. Joshua Yindenaba Abor (above left) is a Fellow at the Centre for Global Finance, SOAS, University of London, UK.

» In Conversation «

Ndaba Gaolathe, Vice-President and Finance Minister of Botswana

Ndaba Gaolathe (*right*) is one of the most influential figures in the administration of Botswana's President Duma Boko, but a tough global economic environment and US President Donald Trump's tariffs will be a severe test of his leadership. He is in conversation with **David Thomas.**

Back to square one on fiscal discipline

The 159-year-old debating chamber of the Cambridge Union Society has played host to some of history's most consequential leaders. From British Prime Ministers Winston Churchill and Margaret Thatcher to US Presidents Theodore Roosevelt and Ronald Reagan, the wood-panelled theatre has resounded to orators of world renown.

A year ago, Botswana's Vice-President and Finance Minister Ndaba Gaolathe might not have expected to find himself addressing the famous venue at the annual conference of the African Society of Cambridge University. But since then, there have been major changes in Botswana's governing structure.

Until November, the ruling Botswana Democratic Party had reigned supreme since the dawn of independence in 1966. But following President Duma Boko's stunning victory – propelled by his pledge to create 500,000 new jobs in five years – his deputy Gaolathe found himself launched into two senior offices, and onto the world stage.

Gaolathe looks at home during our conversation sitting on the Society's famous scarlet benches, under the watchful eyes of portraits of past Society presidents. But taking in the historic surroundings and basking in electoral success is far from his priority.

The honeymoon period which attended the election of Boko's Umbrella for Democratic Change is quickly drawing to a close. Just days after Boko's shock election win in November, President Donald Trump swept back into power in the United States – and set the world economy on a path of trade war, tariffs and turmoil.

Botswana, the world's second-largest producer of diamonds by volume, finds itself exposed to an underperforming global market for the stones, Trump's caprice, and the very real threat of 37% tariffs on its exports to the US.

The IMF expects the economy to shrink by 0.4% this year – hardly encouraging grounds for the promised employment revival. Given such a discouraging start, can Gaolathe build the economy that Boko promised his voters?

While cognisant of the worsening global economy, the Finance Minister insists that his plans to impose fiscal discipline, diversify the economy, reinforce policymaking credibility and invest in transformative infrastructure remain unchanged.

"We have to be optimistic because, as I continue to say, we've been blessed with all the ingredients we need to build our country. The first of our priorities is to halt the haemorrhaging of our fiscus [treasury], because even though Botswana over the last few decades has outperformed everyone else on the African continent, we need to accept that there has been a period of lapse which has taken place, arguably, over the last 12 years or so.

"The fiscal discipline we used to have has broken down. In the past it was accepted that we don't allow politics to interfere with the work of the professionals that manage the economy, particularly the Finance Ministry; we contaminated that culture; we allowed politics to make the economic decisions.

"We threw away priorities and the emphasis on investing for the future – such as in infrastructure – in favour of immediate consumption. We allowed corruption to set in. So our first priority is to halt all this, and I believe that given that we have been there [in office] a few months, we've already done well on that front.

"You find we're allowing politics to a large extent not to decide what makes sense in economics. We are galvanising ourselves around priorities, managing properly again, building capacity and our capabilities around properly managing infrastructure, doing things on time."

The unemployment challenge

It's a vision of fiscal conservatism that does not often find favour with voters in Southern Africa, but Gaolathe believes it will chime with investors and help to achieve the hugely ambitious jobs goal that Botswana's citizens demand the new administration meet.

While the country has long been a standout economic performer in Africa, largely due to its judicious management of diamond revenues – it was ranked sixth on the continent in 2024 with a GDP per capita at purchasing power parity of $19,039, according to the IMF – its people have long suffered from elevated

unemployment.

It was an unemployment rate of over 23% – perhaps 11% higher among the country's youth – that provoked the unprecedented electoral revolt against the BDP. In many voters' eyes the ruling party had grown complacent after six decades in office.

The softly-spoken son of Baledzi Gaolathe, the former Finance Minister under Presidents Festus Mogae and Ian Khama, pulls few punches in assessing the past. He argues that the governing elite and civil service have proven themselves unequal to the challenges of running a modern economy: training has lagged; knowledge of cutting-edge sectors is weak; and the country has produced too few engineers, ICT experts and tradespeople, he says.

"We don't have the capabilities and capacity to do what the modern world requires. We don't have the capacity to structure the public-private partnerships that we need to build mega-infrastructure projects. We don't have the capabilities to leverage and bring the best out of AI and tech.

"We need to build it. We need to retrain and revitalise the government civil service. We've never experienced the type of unemployment levels we have now, particularly among young people and educated young people. The education system has been purely geared to creating social sciences graduates. The unemployed are highly educated. This means we have a real opportunity to upskill rapidly to AI, tech, and indeed there are steps we're taking and partnerships we're putting in place."

Keeping the state out of business

Gaolathe argues that the dead hand of the state has stifled Botswana's economic potential, including through an extensive network of state-owned enterprises (SOEs).

"The second priority is that we need to modernise, revitalise and restructure our state-owned enterprises. In a small economy like that of Botswana, that has maybe 50 SOEs across every sector, from water and power to telecoms and financial services, they are an important part of the economy.

"If it's not efficient, if its sub-optimised, if governance is not strong, if you don't have enough competent CEOs, that affects the economy in a big way," he says.

The VP says the government is looking to proceed with plans to unbundle power generation and transmission while allowing the private sector to enter the market.

In agriculture, Gaolathe says the country's huge ranching economy – it boasts up to 2.8m head of cattle – is to be freed from the strictures of the state-run Botswana Meat Commission and its monopoly role in beef exports. That process began under the last government and will be completed. "We're allowing different players into different parts of the food value chain. In financial services we are much more open to partnerships to bring in technical expertise and capital.

"All of these SOEs are very much scalable, they can become continental players… We have not really had a forecast on sectors that have the highest prospects of success – it's time we did. In the past, government poured money into SMEs [small and medium enterprises] because it was popular. Now we need to support commercialised, high-productivity agriculture."

The idea of this diversification drive, he says, is not that diamonds will play a smaller role in the economy – but that "everything else will play a bigger role than it used to".

In a straitened fiscal climate, one of Gaolathe's major premises is that much can be achieved with self-funding public-private partnerships.

In particular, he wants to push forward with a string of what he refers to as "mega-infrastructure" projects – including massively boosting road and railway connectivity to the major urban centres in neighbouring Southern African countries – that will one day pay for themselves. Still, he adds ruefully, "we will always need borrowing" to optimise investments.

On 16 May the African Development Bank confirmed it would loan $304m to "cushion Botswana from the financial shock caused by declining diamond revenues".

All that glitters

If Gaolathe still sounds as though he's operating from the opposite benches, it may be a reflection of the speed with which events have proceeded in recent months. After years on the sidelines, President Boko and his team no longer enjoy the luxury of opposition – they find themselves having to make decisions of immense consequence for the future of Botswana.

Perhaps the government's most significant move so far was the signing of a long-delayed 10-year diamond sales agreement with De Beers, in which it has a 15% shareholding and with which it runs the 50-50 Debswana joint venture.

> We threw away priorities and the emphasis on investing for the future – such as in infrastructure – in favour of immediate consumption.

Few African countries and companies have a more symbiotic relationship than Botswana and De Beers – and against the backdrop of a struggling global diamond market and speculation over the sale of De Beers by parent company Anglo American, it was crucial for both parties that the deal extension brought a measure of certainty.

Under the final deal, Botswana's state-owned Okavango Diamond Company will sell 30% of Debswana's rough diamond production in the first five years of the deal and 40% for the second five years; De Beers will sell the rest. That 40% could be increased to 50% under a proposed five-year extension.

Both parties will supply stones to the domestic industry in a bid to boost local value addition. Debswana's mining licences, which were due to expire in 2029, will be extended until 2054. Gaolathe says the government will establish a diversification fund from diamond proceeds which will operate like a private equity fund to invest in emerging entrepreneurs and sectors.

"We have us a good deal and we trust that it will carry us into the future. To the people of Botswana, this agreement is about you, about the jobs it will create," President Boko said at the signing ceremony.

With an eye to the future, Gaolathe says the success of the deal will be dependent on skills and technology transfer.

"The generation before had good relations with De Beers; the current generation believes maybe that the type of relationship the generation before had was not entirely optimal.

"We believe there's more that can be done. When you look at diamond production in Botswana, a lot of technology emanates from De Beers. Even though our country has created a lot of engineers and diamond people, we haven't been able to develop our capacity as a country, our own proprietary knowledge of the mining process. Botswana by now should really be a leader on the African continent, not based on De Beers – we should be in the lead in terms of our knowledge, we should be selling technology to miners across Africa. We should be conversant with all the processes from aggregation to mining, and leaders in a longer value chain as well as the design and manufacture of jewellery."

Gaolathe was not drawn on whether Botswana will increase its stake in De Beers, which could be one way of ensuring greater skills and technology transfer. Anglo American, which has an 85% stake in the miner, is looking to sell after taking impairments of $2.9bn on De Beers in 2024 alone, amid fierce competition from lab-grown diamonds.

But he says that pragmatism will be the watchword of future relations. "Frankly, every young generation doesn't like multinationals, whether in Africa or anywhere else… we need to be responsible enough to be pragmatic, we need the right, balanced relationships where there is value derived on all sides."

Trump's tariff threat

Looming behind an already unsettled diamond market is the spectre of Donald Trump. The US President's insistence that a trade deficit with a country means that it is being subsidised by the US has put Botswana in the President's line of fire.

According to the office of the US Trade Representative, US goods imports from Botswana in 2024 were $405.1m, down 17.4% from 2023. By contrast, US goods exports to Botswana in 2024 were $104.3m, up 52.7% from 2023. The US goods trade deficit with Botswana was $300.8m in 2024, a 28.7% decrease on 2023.

In Trump's 'Liberation Day' tariffs announcement, Botswana was slapped with a tariff rate of 37%, the fourth highest rate in Africa. That rate was replaced by the 10% universal tariff on all exports to the US, pending a three-month review. But the danger facing Botswana is clear.

Does Gaolathe think that the US can be persuaded to relent prior to the reimposition of the higher tariff? "On this one I want to keep my cards close to my chest. But I think what has to be said is the following. At least in the case of diamonds, the US doesn't have diamonds, the US doesn't produce diamonds, yet the US has created a huge sector out of diamonds, the jewellery sector, a lucrative sector that generates employment, that has high wages that is good for the US.

"Our diamond exports to the US don't take anything away; there is not unfairness to the US. If anything, we have added great value to the US, we've given them the opportunity to create an entire sector which they wouldn't have without our diamonds, which pays well."

While guardedly diplomatic in his response, it is clear that Gaolathe sees the policy as deeply misguided. "We believe that the US has the right to look out for their interests, but the fact is our exports are in their interests because it builds their economy.

"In tax it's economics 101, all that happens is that it [the tariff] is a consumer tax. It basically raises prices on diamond products. It's a consumer tax on themselves. It doesn't do anything else to help them."

A punishing 37% tariff from the US could put Botswana's job creation ambitions even further out of reach. Pending economic diversification, Botswana still remains reliant on diamonds: according to the IMF, the stones account for around 80% of exports, one third of fiscal revenues, and one quarter of GDP.

As he leaves the Cambridge Union building and emerges into the sunshine of an English spring, Gaolathe says the work of attracting new partners in multiple sectors must begin in earnest.

"We have sat down with the President and leadership and asked ourselves, what type of partners are we looking for? The first thing is: we're looking for partners in it for the long term, not for the quick buck. The second is: those that have the types of insights and experiences we don't have. The third, I'm embarrassed to say but must say, is that we're looking for partners with deep pockets! And the fourth is: partners who want to be associated with who you are." ■

On tariffs:
"The US doesn't have diamonds, the US doesn't produce diamonds, yet the US has created a huge, lucrative sector out of diamonds."

» Spotlight «

The downgrading of one of Africa's strongest financial institutions, Afreximbank, by international rating agencies has once again turned the spotlight on what most developing countries believe is a badly skewed rating system. Africa is set to launch its own agency later this year. **Mushtak Parker** looks at the background.

Time to ditch unfair credit rating agencies?

Are low-and-medium-income-countries (LMICs) experiencing an existential sovereign risk rating crisis beyond the usual country and credit risk parameters? They, including many African countries which are disproportionately affected, consistently stress the high cost of financing, credit, investment insurance and punitive surcharges involved in borrowing, which deter market entry and the ability to crowd in much-needed private capital.

This vicious playbook is fuelled by a mix of metrics which are heavily stacked against LMICs. They are primarily centred around the exaggerated country risk perceptions created by the OECD's Sovereign Rating Scale Regime and the Big Three international credit rating agencies – S&P Global Ratings, Moody's Investors Service and Fitch Ratings.

A case in point is the recent, highly contentious rating downgrading of Afreximbank, the Cairo-based multilateral pan-African trade finance bank, by Fitch and Moody's. (*See also p. 24.*)

The rating rationale was strongly contested by Afreximbank, the African Peer Review Mechanism (APRM), the UNDP and AfriCatalyst. African nations and multilaterals have consistently argued that rating agency perceptions are highly subjective, unfair and ill-informed. This has led to them having to pay extra premiums and higher costs of finance for projects which are intrinsically bankable.

The rating agencies cite increased credit risk stemming from the rise in Afreximbank's non-performing loans (NPLs) ratio, a weak risk management strategy reflecting low transparency, weaker asset performance, and the bank's shift to unsecured lending to sovereigns under stress.

In a swift riposte, Afreximbank maintained that "Fitch's definition of NPLs differs from the Bank's approach, which makes use of forward-looking information" and that the sovereign exposures are governed by treaty obligations that safeguard creditor status. Come this September, the issue of sovereign credit ratings will no doubt be high on the agenda for the incoming new President of Afreximbank, Dr George Elombi.

In a strong effort to counter the monopoly of Western rating agencies, the continent is working towards launching its own Africa Credit Rating Agency (AfCRA), scheduled for September. It is funded by public/private stakeholders and will publish regular sovereign credit assessments.

The stakes for Africa are very high.

> A 2023 UNDP study revealed that African countries could save up to $74.5bn if credit ratings were based on less subjective assessments.

A 2023 UNDP study revealed that African countries could save up to $74.5bn if credit ratings were based on less subjective assessments. This, in turn, would enable them to repay the principal of their domestic and foreign debt and free up liquidity for investments in human capital and infrastructure development.

The information and risk perception bias against African and other LMICs is further tempered by the tone and conclusions of the International Monetary Fund's (IMF's) regular Article IV Consultations with member countries, which deep-dive into the state of a country's or sector's macroeconomic fundamentals at a given time.

To add insult to injury, the IMF, supposedly the gatekeeper of the global economic and financial system, operates a controversial and highly punitive Surcharge Policy which imposes additional fees on loans, which can add an extra 3% to the interest rates of its most indebted middle-income borrowers, on top of regular interest payments and service fees.

The policy is supposedly to encourage 'financial prudence and timely repayment of loans'. In reality it is a vicious circle of a debt trap based on flawed logic because under Fund rules, countries must pay back the IMF before any other creditors. The pushback for the removal of the IMF's Surcharge Policy is gaining momentum, and against the skewed perceptions of African sovereign and credit risk.

Unequal metrics

It is also a question of whether LMICs are getting a fair deal on credit and investment insurance and whether there is a de facto two-tier system in risk pricing, based on the rating regime and differences between developed and developing markets.

The IMF statement for its 2024 Article IV Consultation with the Netherlands, for instance, was breathtakingly bereft of any analysis of the potential political risk impact for the Dutch economy and financial system following the snap general election in November 2023, which saw the far-right anti-immigrant and Islamophobic Freedom Party led by Geert Wilders emerging as the single largest party, which went on to form the current Dutch coalition government – albeit Wilders is now no longer part of the cabinet.

Yet when it comes to African and other developing nations, the IMF staff do not hold back on socio-political risk, governance and oversight metrics. The same is true of the rating agencies.

LMICs are sanguine about their own inherent economic and financial structural vulnerabilities. They know that there is no panacea or quick-fix binary solution. What they are urgently seeking is a fair debt restructuring framework and a review of the international financing system. In particular, they object to the processes of sovereign credit ratings for African countries, where data is often missing or of poor quality. They stress that the process behind these ratings often feels distant, opaque, formulaic, and disconnected from national realities.

"It is true that the cost of premiums is a major issue for African countries," acknowledges Maëlia Dufour, erstwhile President of the Berne Union of national and multilateral credit and investment insurers and Chief International Officer, BPIfrance Assurance Export. "As you know, we follow the OECD Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits, which range from Categories 0 to 7. If the country is rated 5, 6 or 7, the premium would be higher. It is a decision taken by economists inside the OECD.

"We cannot ask them why they have rated a country 6 and not 5. Not surprisingly, it is the country that says they deserve a 5 and not a 6 rating. You are right – this is an issue for developing countries, but we must take it as it is.

"In Africa, we have the sovereign debt issue. As a result, it is true more exporters are asking for support and guarantees on African contracts. There is a lot of risk involved, but being an insurance provider, you must take risks."

Can African sovereigns achieve A ratings?

Altering country risk perceptions and engineering behavioural change by industry peer bodies is not going to be easy but possible. Collaboration and cooperation are essential. "Despite the headwinds of burgeoning sovereign debt and its servicing, trade imbalances, the impact of the Trump tariffs, lower oil prices and revenues," says Ravi Bhatia, Director, Sovereign and IPF Ratings for Africa at S&P Global, "we are seeing Africa is showing resilience, growth is ongoing and there have been several attempts at fiscal consolidation."

Given that none of the 26 sovereigns S&P rates are above investment grade, does he envisage any African sovereign being assigned an 'A' rating? "Botswana has been in the 'A' category in the past," he says. "This was at the height of the diamond boom, which today is tempered by competition from lab-manufactured diamonds. There is nothing that stops an African sovereign from getting into this category. But our entry criteria bar is quite high. We look at resilience models, capital market support, institutional strength, GDP per capita, fiscal consolidation, net creditor position that can support the story, and a lot of monetary flexibility with a low inflation track record. It's just the way countries have fallen at the moment in the ratings spectrum."

In tandem with the AfCRA project, there is the UNDP Credit Ratings Initiative launched in 2024, a significant advocacy group supporting African governments to improve engagement, and promote more transparent, evidence-based assessments. The initiative is driven by a concilium - an advisory group of experts who work directly with governments to unpack rating methodologies and build internal capacities.

The challenge, as Bilal Bassiouni, Head of Risk Forecasting at PANGEA-RISK, wrote in a recent article in *Trade Treasury Payments*, is that: "The extent to which AfCRA closes the gap between risk perception and debt fundamentals in Africa will depend less on institutional identity than on whether the ratings are interpreted as analytically rigorous, methodologically sound, and procedurally transparent. Early assessments will serve as market signals and as indicators of the agency's viability in influencing investor models and sovereign funding strategies." ■

Right: Dr George Elombi is expected to prioritise the issue of sovereign credit ratings when he takes office as Afreximbank's President in September

» Spotlight «

It was natural that the growing focus on digital banking in Africa should begin with the retail sector before, now, being extended into the small and medium-sized enterprise (SME), corporate, business and investment segments. Yet bank approaches to their retail customers are also changing as they begin to offer a wider range of products and more customer-centric services in an effort to both increase average revenue per customer and create a more personalised relationship.

Innovation in the sector is being driven by diversity in the approaches and origins of the various players involved. The continent's traditional banks have been challenged by digital-first or neobanks, while telecoms and mobile money providers offer further competition, with all providers benefitting from fintech developers.

Digital-first banks do not have the same legacy costs as established banks, which must maintain older systems alongside newly launched platforms, while also attempting to integrate the old with the new.

While there are substantial costs in building digital platforms, the long-term costs of this approach are considered to be substantially lower than those involved in maintaining large branch networks, including in terms of the number of staff employed.

The recent *Next Gen Retail Banking* report produced by banking finance platform developer Backbase and *African Banker* magazine found the top three priorities in African digital banking were: improving operational efficiency, expanding access to financial services and increasing market share.

The governments and regulatory authorities of some countries, including South Africa and Kenya, have been relatively quick to introduce supportive legislation to encourage investment. Many of Africa's digital-first banks, such as Tyme Bank, are based in South Africa, while Kenya is an important hotbed of digital financial services innovation.

While digital banking reduces costs for the banks involved, it is also driving the provision of financial services to the previously unbanked by allowing people to secure accounts even if they have no local branch.

Increasing access to financial services does predate the digital banking boom, with the density of branch networks on the African continent rising from 1.6/100,000 population in 2006 to 4.5/100,000 in 2015.

However, this figure has fallen slightly since then to 4.2/100,000 in 2022 according to World Bank figures, as banks of all kinds have focused their investment on mobile and online technology to reach the unbanked, and provide additional services and opportunities for generating more

Perhaps the most interesting and fascinating current aspect of Africa's financial superstructure is the gradual but certain shift to digital banking. What is the current status quo? To find out, finance platform developer Backbase and *African Banker* magazine commissioned the Africa Digital Banking Experience Series 2025. **Neil Ford's** report is based on the first of these: 'Next Gen Retail Banking'.

Retail banking: competing for the modern African customer

revenue to existing customers.

Yet while the proportion of the population with access to financial services of any kind is rising, it still stands at just 55%. The *Next Gen Retail Banking* report's survey found that an even smaller proportion utilise digital banking services. Just 54.8% of the banks participating in the survey said that at least 40% of their customers currently used mobile or online platforms.

Bespoke services

Both digital-first and traditional bank players tended to focus on launching mobile and online banking platforms in the retail sector, to attract or retain as many customers as possible in the early years of the digital banking boom.

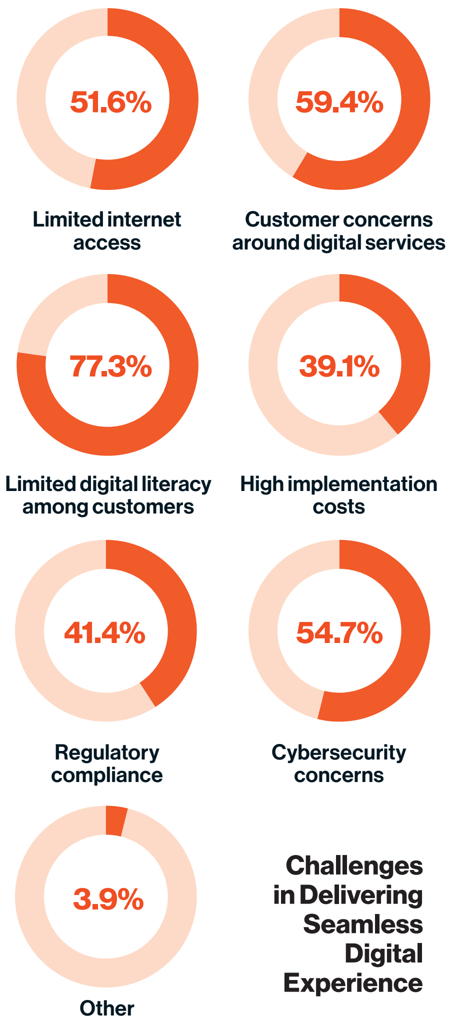
A lot of these platforms initially restricted their ambitions to basic services, such as transferring money, paying bills and checking balances. They are now making their services more sophisticated by offering other retail services, such as lending; by expanding into other segments; and by refining their relationships with digital customers.

This final trend is characterised by a strategy to make services as bespoke to individual customers as possible in a 'segment of one'. There is a risk that providing services digitally rather than face-to-face can put barriers between banks and customers, but more customer-centric strategies are now seeking to create more personalised and meaningful relationships. This approach also has the potential to give banks much more detailed data, to allow them to make more bespoke product offers to customers.

Digital banking has the potential to revolutionise access to credit for many less wealthy people. It was previously often not commercially viable to offer loans for very small sums because of the administration load involved – and less than 10% of the population of Africa had access to credit in 2024, according to the European Investment Bank.

However, loan applications can now be automated without the need for bank staff oversight and the outcome of applications can be communicated to customers within minutes rather than days or weeks as before. This speed is likely to greatly drive up demand for small-scale finance.

Some banks are now also adopting omnichannel strategies, which involve working to ensure that customers have the same experience whatever method they use to access financial services, by integrating the operation and appearance of services across all channels.



Above: An infographic taken from the *Next Gen Retail Banking* report's survey, showing the proportion of banks experiencing digital service delivery issues

This allows customers to switch between devices and different forms of service delivery without any difficulties or interruptions. The Backbase/*ABK* report shows that 84.4% of survey respondents are working to integrate digital and physical branch services. Banks are moving beyond launching separate customer touchpoints to creating integrated and seamless services across physical branches, mobile apps, web platforms and contact centres.

Expanding digital literacy

African banks are also working to minimise the time it takes customers and potential customers to access services by making digital platforms very intuitive. An enormous 77.3% of survey participants said that limited digital literacy among customers was a big challenge, while 51.6% cited limited internet access.

If a large proportion of the population is unable to afford an internet-connected mobile phone and the data to operate it, then they are generally unable to access digital services and so have limited opportunity to gain the necessary digital literacy. Improving these figures will be a long-term process but World Bank research in 2023 found that IT studies were included in the curricula of just half of all African countries. Even fewer teach financial literacy but most people probably learn most in both areas in their day-to-day activities, including from friends, family and online sources, although the soundness of information provided on the internet obviously varies massively.

Access to digital financial services will also be eased by falling mobile handset and data prices, and rising electrification rates to allow handset charging at home rather than at neighbours' homes or solar kiosks, for instance.

Banks do have a role to play here in ensuring that they explain their offerings as clearly as possible. Coupled with sound security, this will help reduce the 54-59% of survey participants who said that they had concerns over using digital services and around cyber security.

Banks act as custodians of both money and personal and financial information, which makes them targets for cyber attacks, which could result in huge losses and widespread reputational damage.

Two of the main recommendations in a report published by consultants McKinsey and Co in December 2022 to drive up African banks' return on equity were "driving awareness of digital-channel benefits" and "adopting a pervasive approach to customer education and support across digital channels", including through the provision of demos, webchat support, and enhancing the ability of customers to access support in their own language.

According to McKinsey, banking sector ROE was 1-2% below pre-Covid-19 levels in Africa's biggest banking markets (except Kenya), while operating costs had been flat, although revenues were higher than before the pandemic. McKinsey found that a large part of the banking value chain was still dependent on manual tasks being carried out by bank employees, which generated 60-70% of costs, so the focus on digitalisation should be central to helping to lift productivity rates.

In the long term, attracting more customers and providing services to them at a lower cost will improve most bank metrics and generate more income to be reinvested in improving their operations. ■

» Trends «

The withdrawal from Africa of British and French banks, which began in 2016, seems to have reached its peak recently. But while the Europeans are leaving, the Americans are staying or expanding. **Neil Ford** charts this movement and says that the withdrawal offers enormous opportunities for African banks.

British and French withdrawal could be a boon for African banks

There has been a big changing of the guard in terms of Western banking operations in Africa in recent years. Some of the traditional British and French heavyweights have withdrawn since the Covid-19 pandemic but at least one US counterpart has begun to move in.

There is often a retreat from frontier markets during periods of intense global instability but this two-way movement suggests that there has not been a specific crisis of confidence in either Africa in general or the continent's banking sector in particular.

Many European banks are seeking to focus on their core markets, in line with the wider commercial trend of companies in many sectors minimising their risks. High operating costs, high rates of non-performing loans (NPLs), regulatory constraints and low profits have all also been blamed for the divestments – with many metrics less attractive in Africa as a whole than in other emerging market regions.

McKinsey & Co calculated that profitability in Africa's five biggest banking markets – Egypt, Kenya, Morocco, Nigeria and South Africa – fell by 2% between 2016 and 2022.

Basel III regulations have forced banks to strengthen their capital bases, while anti-money laundering and terrorism legislation has forced them to increase oversight of their operations in small markets. International banks seem to have been particularly wary since French bank BNP Paribas was fined a massive $8.9bn by US prosecutors in 2014 for breaking sanctions on Sudan, Cuba and Iran.

Retail banking is still generally not particularly profitable in many African markets, while local knowledge tends to be crucial. At the same time, mobile banking has quickly increased the levof competition while more African banks now offer foreign currency accounts.

The process of European divestment began as long ago as 2016, when Barclays began selling off its African assets. It sold its Egyptian subsidiary to Morocco's Attijariwafa Bank in 2016 and its Zimbabwean offshoot to Malawi's First Merchant Bank the following year. It also began reducing its 62.3% stake in one of South Africa's big four banks, Absa, in 2017, a sale that it completed in 2022, losing access to Absa's operations in a dozen other African markets in the process.

> While European banks retreat from Africa, citing low profits and high risks, US giant JP Morgan's expansion signals enduring confidence in the continent's long-term economic potential.

Also in 2022, the previously Asia and Africa-focused British bank Standard Chartered announced that it would leave five African countries. It quickly moved to sell its subsidiaries in Angola, Cameroon, The Gambia and Sierra Leone to Nigeria's Access Bank and most recently, in June 2025, it was reported to have completed the sale of its retail and wealth operations in Tanzania, again to Access. However, it is retaining its corporate and investment banking businesses in Tanzania, Botswana, Uganda and Zambia.

In November 2024, it also announced that it was exploring the sales of its wealth and retail banking (WRB) businesses in Botswana, Uganda and Zambia "to fund incremental investment in its leading wealth management business" in alignment with its new strategic priorities plan.

Standard Chartered's divestment programme is not limited to Africa and also includes Jordan and Lebanon, but it remains committed to much of the rest of Asia. In terms of Africa, it appears to be concentrating on those African operations that have performed best over the past few years, with its assets under management in Kenya increasing by a quarter in 2023 to KSh185.5bn ($1.4bn).

Group Chief Executive Bill Winters commented: "We continually assess the efficacy of our global business model and regularly take action to concentrate resources where we have the most distinctive client proposition. We have invested heavily in recent years in Africa, where we have operated for 170 years, and which remains core to our global network." The bank has more than doubled its wealth assets under management in sub-Saharan Africa since 2021, in large part because of strong growth in Kenya and Nigeria.

HSBC expects to complete the sale of its South African business to the country's own FirstRand Bank by this October. It has no retail banking operations in the country but has offered investment and business banking services since the end of the apartheid regime three decades ago. The British bank has always focused more on Asia than Africa but has agreed to provide its equities and securities clients with access to the South African market

Below: Jamie Dimon, Chairman and CEO, JP Morgan Chase (*2nd r*), at the Central Bank of Nigeria on his whistlestop tour of several African countries last October. He was hosted by CBN executives including (*l to r*): Muhammad Sani Abdullahi, Deputy Governor of Economic Policy; Governor Olayemi Cardoso; and Emem Usoro, Deputy Governor of Operations

» Trends «

via a new deal with Absa Bank.

The divestment process is perhaps most surprising when international banks pull out of the very biggest African banking markets. BNP Paribas and Crédit Agricole have both closed operations in South Africa, with the latter also selling its Moroccan offshoot in 2022.

One of France's biggest banks, Société Générale, has sold off or is in the process of divesting its operations in a dozen countries in North, West and Central francophone Africa. It has also closed down its much-heralded mobile wallet, YUP. There is huge competition in the mobile money sector and also between mobile banking and mobile money, so it is no surprise that not all products have been a success.

African banks step into the breach

The negative effects of the sales for individual African banking sectors include less access to foreign exchange, reduced competition and loss of correspondent banking relationships.

Some African markets may offer lower returns and relatively high risk now, but taken as a whole, this process seems short-sighted given the fact that seven out of the world's 10 fastest-growing economies are in Africa and the continent is increasingly driving global demographic – and therefore consumer – growth. The population of sub-Saharan Africa alone will increase from 1.3bn now to 2.2bn by 2050 and 3.3bn by 2100, according to UN figures.

In November, the Cameroon-based Nkafu Policy Institute said that the provision of financial infrastructure necessary for facilitating payments within the African Continental Free Trade Area (AfCFTA) has been "jeopardised by the recent withdrawal of European banks from Africa". It could also "pose challenges for trade finance, correspondent banking relationships, and the availability of foreign exchange", it said.

The situation varies from year to year but African banks as a cohort are steadily becoming stronger, so this withdrawal is creating significant opportunities for banks headquartered on the continent to expand quickly. African banks have bought many of the assets that British and French banks have sold off and will otherwise benefit from the withdrawal of competitors in terms of customers having to switch bank.

Both established and digital-first African banks are stepping up the range of retail and SME products they offer via digital platforms – and international banks have in any case been much more reluctant to finance small African businesses and provide services to less wealthy potential retail customers. However, the loss of Western banks may be felt more keenly – initially at least – in corporate and investment banking.

Above: The port of Lobito, Benguela Province, Angola. US banks are heavily involved in project finance in Africa – such as, backing the Lobito Corridor project to extend the Benguela railway into Zambia

Its acquisitions from Standard Chartered have also accelerated Access Bank's expansion across the continent. Roosevelt Ogbonna, the Group Managing Director of Access Bank, said that the bank's new subsidiaries would support its five-year growth plan by using its technological capacity to build new relationships within Africa and internationally, helping it to handle global payments and remittances efficiently.

It will be interesting to see whether the process creates new African banking powers. Guinea's Vista Group and Coris Group of Burkina Faso have both snapped up assets from retreating French banks. Moreover, while Moroccan companies have been among the biggest beneficiaries, it has been Groupe Holmarcom and Saham Group buying former French subsidiaries rather than Morocco's biggest traditional banks.

US interest going against the grain?

While the European banks have either withdrawn entirely from some African markets or pulled out of specific banking segments, one US giant is actually seeking to expand on the continent. JP Morgan, which already operates in Nigeria and South Africa, is in the process of entering the Kenyan and Ivorian commercial and investment banking markets as part of its plan to gradually expand in Africa, apparently by securing new banking licences.

The process has been fairly slow but it was authorised to open representative offices in both countries last year. Despite being among the world's biggest banks, it does not appear that African financial services regulators are speeding up regulatory processes for US banks.

Competing in already crowded marketplaces will be a big challenge, particularly in regional banking hub Kenya. The number of commercial banks in the country fluctuates but is generally above 40, making it one of the best-banked countries on the continent. JP Morgan will also face competition from Chinese banks for development and infrastructure financing in Kenya, including from Industrial and Commercial Bank of China and China Development Bank.

US banks have far more limited operations in Africa than their French and British counterparts even now. Citigroup is by far the best represented US bank on the continent, operating in 12 countries, while JP Morgan, Goldman Sachs and Bank of America will only have six between them even after JP Morgan opens its two new subsidiaries.

Yet they are important players in the corporate sector, as the five biggest African mergers and acquisitions deals in the first half of 2024 were all advised by US banks, with Morgan Stanley leading the way. US banks are also heavily involved in project finance, such as backing the Lobito Corridor project to extend Angola's Benguela railway into Zambia.

The fact that US banks are at least starting to increase their African interest at the same time as European banks are withdrawing suggests that the trend is not driven solely by African markets' lack of attractiveness. There are clear obstacles in the form of low profits, regulatory concerns and high rates of non-performing loans (NPLs) by international standards, but at the same time the continent is likely to become increasingly lucrative because of growing cross-border trade volumes as a result of the AfCFTA, and the growing numbers of potential customers arising from rapid population growth.

Yet it is easy to overlook the role of African banks in this process. They tend to know their own markets best, are quickly rolling out new technology and have been able to buy up assets from the withdrawing British and French banks. Although the divesting banks have not said so, there may be an element of being outcompeted – in the retail sector at least – by their African counterparts. ■

» **In Conversation: Tom Beloe,** UNDP Director of Sustainable Finance «

Tom Beloe (*below*), the UNDP's New York-based Director of Sustainable Finance, in conversation with **Stephen Williams** at the UN's Fourth International Conference on Financing for Development (FfD4) in Seville, Spain.

Connecting the dots to unlock development finance

Tom Beloe says a key UNDP strategy for unlocking and aligning finance with national development priorities is strengthening the systems that connect policy, institutions and investment.

"As a trusted partner with global reach and deep country presence," he explains, "we help governments improve budget governance, expand fiscal space, and create the enabling conditions to attract capital.

"Between 2022 and 2024, every dollar received by the UNDP catalysed nearly $60 in additional SDG-aligned investments, totalling over $870bn. This includes $430bn in public budgets aligned through reforms, and $380bn in private finance channelled through stronger investment ecosystems and standards.

"In Africa, the UNDP is supporting over 30 countries with Integrated National Financing Frameworks (INFFs). Initiatives like the Africa Minigrids Programme are expanding solar energy and catalysing investment across 21 sub-Saharan countries.

"In Kenya, for example, €16.6m in blended finance is driving solar-powered cold storage for smallholder farmers. We've identified over 200 investment opportunities across 11 sectors, 130 of which support climate goals."

Is Beloe optimistic that the *Compromiso de Sevilla* (Seville Commitment – a conference outcome commitment to action) will help mobilise the estimated $4.3trn needed to bridge the SDG financing gap?

"The *Compromiso de Sevilla* provides a foundation for aligning all sources of finance, public and private, with sustainable development and climate goals. It helps governments connect finance with climate, nature and development priorities. The UNDP is already working with over 100 countries to implement core elements of the Sevilla outcome – from public finance reforms and integrated financing strategies to partnerships unlocking private capital."

However, given today's geopolitical and economic challenges, what additional measures does he think it will be necessary for the UNDP to champion, to stimulate such a huge global development?

> Between 2022 and 2024, every dollar received by UNDP catalysed nearly $60 in additional SDG-aligned investments, totalling over $870bn.

"In an increasingly fragmented world," Beloe says, "the UNDP is focused on firstly, helping governments to strengthen public finance systems, expand fiscal space, and boost domestic revenue, such as through initiatives like Tax Inspectors Without Borders, which has mobilised $2.4bn in additional revenue.

"Secondly, by stimulating private capital mobilisation, we support countries in de-risking investment, building SDG-aligned pipelines, and leveraging new instruments, like thematic bonds and the upcoming ISO/UNDP Management System Standard, to expand access to private finance.

"And, through multilateral co-ordination such as platforms like Integrated National Financing Frameworks (INFFs) and regional initiatives like the Platform for Investment Support and Technical Assistance (PISTA), the UNDP fosters collaboration between governments, development finance institutions and investors."

A governance challenge

Most people will know that poverty eradication and reducing inequality remain core UNDP goals. As Beloe says: "The UNDP's work on finance is about delivering results for people by reducing poverty, expanding access and creating opportunity.

"Across Africa, we're helping countries channel more finance into health, education, energy access and social protection. Through initiatives like gender-responsive budgeting and social spending reviews, governments are directing resources where they matter most."

As an example, he says, "The Timbuktu Initiative is mobilising public and private capital to grow the African innovation ecosystem. By investing in youth-led start-ups and inclusive tech solutions, it is helping to create jobs, drive local development and align entrepreneurship with SDG priorities."

The *2025 UNDP Human Development Report* focuses on the promise – and risks – of AI. Beloe is confident that the UNDP is helping shape this future. "The report highlights that AI is not just a technological shift, it's a governance challenge. UNDP is helping countries ensure their digital transitions are inclusive, ethical, and aligned with human development goals.

"This is a pivotal moment for development finance. The clock is ticking, and traditional approaches are not delivering the scale of change needed.

"The UNDP is advocating for a bold follow-through country-led financing strategy, including recognition of the Integrated National Financing Frameworks, to align all finance with national goals."

These outcomes, he says, "will determine whether the world finances a more equitable, inclusive, resilient future or fails to meet this moment." ■

Op-Ed: by Kola Aina

Can Africa hook into growing 'local capital start-ups' trend?

The number of African start-up unicorns is increasing, with funding coming largely from foreign investors. But there has been a major shift in global funding since the beginning of this year, with local investors outpacing foreign capital. This 'capital with context' concept has significant advantages. How can Africa hitch itself onto this trend?

In 2017, I gave a TEDx talk entitled *'Who Will Own Our Future Unicorns?'* At the time, the only billion-dollar startup on the continent was Jumia – a pan-African e-commerce, logistics and payment company – which became a unicorn in 2016.

Yet I was convinced more would emerge; and they did in 2019, with Fawry and Interswitch. Since then, we've witnessed more African startups achieve billion-dollar valuations, attract international funding, and even exit to major global players.

This represents a significant growth-marker for the continent's start-up ecosystem, with many of these businesses solving critical pain points and becoming an essential part of our daily lives, particularly within the payment sector.

However, the original question I raised in the TEDx talk in 2017 still lingers: Who truly owns the upside of Africa's innovation economy? More specifically, who carries the responsibility for sustaining it?

African startups continue to attract meaningful global interest. In 2024 alone, they secured $3.2bn, a testament to the talent and ambition thriving on the continent. Most of this funding came from foreign investors, including development finance institutions and international venture firms.

These partners have played an essential role in catalysing Africa's innovation ecosystem, a role that continues to be required and one that is deeply valued. Their contributions, including capital, institutionalisation, risk appetite, and proven playbooks, have helped lay a strong foundation for growth.

As the ecosystem matures, we're beginning to see the emergence of a new dynamic: the rise of 'capital-with-context'. For the first time, in the first quarter of 2025, local investors participated in more deals than foreign investors.

This is a meaningful signal, not a shift away from what has worked, but an expansion. It's a sign that the base of support for innovation is broadening and that more local stakeholders are joining the journey, feeling empowered by their role, the responsibility it carries, and the allure of significant upside.

What's needed now is deeper participation. I use 'capital-with-context' to describe local capital, which has context and lived experience in the markets where the businesses it invests in operate.

This capital can come from angel investors or institutions alike. Local capital does not replace global capital, but it adds a layer of unique and valuable understanding. These capital sources have experienced the hectic Cairo traffic and

Right: Chowdeck is an on-demand food delivery service operating throughout Nigeria, co-founded by Femi Aluko, formerly Principal Engineer at Paystack

understand the WhatsApp group traditions of the diverse niche communities in Lekki, Lagos State.

Investors with a local context can move beyond contractual transactions to deeply embedded relationships. They help navigate informal, 'permission-based' systems, understand regulatory nuance, and offer trust built on proximity and shared experience.

There's a growing appreciation that this kind of capital, alongside global capital, can strengthen startups in practical ways – by supporting alignment with local needs, ensuring relevance in complex environments, and fostering long-term sustainability.

None of this diminishes the role foreign capital has played or continues to play. The goal is to build partnerships that are even more balanced, resilient, and inclusive. As seen in markets like Silicon Valley, Shenzhen, and Bengaluru, a strong local capital base often grows alongside international support. The result isn't less global; it's more rooted and, ultimately, more sustainable.

A turning point

A turning point may have emerged. In Q1 of 2025, local investors outpaced foreign ones in start-up participation for the first time. This is proof that the tide can indeed turn. But it's still a fragile moment. Without deliberate action, we risk losing the momentum.

Thankfully, in recent times, many early investors in African startups have experienced liquidity events through strategic exits or secondary sales, with multiples of up to 50 times invested capital.

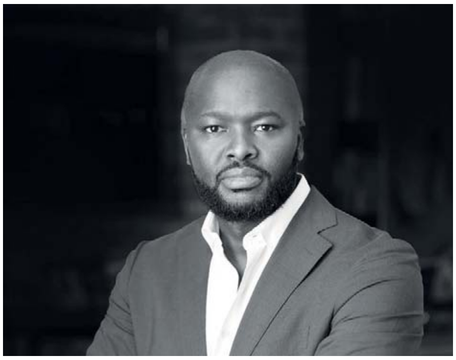
The reality is that as a local investor, your proximity to the challenges in our markets is an advantage when paired with capital. An advantage that can help increase the likelihood of success for a start-up you invest in.

To build lasting momentum, the 'Africa Playbook' must employ local investors who have either built local businesses from start to finish and beyond, with battle scars and lessons to share with founders, or who are deeply connected via their experiences in large local enterprises on the continent.

Drawing also on the input of foreign investors, who bring deep pockets, growth capital, global playbooks, experience from other markets and international networks, Africa-based founders increasingly want to expand from Africa to the rest of the world as global champions.

Just like LemFi, Moove and a growing number of scaled African start-ups that started locally, backed by local capital, but have leveraged global investor networks to expand globally.

In the US, endowment and pension funds became a cornerstone of start-up capital, bringing long-term vision and scale. In China, state-backed funds and tech conglomerates led the way. In India,



> LemFi, Moove and other scaled African start-ups began locally, backed by local capital, but have used global investor networks to expand worldwide.

it was a mix of regulatory reform, family office participation, and government co-investment. Each market found its distinct path. Ours will look different, but no less deliberate.

So, what might Africa's roadmap include?

Institutional and angel capital

Our pension and insurance funds represent over $20bn in untapped capital. These pools are patient, domestic, and well-suited to ventures' long-term horizons. While startups are high-risk ventures, the potential outsized return can offer an attractive barbell strategy advantage that helps boost the overall return profile for what are meant to be low-risk portfolios.

The Nigeria Sovereign Investment Authority (NSIA) and others, such as the Micro, Small and Medium Enterprises Development Agency (MSMEDA) in Egypt, are blazing the trail, but much more is needed.

While reforms are underway, they remain incomplete. The Nigerian Startup Act, for instance, includes tax incentives to spur local investment; however, these incentives have yet to be implemented.

We've seen what similar policies have achieved in places like the UK, where plans like the Enterprise Investment Scheme (EIS) dramatically increased angel activity by de-risking early-stage bets. If we activate similar mechanisms, we'll lower the barrier for local capital to engage, especially at the critical seed and Series A stages, where local context matters most.

Reevaluating scale

We also need to revisit our idea of scale and terminal exit valuations. Not every company needs to become a unicorn. In fact, a healthy ecosystem should accommodate a range of outcomes: capital-efficient businesses that exit at $50m or $100m, startups that list on local exchanges, and companies that generate steady dividends or adopt revenue-sharing models.

Our capital markets may not yet support massive IPOs, but they can and should create liquidity at more accessible levels. It's essential to begin building companies designed to succeed within our current infrastructure, even as we work to deepen it. After all, liquidity is critical to driving sustained investor participation, whether local or foreign.

One of the most important shifts we can make is cultural: encouraging more local participation at the angel level. After Paystack's exit in 2020, for instance, I was flooded with calls from people wanting to invest in startups, many of whom had never considered venture capital. But by 2024, much of that interest had faded amid FX shocks and economic uncertainty.

This cycle of excitement followed by retreat is understandable. Currency devaluation and macro swings are significant challenges. But for those of us investing in emerging markets, these challenges aren't bugs; they are a feature. Venture invests across vintages, rather than cherry-picking years of comfort. If we want to benefit from the upside, we must be dogged and stay present through the cycles – this holds for all investing.

This is why I am excited about the work that groups like the Lagos Angel Network, Africa Angel Academy, and African Business Angel Network are doing to educate and expand the pool of active angel investors. On the institutional side, at Ventures Platform, we're committed to supporting a broad and resilient base of capital allocators that evolve and invest through cycles. ■

Kola Aina (above) is the Founding Partner of Ventures Platform, an early-stage VC fund that invests in innovative startups across Africa.

4G Capital, winner of the 2025 African Banker Awards Best Fintech category is one of the continent's fastest growing firms specialising in lending and growing small businesses. Since 2013, it has delivered 5.5m loans, valued at $620m to more than 600,000 customers.

4G Capital: Building a better world, one small business at a time

4G Capital, the leading neobank lender to micro-enterprises, is on a mission to grow small businesses across the world. From its base in East Africa, the fintech is scaling its solution to the global challenge of delivering working capital to these businesses.

Starting from sub-Saharan Africa, the fast-growing firm is pioneering tech-driven financial inclusion to bridge the urgent financing gap estimated at $500bn by the International Finance Corporation.

It delivers unsecured short-term loans, for up to 30 days, to small businesses in Kenya and Uganda through mobile money. This is peppered with customised business skills training to enhance the chances of success for these excluded, yet high potential micro-enterprises, the majority of which are run by women and youths in rural communities.

By enabling these businesses to grow, 4G Capital is also unlocking the massive opportunity presented by the rapidly expanding informal sector in creating jobs and improving the quality of life in communities. In Kenya, for instance, the informal sector is a critical cog in the economy, supporting 83.6% of jobs according to the government's Economic Survey 2025.

At the core of 4G Capital's solutions is human customer service delivered by an agent network of 1,600 people from its 211 branches across Kenya and Uganda.

The field staff are backed by the firm's pioneering, proprietary AI-backed technology platform that has an advanced assessment model to robustly select, size and approve the right loan suited to each prospective customer's business cycle. This has minimised defaults, with repayment rates averaging 94.6%.

Left: A proud moment as the Founder and Executive Chairman of 4G Capital, Wayne Hennessy-Barrett receives the Best Fintech Award at the African Banker Awards 2025

Starting from sub-Saharan Africa, we're pioneering tech-driven financial inclusion to unlock the potential of the informal sector and bridge a $500bn financing gap.

Touch-tech model

"We are evolving and scaling our unique touch-tech model to deliver an African solution to the global challenge of unlocking the potential of the informal sector. Starting with data from the ground through our field officers, we are scaling with data and fintech to provide working capital to businesses," says Wayne Hennessy-Barrett, the Founder and Executive Chairman of 4G Capital.

In just over a decade, the fintech's growth has been phenomenal, recording market-leading impact. Since 2013, it has delivered 5.5m loans, valued at $620m to more than 600,000 customers; with their ability to borrow almost doubling over 36 months. This has helped the customers' businesses to thrive – 72% of whom are female traders and 81% are based in rural markets – in addition to creating 1.3m indirect jobs.

This has earned 4G Capital huge acclaim and it was recently named Best Fintech at the prestigious African Banker Awards 2025, which celebrate excellence and innovation in Africa's financial services industry. This is in addition to multiple industry awards and recognitions, including being the highest scoring fintech amongst B-Corporation firms, a new class of businesses committed to balancing purpose and profit.

"We are committed to responsible lending because we succeed when our customers do. Since we cater for some of the most underserved entrepreneurs, our delivery model and backend is built to ensure that we do not inadvertently introduce more risk and vulnerability.

"Our intention is to create a global business neobank to help small businesses escape the poverty trap through success in their enterprises," Mr Hennessy-Barrett adds.

Building on the huge progress made in East Africa and lessons learned, 4G Capital now has its sights on the global stage

Above: A 4G Capital field agent taking a customer through a tailored business skills training session

AMOUNT DISTRIBUTED
$620M

ENTERPRISES SUPPORTED
>600K

REPEAT CUSTOMERS
89%

YOUTH CUSTOMERS BENEFICIARIES
1.3M

CUSTOMERS TRAINED
380K

FEMALE CUSTOMERS BENEFICIARIES
72%

RURAL CUSTOMERS
81%

NET PROMOTER SCORE
67%

that has a $10trn financing gap for small businesses. It intends to scale the solution into other African markets, before moving on to Latin America, Asia, the Middle East and North Africa. This will see it scale its products, lending more than $3.6bn over the next five years to enable underserved small businesses that are overlooked by formal lenders to thrive and transition into formal enterprises, to support the livelihoods of a growing global population.

Delivering on this ambition will need access to significant capital for onward lending. This will follow up on successful capital raises so far – from seed financing in 2013, 4G Capital secured Series A funding in 2016/17, Series B funding in 2020 and Series C funding in 2022.

"Investing in small businesses to grow is an opportunity to do good and service the economy while delivering market-beating returns to investors," Hennessy-Barrett says. ■

Islamic Finance

Sukuk, an Islamic debt instrument that earns returns for the investor rather than providing interest, has become an important addition to the traditional public fundraising mix and an increasing number of African sovereigns are resorting to it to fill in gaps in their infrastructure and other financing. **Mushtak Parker** reports on the latest deals.

Sukuk popularity growing in Africa

Four of the five largest African economies have resorted to raising funds from the international financial markets through sukuk issuance in the last few weeks. The question is whether such issuances are now becoming a regular feature of the mainstream public debt raising mix of debt management offices (DMOs) at several African ministries of finance.

A sukuk is an Islamic financial trust certificate, equivalent to a bond in conventional finance, that complies with Islamic religious law commonly known as sharia. Since the traditional Western interest-paying bond structure is not permissible, the issuer of a sukuk essentially sells an investor group a certificate, and then uses the proceeds to purchase an asset, repaying investors with funds accruing from the acquisition.

Sovereign debt is the bane of many countries, irrespective of economic status, and carries the burden of exorbitant debt servicing and finance costs, especially for developing countries, because of exaggerated risk perceptions by rating agencies. Africa is no exception in this respect.

But the playbook of African sukuk issuance is changing and assuming a 'Made in Africa' element, which may yet serve as a model for other equivalent issuers elsewhere. At the end of June 2025, Egypt for instance raised $1bn through the issuance of a leasing sukuk with a tenor of three years, priced at a rate of return of 7.875% per annum, payable semi-annually in arrears.

What is unique is that the entire issuance was underwritten by one bank, Kuwait Finance House (KFH), through a private placement, which also saves on costs associated with investor roadshows and calls, ratings and bourse listings. KFH is no ordinary bank. It is one of the largest in terms of assets under management and the second oldest Islamic bank in the world, established in 1977. Prior to this, Egypt raised $1.5bn through a similar leasing sukuk in February 2023.

According to the Public Debt Management Unit at the Egyptian Ministry of Finance, the plan is to issue several further sukuk tranches over the next three years, under its $5bn Trust Certificate Issuance Programme.

Four of the five largest African economies have recently raised funds through sukuk.

Egypt's Finance Minister, Ahmed Kouchouk, stressed that despite the present economic challenges related to the current conflicts in the Middle East region, the sukuk issuance also comes at a time of notable improvement in the Egyptian economy. The proceeds from the issuance will be used to finance gaps in the 2024/25 national budget. The Ministry of Finance affirmed its commitment to reducing the external debt for budget bodies by around $1bn to $2bn this year.

While South Africa and Egypt have tapped the US dollar market with their debut sukuks in the past, the Federal Government of Nigeria (FGN), despite regular issuances in the conventional Eurobond market, has ring-fenced its sukuk issuances in the naira-denominated market and they are exclusively linked to the building and rehabilitation of 44 arterial roads and bridges across the six geopolitical zones of the country and the Federal Capital Territory.

In May 2025, the Nigerian Debt Management Office (DMO) issued its seventh sukuk to date, raising ₦300bn ($190m) through a 7-year leasing sukuk, priced at a fixed rental rate of 19.75% per annum, payable semi-annually in arrears. The transaction firmly entrenches the debt instrument in the public fundraising playbook of the Ministry of Finance.

The costs associated with sukuk and bond issuances are directly linked to issuance regularity, the presence of a yield curve, the success of the DMO in diversifying its fundraising strategy and investor base, and advancing the cause of access to and financial inclusion in the country's capital market. A recent report by Fitch Ratings showed a strong correlation between the pricing and yields of conventional bonds and sukuk.

What was remarkable about this seventh FGN sukuk issuance is that it was oversubscribed by 735%, achieving an

unprecedented subscription level of over ₦2.205trn ($1.41bn).

"This is clear evidence of the huge investor-appetite for the ethical instrument introduced by the DMO in 2017, as an innovative strategy to expand the nation's investor-base and provide opportunities for all Nigerians to participate in the activities of the capital market.

"An analysis of the subscriptions showed that subscribers cut across various segments including retail, non-interest banks and financial institutions, conventional banks, pension funds, and asset managers," stated the DMO.

To date, the DMO has raised ₦1,392.5bn ($892.46m) through its seven sukuk issuances. "The raising of funds through sukuk issuances to finance infrastructure projects," says the DMO, "aligns with our President's Renewed Hope Agenda, for which infrastructure development is a key pillar. The DMO remains committed to providing safe and liquid investment products to the public and supporting the FGN's development plans."

Social and financial inclusion

The success of the FGN's sukuk strategy is also based on its social and financial inclusion and sustainability goals, a stated priority of the DMO's Director General, Patience Oniha.

This latest issuance involved a wide range of Nigerian financial institutions, thus expanding the sukuk financial engineering value chain, and was jointly arranged by Greenwich Merchant Bank Ltd; Stanbic IBTC Capital Ltd, a member of South Africa's Standard Bank Group; and Vetiva Capital Management Ltd.

It also has a strong retail subscription from ordinary Nigerians, thus democratising access to the capital market, backed by the sovereign guarantee of the FGN, thus giving extra comfort to ordinary investors.

The DMO's strategy of instigating wider public awareness campaigns for encouraging investment in sukuk is paying off – judging by the 735% oversubscription. Even for institutional investors, the DMO organises a regular Investors' Meeting in Abuja for the Sovereign Sukuk Issuances, as it does for Eurobond offerings.

> Sukuk is generally seen as a cost-effective, ethical and sustainable fundraising proposition.

The economic impact of the issuance of sukuks is evident in the improved road infrastructure and timely completion of designated projects. The DMO says there has been an improvement in road safety, travel times and faster movement of goods between major commercial cities.

The sukuk certificates are listed and traded on the Nigerian Exchange Limited and FMDQ Securities Exchange Limited, potentially freeing up further liquidity for projects.

Despite the evolving outlook for Nigerian sukuk origination, its potential is much bigger. The credit risk credentials of Nigerian sukuk offerings will only be tested when the DMO issues rated debt papers in the international US dollar or euro market, if only to ascertain international investor appetite for such papers and to diversify the sovereign's foreign investor base.

There is also the challenge of how to upscale sukuk issuances to crowd in private sector involvement and to get more Nigerian states, agencies and corporates, like the Dangote Group, to raise funds through sukuk offerings, as an alternative to using often more expensive conventional bank finance, thus adding depth and variety to the local capital market.

Algeria's maiden sukuk

Algeria is another market that is on the cusp of issuing its maiden sukuk. Despite being a founder member of the supranational Islamic Development Bank (IsDB), with its 27 African member states, it is a relative newcomer to the Islamic finance and capital market.

The government of President Abdelmadjid Tebboune hosted the 2025 IsDB Group Annual Meetings in Algiers in May 2025, which seems to be a driver of a newfound connectivity with the estimated $5trn global Islamic finance industry.

A proposed debut sovereign sukuk has been approved under the 2025 Finance Law and the Ministry of Finance's Sukuk Issuance Framework. Banks are in the process of being mandated to manage the transaction, which is likely to be denominated in the local currency, the Algerian dinar, DZD. The proceeds from the issuance will be used to finance projects and infrastructure.

The plan is to go to the market for the debut sukuk in Q3 2025 to complement the funding needs of the 2025 National Budget, aiming to attract a wider base of foreign investors by diversification of the source of funding and investor base, and to boost confidence in the local capital market.

According to Zohir Laïche, CEO of CAGEX (the State-owned Algerian Export Insurance and Guarantee Company), "Islamic finance is steadily growing in Algeria, despite the country's late arrival at the global level. The government has taken steps to develop the industry, including launching Islamic banking products and exploring alternative financing mechanisms such as sukuk.

"However, structured growth and regulatory developments are still needed. As the country explores syndicated Murabaha structures and sukuk for raising capital, we see an opportunity for insurance mechanisms (such as credit and political risk insurance) to complement these initiatives, thereby strengthening investor confidence and financial stability."

Neighbouring Morocco is also set to join the sukuk issuance trend. In July, Reuters, quoting the Central Bank Governor Abdellatif Jouahri, confirmed that the Kingdom is in the process of issuing its second sovereign sukuk in the second half of 2025. Morocco issued its debut 5-year sukuk in 2018 which matured in 2023 and which raised 1bn dirhams (about $110m) in the process. ■

CAPITAL MARKETS

Capital markets expert presents his quarterly review of the most significant developments in Africa's stocks and shares environment.

CAPITAL MARKETS

Somalia's national stock exchange 'a new dawn' for the country

BY TOM MINNEY

The National Securities Exchange of Somalia (NSES) was launched on 19 June 2025. A coalition of local investors and financial experts established the exchange, which will start operating as a private, self-regulatory organisation. The Central Bank of Somalia has pledged full technical support to ensure it follows international best practices.

Speaking at the launch, President Hassan Sheik Mohamud of Somalia said: "Somalia is open for business and is open for everyone. Somalia has started launching its stock exchange, where we hope soon there will be a market whereby the Somali people and our international partners can buy and sell the shares of their companies. That is the new Somalia on the horizon."

Somali Prime Minister Hamza Abdi Barre said the NSES "marks a new dawn" for Somalia's economy: "We are opening the gates to investment, to entrepreneurship, to progress." Somalia's Finance Minister, Bihi Iman Egeh, was also present at the launch.

The move comes as Somalia embarks on broader structural reforms to stabilise and modernise the economy. The new bourse will work with the Ministry of Finance and other government agencies to develop the policy and legal frameworks.

Exchange officials are drafting listing and compliance regulations and aim to get at least 10 firms listed in the next 2 years. The initial listing requirements were completed in January 2025.

The aim is to start trading shares in early 2026. The NSES said it launched its market data and analytics platform in April 2025.

The NSES has appointed Yasin M. Ibar as CEO. He was previously CEO of the Somali Bankers' Association. He said: "NSES will create opportunities for companies to access capital, for investors to support Somalia's growth, and for our economy to integrate effectively into regional and global markets. This is more than just a market. It's a chance to connect Somali businesses to global capital."

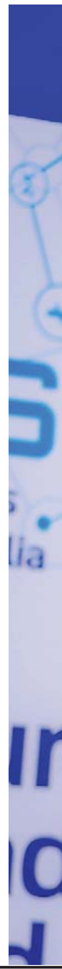
The new bourse will target equity listings by telecommunications, banking, real estate, energy and agriculture companies. It will provide a platform for issuing government-backed, Shariah-compliant sukuk (bonds) to finance priority infrastructure and development projects.

Somalis living abroad may be a key pool of investors for the companies listed on the new bourse. A study by the Danish Institute for International Affairs reported: "Remittances sent by Somalis abroad are estimated at $1.4bn to $2bn a year. As circa 40% of all Somali households receive remittances, for food security, education, health, investments and emergencies, this constitutes an indispensable lifeline." The NSES plans to launch financial literacy campaigns at home and in the diaspora.

This is Somalia's second stock exchange, after the Somali Stock Exchange (SSE) was founded by the Somali Economic Forum (SEF) and began selling its first shares on 1 September 2015 at the exchange's offices in Garowe, Mogadishu and Hargeisa. It has 10 listed companies, according to its website. Its aim is to promote foreign direct investment (FDI) into Somalia and promote private sector development.

The SSE and its CEO, Hassan Dudde, organised a Somali Capital Markets Forum on 23 June, with a heavy focus on green finance, healthcare investment and the evolution of Islamic finance as a cultural and strategic asset. These sectors are viewed as offering strong returns alongside social value.

The two Somali securities exchanges are among the nine members of the East African Securities Exchanges Association.



Right: NSES's CEO, Yasin M. Ibar, speaking at the launch of the exchange

ETHIOPIA INVITES FOREIGN BANKS TO OPEN SHOP

The National Bank of Ethiopia (NBE) issued a directive effective 25 June to allow international banks and foreign investors to apply for banking licences. This ends decades of isolation in which foreign banks were not allowed to compete in order to build the capacity of domestic banks.

The directive follows a Banking Business Proclamation (law) gazetted in March 2025 which formalises that foreign banks can establish a partially or fully owned subsidiary in Ethiopia, or open a foreign bank branch or a representative office. This law had been flagged for several years and was endorsed in draft form by the Council of Ministers in June 2024 and passed by Parliament in December 2024.

Foreign banks and foreign investors can also acquire shares in an Ethiopian bank. The direct shareholding by a foreign strategic investor should not consist of more than 40% of the Ethiopian bank's shares. Aggregate holdings by foreign nationals and foreign-owned Ethiopian organisations are limited to 49% of the shares. However, the NBE can allow exceptions involving 100% acquisition if it involves attracting strategic investments to benefit the economy, or to resolve a distressed bank and keep the financial system stable.

Foreign banks are keen to join Ethiopia's market. The 129m population is Africa's second-largest and the economy is growing fast. A national strategy aims to boost the proportion of adults with a bank account from 45% in 2020 to 70% in 2025.

On 6 June, Kenya's KCB banking group and the NBE said they were talking about the bank's entry into the market, the follow-up to similar announcements since 2019. KCB operates in Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan and the Democratic Republic of Congo, and has had a representative office in Ethiopia since 2015. KCB also operates non-banking subsidiaries in investment banking, asset management, and bancassurance.

Banks headquartered in Egypt, Germany, Kenya, Morocco, Nigeria, South Africa and Turkey are among those that have expressed interest or had representative offices, as well as the export-import banks of India and South Korea and the European Investment Bank. Egypt's CIB (formerly Commercial International Bank) opened its representative office in 2019.

CAPITAL MARKETS

The change comes as part of wider changes to liberalise the banking sector and create a capital market. The government set up a reform committee in 2023 to revise financial laws and open the sector to international investors. The NBE and other leaders have introduced sweeping reforms to tackle obstacles for foreign banks, such as the parallel market.

As of December 2024, Ethiopia had 32 banks. The state-owned Commercial Bank of Ethiopia dominated the market in terms of total banking assets and deposits. In early July 2025 the CBE announced that its deposits had climbed to 1.69trn birr ($12.3bn).

WAEMU AGRIC COMMODITY EXCHANGE OPENS IN ABIDJAN

The first regional agricultural commodities exchange, situated in Abidjan, Côte d'Ivoire, started trading on 30 May. The official launch of the Bourse des Matières Premières Agricoles (BMPA CI) had taken place two days earlier.

The exchange took seven years to develop. It aims to offer transparency, structure and improved incomes to the farmers and agricultural producers in the eight countries of the West African Economic and Monetary Union (WAEMU/UEMOA).

It replaces direct and informal trading between buyers and sellers with a regulated platform that provides real-time information on supply and demand and publishes prices. The first three products traded on the exchange are raw cashew nuts, cola nuts and maize – and other regional commodities could be added soon.

The regional exchange, Bourse Régionale des Valeurs Mobilières (BRVM), has been supporting the development of the commodity exchange. Edoh Kossi Amenounve (*pictured below*), Director General of the BRVM, said: "The first transactions that took place on the BMPA CI and the success of its first day of trading suggest a bright future for this exchange, which, in the very near future, I am convinced, will rise to the top five of commodities exchanges in Africa."

Within a few minutes of being launched, 48 tonnes of cashew nuts, 1 tonne of cola nuts and 40 tonnes of maize were traded, for a value of 30.8m CFA francs ($55,140). Transactions are conducted in standardised spot contracts.

Côte d'Ivoire is the world's top producer of both raw cashews and cola nuts, producing over 1m tonnes of cashews and 250,000 tonnes of cola nuts every year. Maize is central in domestic food security.

Raoul-Alex Zouzou, head of the African Commodities Brokerage House (ACBH), said: "With this receipt, producers will come and meet brokers to sell their produce online. From the exchange platform, the broker – who is also in contact with manufacturers, processors and exporters – will offer these products to buyers."

When a commodity exchange works well in Africa it offers farmers up to date information on the markets and the value of their harvests, leading to fairer prices. The BMPA-CI offers investors an asset class tied to agricultural production in the region. It will help stabilise seasonal supply fluctuations, especially in crops such as cashews.

Farmers deliver their crops to approved and certified warehouses in Korhogo and Bouaké, near production areas, and receive warehouse receipts, which serve as transaction documents on the exchange.

The Warehouse Receipt Regulatory Authority (Autorité de Régulation du Système de Récépissés d'Entreposage, ARRE) supervises the certified warehouses with a total storage capacity of 500,000 tonnes.

The National Investment Bank (BNI Finances) manages the financial transactions, under an affiliated Agricultural Settlement Bank. The warehouse system guarantees the quality of the agricultural products in terms of grade, dryness and calibration.

There are three brokerage houses: the African Commodities Brokerage House, the West African Commodities Market, and Raw Material Trading.

Market participants include agricultural commodity producers, cooperatives and other organisations, and industrial producers of agricultural products. Market intermediaries are dealers, derivative traders, speculators, local and international buyers and exporters.

The largest of Africa's 15 commodity exchanges is in South Africa.

> The first transactions that took place on the BMPA CI and the success of this first day of trading suggest a bright future for this exchange.

ESX MONEY MARKET

ETHIOPIAN CAPITAL MARKET AUTHORITY GETS $400,000 AFDB GRANT

The African Development Bank's multi-donor capital markets development fund has approved $400,000 in grant funding to the Ethiopian Capital Market Authority (ECMA) and the Ethiopian Securities Exchange (ESX). The funds are to diversify product offerings and strengthen capacity.

Programmes include establishing a public news platform run by the ECMA to disseminate company information to investors and market intermediaries. The ESX is expected to expand its offers of products that could be traded to include exchange-traded funds (ETFs), sukuks and green bonds, according to the AfDB.

Ahmed Attout, AfDB's Director for Financial Sector Development, said the grant was a major milestone in expanding the Capital Markets Development Trust Fund outside West Africa. Previous AfDB support to developing Ethiopia's capital market includes help to develop the Capital Market Proclamation in 2021. The ECMA was also established in 2021 and the ESX was officially launched in January 2025 and saw its first trade on 26 June.

ETHIOPIA SE CELEBRATES EQUITY TRADES

Both trading members of the Ethiopian Securities Exchange (ESX) take credit for the first equity trade on 26 June. "Historic: CBE Capital Investment Bank successfully executed the first inter-broker stock trade on the new Ethiopian Securities Exchange (ESX), today, 26 June 2025. Trading is now Live!" said CBE Capital's Zemedeneh Negatu (*pictured below).*

The inter-broker equity trade was also driven by the first stockbroker, Wegagen Capital. The shares traded were in Wegagen Bank S.C., the first company listed on the ESX.

The second listing on the ESX was Gadaa Bank S.C. on 23 June. The Ethiopian Capital Market Authority (ECMA) gave its formal approval of the Bank's prospectus on 17 June 2025, clearing the way for the listing.

Gadaa Bank was founded in 2021 with 28,000 shareholders and got its operating licence in April 2022. It is the first in its peer group – banks with a relatively short operational history – to reach the listing milestone.

Wolde Bulto, CEO of Gadaa Bank, said that the listing would unlock capital formation potential and enable more tailored financial services for customers. Hassen Hussien, the bank's chairperson, affirmed the institution's dedication to trust and corporate governance as central pillars of its growth strategy.

The ESX published a first trading report for the interbank money market covering the week 30 June–4 July. It provides its electronic trading platform to the National Bank of Ethiopia (NBE), which operates the lending market for traders at the commercial banks in order to boost financial liquidity. Trading is in overnight and 7-day loans between the banks.

According to the trading report, nearly 9.7bn birr ($71.4m) was lent via the platform in five days in the week to 4 July. The weighted average lending rates for the week were equivalent to 12.0% annual for the overnight and 14.4% annual for the 7-day loans.

Trading started in October 2024, and by 4 July a total of 833.9bn birr ($6.1bn) had been traded on the ESX platform.

The ESX and the International Finance Corporation (IFC) on 16 May announced a strategic partnership to develop the Ethiopian money market. A well-structured money market enables market-based pricing of short-term financial instruments such as treasury bills and commercial papers and boosts liquidity, transparency and confidence in the capital market.

NIGERIA'S GTCO LISTS ON LONDON SE

Nigeria's Guaranty Trust Holding Company Plc (GTCO) listed its ordinary shares for trading on the London Stock Exchange (LSE) from 9 July.

On 3 July GTCO announced that it had raised some $105m through an accelerated bookbuild offer launched a day earlier. Citigroup Global Markets Limited (Citigroup) acted as sole global coordinator and sole bookrunner and the offer was mainly taken up by institutional and qualified investors.

GTCO is the holding company of Guaranty Trust Bank Plc, Nigeria's biggest bank by market value. The shares will continue to have a primary listing on the Nigerian Exchange (NGX) under the ticker 'GTCO' and eventually they will be transferable between the two exchanges and settlement systems, subject to regulatory conditions.

After the offer, the holding company issued nearly 2.3bn new ordinary shares at a reference price of N70.00 per share ($0.0459). The offer proceeds were better than the company's $100m target. The bookbuild price represented a 15% discount to the price that GTCO shares were trading at on the NGX on 3 July.

GTCO and other banks are continuing efforts to recapitalise to meet the Central Bank of Nigeria's requirement that all lenders with international banking licences raise equity capital to a minimum of N500bn ($327m) by March 2026. (We reported the June 2024 share capital offers by GTCO, Access Holdings and FBN Holdings in *ABK*'s Q3 2024 edition.)

GTCO has also given notice that it is to cancel the listing of its existing Global Depositary Receipts (GDRs), which were first issued and listed on the LSE in 2007. Trading volume in the GDRs was low.

Miguel Azevedo, managing director and vice-chair for investment banking, Middle East & Africa, at Citigroup Inc., said that the sale "effectively marks the reopening of international equity markets for non-South African sub-Saharan African issuers. Dual listing with London offers international investors better liquidity in the stock allowing for renewed interest."

Segun Agbaje, CEO of GTCO, said the listing in London represents a "pivotal moment in GTCO's growth, reinforcing our position as a forward-thinking African financial services institution."

ZIMBABWE STOCK EXCHANGE LISTS ON ITSELF

The Zimbabwe Stock Exchange listed its shares for trading on its own trading board on 9 July. Holding company Zimbabwe Stock Exchange Holdings Limited (ZSEHL) self-listed its shares by introduction, meaning that existing shares were listed without any capital raising or issue of new shares.

The restructure of ZSE Limited (ZSE) was approved by directors in September 2024 and by shareholders at an extraordinary general meeting (EGM) in October. In the restructure both ZSE and its Victoria Falls Stock Exchange Limited (VFEX) became separate subsidiaries of ZSEHL. The Securities and Exchange Commission (SECZim) approved the listing on 9 June.

The ZSE was founded in 1894, and the VFEX in 2020.

ZSEHL's top five shareholders at 18 June were: Government – 32%, FBC Securities – 10.26%, IH Securities – 8.79%, John Legat – 3.73% and Mark Tunmer – 2.26%.

Zimbabwe follows four other exchanges which have self-listed their shares for trading: South Africa's JSE and the Nairobi, Dar es Salaam and Nigerian stock exchanges. ■

» Country Focus: South Africa «

South Africa has found itself in the crosshairs of the Trump administration's economic fire for a variety of reasons, real and imagined. The US has now threatened to slap an additional 30% tariff on South African exports such as cars. Can Pretoria outmanoeuvre Trump and emerge more or less unscathed? **Mushtak Parker** considers the options.

Can Ramaphosa play matador to Trump's charging bull?

On the very day (7 July) US President Donald Trump wrote his *"Dear Mr President"* letter, backed by an Executive Order, to his South African counterpart informing him that "starting on 1 August 2025, we will charge South Africa a tariff of only 30% on any and all South African products sent into the United States, separate from all sectors," President Cyril Ramaphosa was delivering his leader's speech at the 17th BRICS Summit in Rio de Janeiro, Brazil.

Whether this timing was a supreme coincidence or a ploy to kill two birds with one stone, South Africa was singled out for special mention in this 'reciprocal tariffs' move. In fact, it became clear after the initial White House announcement that the *"Dear Mr President"* letter was being sent to a group of 14 countries with the particulars for each, supposedly to right the wrong of their "severe trade deficits" with the US and in the cause of "taking back our economic sovereignty". Of the 14 nations, South Africa and Tunisia (with a 25% tariff) are the only ones from continental Africa – at least for now.

That South Africa is the only representative of the BRICS bloc on the list highlights Pretoria's troubled relations with Washington since Trump won his second term last November. It seems only yesterday when President Ramaphosa was the go-to African leader of the Barack Obama and Joe Biden presidencies and the G7 countries.

Things started to go sour during the first Trump Presidency in 2017 when his far-right supporters, fed by a small but vociferous white Afrikaner lobby in the US, embarked on building up a false narrative about Afrikaner 'genocide', white victimhood, marginalisation and land grabs at the hands of the ruling ANC government. This came to a head in January this year, a few days after Trump's inauguration, when Ramaphosa signed into law the Expropriation Act 2024, that regulates compulsory property acquisition by the government "for public interest", under very specific circumstances.

Resolute stance

Pretoria had already reaped the wrath of the Trump camp for its resolute stance in support of the Palestinians in Gaza, and its reporting of the Benjamin Netanyahu-led Israeli government to the International Court of Justice, for investigation into possible war crimes against the civilian population, and its role in pushing for an arrest warrant for the Israeli leader.

South Africa, together with Brazil, has also been at the forefront of the expansion of the BRICS group, which was formalised at its Summit in Johannesburg in 2023, and moves towards establishing an alternative international currency to the US dollar – the so-called de-dollarisation movement, which President Trump has labelled as "anti-West".

The US dollar remains the predominant currency for international cross-border payments and pricing commodities, including oil, natural gas, minerals and grains. According to SWIFT, the global financial messaging cooperative, the greenback accounted for 48.46% of international payments in May 2025, followed by the euro at 23.56% and the Chinese yuan at 2.89%.

The 126-article Rio Declaration of BRICS 2025 is packed with policy pathways on topics, many of which are anathema to the Trump Doctrine on US geopolitical positioning and economic hegemony, aimed at 'making America great again', seemingly at any cost.

These include consolidating multilateralism and multipolarity, reforming global governance, strengthening Global South cooperation, reforming the WTO and the multilateral trading system, and the holy grail of making progress towards an alternative BRICS currency, although no timeline is specified.

The Rio Declaration will only serve to add fuel to the fire and 'vindicate' the Trumpian worldview that the BRICS nations, led by South Africa and Brazil, and their supporters, are out to 'get the US'.

In a typical display of diplomatic brinkmanship, Trump's unpredictability did not disappoint. He announced that the US will introduce 50% tariffs (up from the 10% announced in July) on all goods imported from Brazil starting on 1 August 2025, which includes a 50% duty on all copper imports. This despite the fact that the US and Brazil have a balanced trade account, which makes a mockery of the trade deficit claim.

Trump's mercurial personality makes it difficult for foreign leaders, especially those with a diametrically opposed sociopolitical viewpoint, to engage with him. Not surprisingly, he threatened an additional 10% penalty tariff on the BRICS nations, which now include African big-hitters such as Nigeria, and those countries "aligning with BRICS' anti-American policies".

Ire masquerading as countermeasures

Even if Trump's threats are merely his ire masquerading as countermeasures to protect US dominance in the global economy, the South Africa-Brazil Axis, whether at BRICS or the G20 – where South Africa also holds the Presidency – serves as a potentially important bulwark against Trumponomics.

President Ramaphosa put on a brave face over the 30% tariff imposition with a possible further 10%, stressing that "South Africa maintains that the 30% reciprocal tariff is not an accurate representation of available trade data", and that the 30% is a matter of "contested interpretation" by the negotiating teams of the two trading partners, and subject to modification.

In a conciliatory gesture, President Ramaphosa added that his government continues to actively engage with the US (as it did on the sidelines of the US-Africa Summit on 23 June 2025 in Luanda), and in the context of these latest tariffs he revealed that he "has instructed his team to urgently engage with the US on the basis of the Framework Deal that South Africa submitted to the US in May 2025."

Under the Framework, Pretoria addresses the issues initially raised by the US, including South Africa's supposed trade surplus, unfair trade practices, and a claimed lack of trade reciprocity from the US. In contrast, Brazilian President Luiz Inácio Lula da Silva pushed back immediately that he would respond with reciprocal tariffs under the country's Economic Reciprocity Law, rejecting President Trump's claim that the tax is due to a trade deficit.

Despite Ramaphosa's optimism, South Africa seems to be on the receiving end of concerted diplomatic isolation by the US regarding its Presidency of the G20. President Trump has refused to confirm whether he will attend the G20 Leaders' Summit in South Africa in November, while Secretary of State Marco Rubio boycotted a G20 foreign ministers' meeting in South Africa in February.

Analysing the tariffs, "A 30% tariff on South African exports to the United States," says Freddie Mitchell, Chief Economist at Qantara Private Capital, "is set

Despite Ramaphosa's optimism, South Africa seems to be on the receiving end of concerted diplomatic isolation by the US over its G20 Presidency.

to significantly impact both the manufacturing and agricultural sectors. The manufacturing sector is likely to face a greater challenge, particularly automotive exports such as vehicles and vehicle parts, with companies like Mercedes-Benz being directly affected.

"Since the US is a primary destination for South African manufactured goods, the increased tariff will likely reduce the competitiveness of these products, causing a potential loss of market share. This could result in slower economic growth and higher unemployment in South Africa and may accelerate the current trend of deindustrialisation."

Mitchell also echoes a growing sentiment among South African businesses and consumers, that the country, in putting its eggs in the one US/EU basket, is beholden to a dependency which is counterproductive to the national interest. As such, the country needs to diversify its trade and investment playbook.

While the agricultural sector, particularly citrus exporters, he observes, will also be affected by the increased tariffs, "there is some potential to offset this impact. The growing demand in Asian markets, especially in China, presents an opportunity for South African exporters. Wine producers are in a similar position, with prospects for mitigation in the medium to long term."

This export and investment diversification opportunity applies equally to the Gulf Cooperation Council states and the MENA region, especially Saudi Arabia, UAE and Turkey. All three have in recent months stressed that they are upscaling investments in Africa, including South Africa, Nigeria and Somalia.

At the annual Africa Day Commemoration in the Saudi capital, Riyadh, in July 2025, Deputy Minister of Foreign Affairs, Walid Al-Khereiji stressed that the Kingdom is planning to invest $25bn in key markets in Africa, including South Africa. Africa, he emphasised, is a continent of promising opportunities, with its natural resources, ambitious youth, and renewable energy potential. ■

US President Donald Trump (l) welcoming South Africa's President Cyril Ramaphosa to the White House in Washington, DC earlier this year

» Country Focus: **Nigeria** «

After dipping a cautious first toe in African expansion in 1997, Nigeria banks have set up shop with great enthusiasm, not only in the rest of Africa but also in major financial centres worldwide. They are now perfectly poised to give African trade, intra as well as international, a stimulating shot in the arm. **Dulue Mbachu** reports.

Nigerian banks lead African trade surge

When First Bank, Nigeria's oldest lender, opened its first cross-border branch in Ghana in 1997, it was such a novel idea that it took seven years before United Bank for Africa (UBA) followed the example in 2004. Then the idea caught on, with cross-border bank presence growing from a trickle to a stream by 2010.

Currently, all the leading Nigerian banks have subsidiaries across Africa, with footholds in the West, East, North and Southern regions. This has put them in an excellent position to drive growing intra-African trade under the aegis of the African Continental Free Trade Area (AfCFTA) – processing payments, financing trade and investments.

Leading the charge is United Bank for Africa (UBA), which has a presence in 20 countries, followed by the Access Bank group, which has 19 units across the continent. Ecobank Nigeria is already part of the 33-nation network Ecobank Transnational Inc., based in Lomé, Togo.

Others, such as Guaranty Trust Bank and Zenith Bank, adopted a more conservative approach by setting up in fewer countries but now appear poised for further African expansion. New entrants, such as Fidelity Bank, are fine-tuning strategies.

"Further strategic expansion positions us to unlock new opportunities and support intra-Africa trade," UBA's Group CEO Oliver Alawuba told reporters at a 10 July half-year review briefing in Lagos. With over 51.7% of group revenues from its ex-Nigerian operations, the bank is set to become one of the most diversified financial service providers in Africa.

The banking group, which also has branches outside Africa, in the UK, France, the US and the United Arab Emirates, is also taking steps to strengthen its capacity to serve African businesses globally. It has applied to upgrade its banking licence in France while opening a new subsidiary in Saudi Arabia.

A similar strategy has been adopted by Access Bank, which also has branches in the UK, France and the United Arab Emirates, as well as representative offices in China, India and Lebanon, in order to better serve African clients. Access is also the first to make a foray north of the Sahara after announcing, in December, its plan to establish itself in Morocco and explore opportunities in Algeria and Egypt.

Though it was the first mover, First Bank's subsequent African expansion was cautious as it limited itself to just six countries in West and Central Africa: Ghana, Senegal, Guinea, Sierra Leone, the DRC and the Gambia. New expansion plans unveiled by the banking group include rolling out units in Ethiopia, Angola, Cameroon, and Côte d'Ivoire.

Other top Nigerian banks such as Guaranty Trust and Zenith Bank have also been more conservative about expanding across Africa. Guaranty Trust has operations in Côte d'Ivoire, Gambia, Ghana, Liberia, Kenya, Rwanda, Tanzania, Uganda, and Sierra Leone. Zenith Bank has so far limited itself to branches in Ghana, Sierra Leone, The Gambia, and South Africa. Altogether, these Nigerian banks have helped drive a surge in trade among African countries.

"Nigeria's recent trade data show that for the first time, it traded more within Africa than anywhere else," Yemi Kale, chief economist at the African Export-Import Bank (Afreximbank), told reporters while presenting the bank's *2025 African Trade Report* in late June. Previously, Nigeria traded more with Europe than with any other region.

According to Kale, one factor that has driven the trade surge substantially is the introduction of the Pan-African Payment and Settlement System (PAPSS) by Afreximbank and the AfCFTA Secretariat. The system enables businesses and individuals across Africa to make instant payments without using a non-African payment infrastructure.

Sixteen African countries, including Nigeria, have signed up to the payment system, and 22 out of Nigeria's 26 commercial banks. Payments using PAPSS grew tenfold in the past year as more businesses and organisations took advantage of its speed and lower costs.

Intra-African trade on the rise

Africa still trades more with the rest of the world than with itself. But there has been encouraging progress in the last decade, with the volume of intra-African trade rising from about 5% of Africa's total trade a decade ago to about 15% presently, noted the Afreximbank report. At a time when international trade is faced with turbulence, it benefits African countries to trade more among themselves, helping to insulate the continent from the vagaries of world trade, according to Kale.

To increase the momentum of African trade, the Central Bank of Nigeria announced new rules on 28 April that streamlined and simplified the required paperwork for transactions under PAPSS. Transactions under the value of $2,000 for individuals and $5,000 for businesses can now be carried out with basic know-your-customer and anti-money laundering documentation. Only transactions exceeding those amounts will require the use of "all documentation as stipulated" in the Central Bank's Foreign Exchange Manual and related circulars.

The measure was commended by PAPSS's CEO Mike Ogbalu III as a "bold policy move" that will enable "banks, businesses, and entrepreneurs to connect, trade, and pay more easily than ever before."

Beyond mediating payments, Nigerian

banks are also getting involved in investments and project financing for small and medium-sized enterprises. Under a memorandum of agreement understanding signed by the AfCFTA office and UBA in 2023, the Group agreed to funnel as much as $6bn in credit to small and medium enterprises across Africa over three years.

The focus is on the 20 countries where the bank operates and is tied to sectors including agricultural processing, automotive parts, pharmaceuticals, transport and logistics, areas that are vital to intra-African trade.

The first major cross-border surge by Nigerian banks followed a major recapitalisation exercise in 2005, which imbued the subsequently consolidated banking system that emerged with the capital to take on new ventures. Many of the bigger lenders chose to expand beyond the country's borders.

The new recapitalisation exercise for Nigerian banks directed by the monetary authorities last year, with a deadline of March 2026, may lead to another round of intra-African expansion.

A new recapitalisation exercise directed by the monetary authorities last year, with a deadline of March 2026, may just spur another round of African expansion.

Under the new rules prescribed, banks with international operations are required to have a minimum capital of N500bn, while those operating nationally within Nigeria are limited to N200bn. While the top banks have either met the new targets or already have a clear path to that end, the likes of Fidelity Bank, First City Monument Bank, Sterling Bank and Stanbic IBTC still have some gaps to fill ahead of the deadline, according to analysts at investment banking group Afrinvest.

While Unity Bank is known to be in merger negotiations with Globus Bank, the outlook remains unclear for several third-tier banks that are yet to make their recapitalisation plans public. These include Nova Bank, Titan Trust Bank, Premium Trust Bank, Optimus Bank and foreign lenders Standard Chartered Bank and Citibank, for which the analysts see a merger as the only pathway.

Central Bank of Nigeria Governor Olayemi Cardoso expects the recapitalisation to prepare the country's banks for greater challenges ahead, including giving more credit to small businesses that comprise the bulk of the African private sector. Banks will also be able to invest in the technologies and innovations to make service delivery even easier.

Cardoso said of the impacts on financial inclusion: "New technologies are key to breaking down geographic and economic barriers, bringing financial services to even the most remote areas."

Many companies trading in Africa have noted the significant improvements in continental payments and now want attention shifted to other impediments to trade. These include poor cross-border infrastructure and conflicting immigration regulations that make logistics a nightmare for intra-African trade.

"There's a lot of regulatory harmonisation that needs to be done," Aminu Umar, the CEO of Sea Transport Services, which ships goods across Africa, said at a recent conference in Cape Town, South Africa. "There's a need for capital investment to come into infrastructure, especially logistics; and you don't [want to] have to go through a lot of visa processes just because you'd like to go to your next-door neighbour." ■

» Country Focus: Nigeria «

Customers are pushing back against the plethora of bank charges on their accounts. Many are switching to fintechs which levy zero charges, writes **Michael Nwadike** in Lagos.

Bank customers switch to fintechs to avoid excessive service charges

Banking in Nigeria continues to be frustrating for customers on a daily basis – at most bank branches, long queues of customers can be found demanding answers about excessive charges on their accounts. The ever-expanding list of charges, levied by banks to increase their profitability, are now pushing customers to decamp to fintechs which provide much cheaper services.

Complaints about excessive bank charges are not new – they go back years, but there has been little progress on lowering them. These bank charges include: current account maintenance fees, performance bond fees, advance payment guarantee fees, bills for collection against acceptance fees, as well as cash handling charges, stamp duty charges and more.

Industry statistics show that more than 400,000 customers lodged 'arbitrary charges' complaints against their banks in the last six months, with less than 10% of the transactions reversed, leaving a large number of their customers disgruntled.

Many of the charges run contrary to the CBN's *Guide to charges by banks, other financial and non-bank financial institutions*, which provides a basis for the application of charges on various products and services.

For instance, although a management fee is not applicable in the case of a restructured facility, many banks apply the fee at every renewal. There are also fees that are negotiable, but the banks hardly allow customers to discuss costs and arrive at better pricing.

Research shows that many bank customers are switching to fintechs, mainly O'Pay, Moniepoint and PalmPay, for their transactions. Many of the fintechs are promising and implementing zero fees on transactions. Are the banks shooting themselves in the foot?

Access deepens footprint in East Africa

Access Bank recently announced the acquisition of Standard Chartered Tanzania's consumer, private, and business banking division.

Standard Chartered has been decoupling its banking presence across sub-Saharan Africa, having sold its shareholding in subsidiaries in Angola, Cameroon, The Gambia, and Sierra Leone.

The bank says these exits became necessary in order to fund incremental investment in its leading wealth management business.

Statistics show that more than 400,000 customers lodged 'arbitrary charges' complaints against their banks in the last six months, with less than 10% of the transactions reversed.

Access Bank says of its new purchase: "This strategic move significantly expands our capacity to offer inclusive, digitally-driven financial services across Tanzania, East Africa, and beyond."

CEO for Standard Chartered Tanzania, Herman Kasekende said: "This transition represents a pivotal moment for Standard Chartered as we refocus our efforts on our core strengths. Our priority throughout this process has been to ensure a seamless transition for our employees and clients, who are at the heart of everything we do."

In May, Access Bank completed the acquisition of the National Bank of Kenya (NBK) from KCB Group, This marked the conclusion of a transaction that began in March 2024.

Roosevelt Ogbonna, MD / CEO of Access Bank Plc said: "Kenya stands at the heart of regional commerce, and with NBK now part of the Access Bank family, we are better positioned to leverage our combined strengths in public sector, corporate, retail, and digital banking to deliver high-impact banking solutions."

Access Bank views this acquisition as a catalyst for financial expansion, bringing together NBK's local expertise and Access Bank's global network to create a more innovative and efficient banking ecosystem in Kenya.

Access Bank Plc operates under its parent company, Access Holdings Plc, a leading financial conglomerate headquartered in Nigeria.

Over recent years, the institution has aggressively expanded its presence across Africa and international markets, and it now operates in over a dozen African countries, including Kenya, Ghana, Rwanda, Mozambique, Zambia, and South Africa.

Additionally, Access Bank maintains operations in the UK, UAE, and has representative offices in China, Lebanon, and India, further solidifying its global banking presence.

Access Holdings' strategic investments, although capital-intensive, are already contributing to a more diversified earnings base and positioning the Group as a global player from Africa. ■

» Events «

The Club of African Bank and Credit Institution Executives, representing various African financial institutions, met in Antananarivo, Madagascar in late June this year. The main theme under discussion was how the continent could deal with growing public debt and increase resilience. Report by **Dhafer Saidane Skema.**

African finance executives' club tackles rising public debt crisis

The Club of African Bank and Credit Institution Executives, meeting in Antananarivo, Madagascar, made a collective commitment to strengthen the resilience of banking institutions in the face of climate, economic and technological challenges, as well as public debt. The central theme was: *Public debt and financial stability in Africa: Challenges and solutions for the banking sector and central banks.*

Participants included leaders of African banking groups, and representatives of central banks and regional and international financial institutions, including the African Guarantee and Economic Cooperation Fund (AGECOF).

Ngueto Tiraïna Yambaye (*below*), FAGACE's CEO and President of the Club, emphasised the importance of integrating sustainability principles into the economic models of African banks – maintaining profitability while adopting sustainable practices.

Serge Rajaonarison, Vice-President of the Club, stressed the role of banks in financing high value-added projects, and also the importance of the Governor of the Central Bank of Madagascar, Aivo Handriatiana Andrianarivelo, officially opening the meeting, since public debt in Africa has become a major concern, exacerbated by global geopolitical tensions.

According to the IMF, African public debt has grown alarmingly, from 38.4% of GDP in 2010 to 65.1% in 2021, raising important questions about risk management and support for economic growth. In 2024, the public debt-to-GDP ratio on the continent averaged 67.5% and African countries had to pay $163bn just to service their debt, a dramatic increase from $61bn in 2010.

Twenty-five African countries are already heavily indebted or at high risk of becoming so. Interest payments account for more than 25% of public revenue in six African countries, including large economies such as Egypt, Nigeria and Angola.

The debt management environment has not changed since independence. It is plagued by two problems: growing multilateral debt and an issue over corruption.

The growing burden of debt repayments threatens the achievement of the SDGs on the continent, particularly in health, education and infrastructure.

Banks can play an important role in mobilising new, non-usurious resources and establishing a relationship of equality. Their room for manoeuvre today appears greater than that of governments. This situation therefore poses unprecedented challenges for the continent's banking sector and central banks, while opening up opportunities for reform and innovation in a context of increased financial volatility.

Close collaboration between financial institutions, central banks and public authorities is essential to escape the debt trap.

During the meeting, bankers analysed the evolution of African public debt, assessed systemic risks, explored the consequences for bank balance sheets, and proposed sustainable solutions.

Speakers defined the 'crowding-out effect', which prompts local banks to prefer financing governments rather than granting loans to the private sector, thereby limiting access to credit for businesses. Recent figures indicate an increase in the share of bank assets in domestic sovereign debt and a decline in bank lending to the private sector.

Other key issues discussed included: The main causes of the increase in public debt; how this debt affects private investment and banks; strategies to mobilise non-usurious resources; and how banks can contribute to the achievement of the SDGs in this context?

Solutions to reduce public debt in Africa included: Combatting illicit financial flows; strengthening international cooperation, and debt cancellation on a case-by-case basis; improving public finance management, with tr ansparency and efficiency in the use of resources; economic diversification; conversion of debt into development projects; targeted reforms to improve the efficiency of resource allocation; and reducing economic disparities by enhancing financial inclusion.

It was also suggested that central banks must adapt their tools to stabilise economies and support growth; and that the African Financial Stability Mechanism must provide affordable refinancing on a large scale. Close collaboration between financial institutions, central banks and public authorities is essential to escape the debt trap and transform the crisis into an opportunity for sustainable growth. ■

» **Op-Ed:** by Rob Downes, Head of Digital Assets, Absa CIB «

Over the year, Blockchain-specific venture capital in Africa outpaced all other sector venture capital, highlighting the dynamism of this technology. Cases are emerging that demonstrate exciting new developmental opportunities beyond its crypto-transaction roots.

Blockchain's multifaceted role in economic development

As South Africa prepares to host the first G20 summit in Africa on 22–23 November, a key theme set to be discussed during both the B20 (Business20) and G20 task teams is inclusive digital development.

We've already seen announcements from the G20 Task Force on Artificial Intelligence, Data Governance, and Innovation for Sustainable Development, stating their priorities – with data governance, quality, privacy, and security top of mind to ensure new technologies are harnessed for improved economies, and better lives.

So in a year where blockchain-focused venture capital in Africa outpaced all-sector venture capital, as revealed in Absa's recently released 4th edition of the *Africa Blockchain Report*, the technology must remain a central part of such conversations.

(Blockchain transactions are resistant to alteration because, once recorded, the data in any given block cannot be changed retroactively without altering all subsequent blocks and obtaining network consensus to accept these changes – Ed.)

Blockchain-specific investment activity has shown resilience, and the data indicates investor appetite in digital infrastructure solutions is growing. International (and local) investors are noticing the African entrepreneurial spirit and investing in markets where talent and skills in tech sectors are growing.

This means even greater opportunities to leverage the technology (and the institutions that embed it in their systems) to help build stronger, more sustainable

African economies.

In recent months, we've seen a fusion of both AI and blockchain technologies – a development that has attracted both proponents and detractors. However, AI has been proven to enhance blockchain's capabilities by providing predictive analytics, automating processes, and improving decision-making.

In financial services, the rich data that exists on businesses and individuals from traditional sources (bank accounts and books) can be combined with new sources (digital wallets, mobile money) to create new models for assessing risk and therefore build access to finance and credit, especially for those who have been under-banked or unbanked previously.

This is an essential way of enabling digital and financial inclusion, as more people and businesses can access credit, but is also beneficial for banks, which can monitor and predict defaults using AI tools, and step in to help before it's too late.

It certainly isn't farfetched to see a future world where digital money lives on blockchains, with AI tooling monitoring real-time activity and patterns to detect and prevent fraud, money laundering and terrorist financing, with money transfers happening seamlessly when pre-agreed conditions are met. Banks are already using both these super-technologies but combining them will increase security and trust across all financial processes. It's surely just a matter of time before we see it happening at scale.

Meanwhile, the Absa 2025 report has shown unique, purpose-led blockchain companies are attracting funding to develop important financial services: crypto payments across various nations, remittance and credit-building for Africans and the diaspora, trade access for SMEs and even the tokenisation of assets to make them more accessible investment products.

Enabling intra-African trade

It's well understood that blockchain provides an immutable ledger that records every transaction and movement, fostering transparency and reducing inefficiencies. Therefore, harnessing this transparency in the complex area of international trade and supply chains is a huge opportunity. In the realm of cross-border payments and trade, the African Continental Free Trade Area (AfCFTA) aims to integrate a market valued at over $3.4trn. Yet, intra-African trade currently represents less than a quarter of total trade volumes on the continent. By leveraging stablecoins and tokenised trade finance, financial institutions can reduce transaction costs, improve liquidity for small and medium-sized enterprises, and bolster regional economic integration.

Outside financial services, blockchain technology is already unlocking supply chains – Hyundai and DP World are just two examples of organisations using blockchain, monitoring carbon emissions through the supply chain and tracking and tracing cargo all over the world.

Within organisations, blockchain can replace paper-based processes with digital procedures, but if ecosystems can work together to create trust across full end-to-end value chains, the efficiency unlocked could be profound.

> It isn't just products and services that will be enhanced with blockchain technology, as new financial market infrastructures will evolve – and have already.

Through leveraging the trust and immutability of blockchain networks, combined with auto-executing smart contracts once a party's obligations are complete, automation and removing friction in supply chains are obvious opportunities to pursue.

It isn't just products and services that will be enhanced with blockchain technology, new financial market infrastructures will evolve – and have already.

Blockchain's decentralised nature and immutable records enhance the security and efficiency of financial transactions, with improved trust and shared data through cryptographic signing and programmable smart contracts.

This means intermediaries which currently provide services across the financial ecosystem may no longer be necessary, which could help reduce costs and speed up services. The relative affordability of setting up and scaling blockchains can accelerate this shift and move away from the traditional technology stacks run for existing financial market infrastructure too.

Through accessing regulatory nodes, there is also the opportunity for regulators to be able to directly monitor transactions in real time instead of relying on banks and other market participants to send reports and data which are then ingested and reviewed, meaning greater power to identify and prevent transactions that could be fraudulent or illicit – in real time.

Whether you're a believer in decentralisation or a believer that blockchain technology can offer new centralised infrastructure, there's no doubt that increased peer-to-peer transactions are already happening and will continue to proliferate on blockchain technology – especially without intermediary oversight bodies.

Blockchains ensure agric traceability

A once greatly under-promoted use of the technology – namely in the agricultural sector – is also finally gaining traction: traceability for farm-to-fork.

Consumers are increasingly wanting to understand what they eat, and leveraging blockchain to ensure transparency and traceability in food production and distribution enables this easily. Blockchain lets farmers record and share data about their produce, from planting to harvesting, ensuring authenticity and quality.

But it's not just about traceability either, blockchain and AI solutions can help improve crop yields, and provide data for a range of services, from veterinary and insurance to applying for credit facilities.

The opportunities and use cases are wide and varied, which is why we believe it's an area that sure to grow in the years to come and especially for smallholder farming across Africa.

In the coming months, as G20 and B20 recommendations are implemented and new regulatory frameworks emerge to keep pace with recent advancements, we will likely see even more novel uses of blockchain technology. However, it is essential that financial institutions like our own continue to actively promote and enable the most sustainable and purpose-driven uses of the technology. ■

Rob Downes (above left) leads the development of the digital assets portfolio at Absa CIB.

THE LAST WORD

The 1% excise tax on remittances imposed by the Trump administration could be the thin end of the wedge for other remitting source countries to follow suit – with disastrous consequences for the millions who depend on this income. What should Africa do?

The looming threat to Africa's remittance lifeline

BY ONYEKACHI WAMBU

When in 2016 Donald Trump announced, during his campaign stump speech, that he would build a wall and get Mexico to pay for it – many wondered how this could be achieved. It was clear even then he intended to get assent from Mexico by a combination of taxing remittances and bullying tariffs.

In his second coming, the once-speculative campaign proposals have been transformed first into a ruthless tariff regime and secondly, the federal law, OBBB, or the One Big Beautiful Bill Act (H.R.1), where a 1% excise tax on certain types of remittance transfers has been imposed.

The House version of the bill originally proposed a 5%, then 3.5% excise tax on all outbound remittance transfers, with language targeting non-citizens specifically. The measure was expected to raise billions in revenue and pressurise foreign governments, while aligning with the administration's broader anti-migration strategy.

However, the proposal immediately met significant opposition, both from within the US and internationally, especially from Mexico and India. Critics pointed out that such a broad tax would not only punish undocumented migrants but also lawful immigrants, US citizens with foreign family ties, and ultimately foreign economies heavily reliant on remittances.

It would represent a triple taxation (income tax, remittance excise tax, and money transfer fee) on one set of poor people, sending money to another set of poor people, undermining all the sustainable development rhetoric on reducing global poverty, including especially, the SDG target of lowering the costs of money transfers to below 3% by 2030.

Remittance inflows often surpass foreign direct investment and development aid. India received over $100bn in remittances in 2024, Mexico $64bn, and Nigeria, $21bn, with a significant portion in all three cases coming from the US.

Intense lobbying and legal scrutiny forced key revisions in the Senate, with the final version passed into law on 4 July 2025, introducing a reduced 1% excise tax, applicable only to cash-based remittance methods such as money orders and cashier's checks.

Transfers funded via bank accounts, debit cards, or credit cards were explicitly exempted. This narrowing significantly mitigated the law's reach while preserving its symbolic and revenue-generating functions.

Setting a bad example?

Having crossed the Rubicon – it is predicted that this figure will now only broaden to include previously excluded transfers and creep up again (2%, 3%, 4%?), depending on domestic political calculus around migration. It is also likely to be copied by other remittance-sending economies in the West and perhaps, even the Gulf States.

Currently, the 1% tax is expected to generate up to $10bn in revenue for the US over 10 years, but one can see the future temptation to view this as an easy source of future 'tax' revenue, without broad domestic political consequences.

Given the importance of remittances to African economies (for instance, in 2019, Nigeria's $23.8bn income from remittances was larger than the $19bn federal budget), one has been surprised by the lack of organised public pushback or broad debate to a remittance tax across multiple sectors, including from governments, advocacy groups representing immigrant communities, and financial institutions.

> It is predicted that the US's 1% excise tax on remittances will only broaden and rise.

In terms of pushback and lines of attack, it is possible to learn from and build on the justifications provided by US lawmakers to exempt remittance transfers funded through bank accounts, debit cards, and credit cards. These include:

– The Traceability and Compliance issue: Regulated financial institutions are already subject to anti-money laundering (AML) and know-your-customer (KYC) laws, reducing the rationale for taxation as a deterrent against illicit finance.

– Minimising Financial Sector Disruption: Taxing mainstream digital channels would create significant compliance burdens and possibly violate consumer protection laws.

– Protecting Formal Remittance Channels: Taxing formal transfers would drive senders toward unregulated or underground channels, increasing risks of fraud and reducing financial inclusion.

African countries can go further than this and become more proactive. In this age of reciprocal tariff wars, one option is also to consider a common, quid pro quo additional reciprocal tax on the profits of US or other countries' multinational corporations, in proportion to the remittance excise taxes they wish to charge.

The current tax is a serious threat that will only grow in intensity. The threat should spur African countries into a renewed focus on reducing dependence on remittances, enhancing domestic financial systems, and engaging in diplomatic advocacy to prevent future expansions of the tax. ■

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