# FROM BARRIERS TO BREAKTHROUGHS

## Why Africa Should Trade Within Itself

**In Conversation with**
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*Few institutions have had a front-row seat to Africa's trade architecture like the Trade and Development Bank Group (TDB Group). In this conversation, the regional Multilateral Development Bank's Group President and Managing Director discusses how Africa's trade finance needs have evolved. From energy and food to digital infrastructure, he explains what's changing – and why the real work on 'Made in Africa' trade integration, "happens on the ground, not on paper."*

**Q: TDB, as its name suggests, has been financing commerce across Africa for decades. As you look at the landscape today – with the AfCFTA taking off and 'Made in Africa. Trade in Africa' becoming a rallying cry – what does trade finance mean in this moment? And what has shifted since TDB Group's inception?**

**A:** When TDB started, the economic complementarities were not yet present in our economic structures. That's changed considerably. Several economies are now quite industrialized – South Africa, Egypt, Morocco, and Kenya. We're beginning to see more complementarities emerge. Countries like Tanzania, Ethiopia, and Mozambique are showing bits and pieces of industrialization taking root. Nigeria has also stepped up in a big way recently with its refined petroleum capabilities.

However, Africa's biggest import categories remain the three Fs: Fuel, Fertilizer, and Food. But we're seeing significant shifts in each.

On fuel, some oil-producing countries are now moving toward refined products. Whether it's Nigeria, Uganda, or other countries, there's an interesting trend emerging around modular oil refineries.

Fertilizer has historically been imported from outside Africa, but we're beginning to see countries like Morocco selling more fertilizer across the continent, and companies like Dangote Industries are also scaling production.

Food is another critical area. The African Development Bank has been at the forefront of the Feed Africa initiative, helping us take advantage of our agricultural endowments. We also expect surplus crop-producing countries like Uganda, Zambia, and Ethiopia to trade more amongst themselves as cross-border trading infrastructure improves.

These shifts have occurred within just the past decade and have enabled us to do more to intermediate trade. For TDB specifically, we've financed hundreds of millions of dollars of Moroccan fertilizer to East Africa in the past few years.

But because TDB is a financier, we have limits in terms of what we can do on the economic diversification agenda, which is really the key to unlocking intra-Africa trade. However, we're capitalizing on countries aggressively diversifying their economies to expand our trade financing.

Beyond commodities, there's the issue of equipment production. Progress is slower here because few African countries produce significant equipment. However, we're seeing African countries assemble vehicles, buses, and tractors. These countries can start exporting to one another, participating in the value chain, and TDB can co-finance investment in these value-added products. ►


**There's a qualitative difference between imports from outside Africa versus financing 'Made in Africa. Trade in Africa' products for intra-African trade. What have you learned from TDB Group's experience about what works when financing African-made goods?**

Intra-Africa trade is quite similar in many ways to trade between Africa and the rest of the world. The only difference is that there has been quite a barrier in terms of the cost of trade. In a continent where neighboring countries should have the advantage of lower transport costs, it is unfortunately often more expensive to move goods within Africa than it is with the rest of the world.

Additionally, Africans may produce goods which are in demand across borders, where they complement one another – but infrastructure gaps, logistics costs, and non-tariff barriers minimize the potential value. This is the paradox we face.

Fortunately, this is receiving a lot of attention. We're seeing significant cross-border infrastructure investments. Rail is a key one, and the most efficient form of transport infrastructure for moving heavy goods. In East Africa, the Standard Gauge Rail will eventually connect six countries: Tanzania, Zambia, Uganda, Rwanda, Burundi, and DR Congo. When this network matures, resource-rich hinterland areas will also open up.

But infrastructure is only part of the solution. Non-tariff barriers – administrative practices and regulations – create the real friction. Countries remove tariffs, then introduce opaque standards and certification requirements that cause delays. Goods crossing one country to reach a third must get certified three times. These barriers are sometimes weaponized.

However, the AU is also pushing hard on this through AfCFTA protocols. What's also encouraging is Africa's growing awareness of its internal market opportunities. There's been an awakening that intra-African demand can drive economic development – an attractive proposition when the global trading system is in flux, and many countries are no longer willing to be as open. As the saying goes, some want to kick away the ladder so others don't come up.

**As a regional development finance institution, how is TDB Group's financing strategy advancing regional value chains, and which sector makes you most proud?**

TDB Group is a financier, and finance plays a part – though it's not the total solution. We've focused on several key sectors where long-term project finance can catalyze real transformation: construction materials, pharmaceuticals, agro-processing, and digital infrastructure.

In construction, particularly cement, we've financed several projects backing African cement companies including Dangote, PPC of South Africa, and Tanga Cement in Tanzania. We've provided project finance across several countries – Zimbabwe, Ethiopia, Rwanda, Tanzania, as well as in jurisdictions like the DR Congo. This directly builds local production capacity and reduces import dependence.

Another area is pharmaceuticals. Post-COVID-19, we've supported a vaccine manufacturing plant in Rwanda and are evaluating similar projects in two other countries – critical steps toward health security.

On the agribusiness side, we've supported edible food oil

A worker handling bags of fertilizer in a warehouse at Yara Tanzania which the AfDB supports through the Africa Fertilizer Financing Mechanism (AFFM)project.

production and financed multinationals helping to diversify crop portfolios in countries like Malawi and Zimbabwe, moving farmers up the value chain from raw commodity exports to processed goods.

Digital infrastructure is also very critical. We've been very active supporting fiber-optic cable companies to criss-cross the continent with high-capacity bandwidth. We've also helped landlocked countries interconnect through second and third countries, ensuring they don't lose access to digital connectivity. High-capacity bandwidth enables everything from business process outsourcing to improved efficiency – creating value in the digital economy itself.

Each of these sectors represents a deliberate strategy: replace imports, process locally, and build the infrastructure that makes modern value chains possible.

**In line with the 'Made in Africa. Trade in Africa' narrative, what are the real barriers preventing African entrepreneurs – particularly SMEs – from trading across borders and scaling within the continent?**

Let me first address the productivity challenges that remain a stubborn stumbling block.

For example, a woman running an SME manufacturing clothes who needs fabrics from a neighboring country with textile factories. Despite proximity, she struggles to access these African-made raw materials because of the cost of moving product, tariffs, administrative hurdles, and border difficulties. Meanwhile, her local market is flooded with fabrics from other continents. It's a nightmare.

People can't be innovative if they can't easily go across borders and get products. And honestly, everybody waves the AfCFTA flag and says the right thing. But in reality, everyone has motivations to protect what they see as their domestic industries – or sometimes just protecting their tariff revenue. If the ecosystem makes African products difficult and costly to obtain, Africans will continue buying products made elsewhere.

SMEs really suffer in this environment. The ultimate reality is that the administrative machinery is not designed to be facilitating – in many cases, they're there to extract value from businesses. Everyone has to pay taxes, but in terms of efficiency – there's still a lot of work to be done.

There are countries that do very well in this regard – Mauritius and Rwanda are small, dynamic countries where the government and administrative machinery are coherent all the way down. In many other places, all the right documents and policies are pronounced at the macro level, but when you get to the micro level, you don't see the effects.

These are the challenges of getting the African economic market to achieve efficiencies. Efficiency is about scale. If you have a bigger market and everybody can scale up, it drives down costs. That's something we have yet to truly solve.

**What other areas excite or concern you?**

One interesting area is energy – separate from fuel. Countries like Angola and Ethiopia have excess power – surplus green capacity. Some finally have transmission lines to move power across borders. You have countries within the Southern African Power Pool and the East African Power Pool trading electricity. Tanzania and Mozambique have natural gas. Mozambique is already a big energy exporter to South Africa and serves as a logistics hub for landlocked countries.

Logistics, infrastructure, energy, are big-ticket sectors. And although they don't always speak directly to manufacturing, they're industrial-level sectors that play a big role in the overall chain.

But we have to keep drilling down and holding everyone's feet to the fire. We need to get into the weeds because the problems are in the weeds. We should conduct smart surveys with entrepreneurs who understand what's really happening on the ground. What is their felt experience?

Then there is the issue of time and delays. People in Africa don't always appreciate the cost of time. When we say "African time," it's not just about showing up to meetings – it's about what people in industry face. Payments get delayed. Companies see accounts receivable stretching three months, six months. If you're a small enterprise delivering to a government entity without working capital, running on a shoestring budget, the last thing you need is somebody taking your product and taking six months to pay for it. Interest rates are so high in Africa – even if you manage to get working capital, you're paying 20% per annum. That can take a profitable sale and make it loss-making. ▸


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**That said, and given the demographic dividend Africa enjoys, what financing models has TDB Group developed to support young entrepreneurs and women-led SMEs?**

Different types of financial institutions have different strengths. When it comes to financing SMEs on the ground, most need local currency, and the ticket sizes are relatively small. We've always understood that we must work in strong partnership with financial institutions in the countries we serve because we're a supranational institution. We don't have detailed retail operations on the ground to provide the equivalent of five, ten, or twenty thousand dollar loans.

We work extensively with commercial banks in our member states, providing them with wholesale finance, which they then intermediate to make facilities available to SMEs. But it's not just commercial banks. We also partner with microfinance institutions and SME lending platforms which have digital offerings using AI algorithms that help define credit risk and identify good customers to lend to without traditional collateral requirements, and without going through normal banking procedures.

There are indeed some very interesting innovations happening in this space, particularly in East Africa, where we're supporting SME lending through these entirely different mechanisms.

We're doing this through the Trade and Development Fund (TDF), which is a different entity in our Group, specialized and purpose-built to provide fit-for-purpose financing to intermediaries who serve that segment very well, among other offerings.

**You've mentioned tech – can you expand on how TDB Group is positioning itself to leverage new technologies like blockchain and AI?**

We've embraced the digital revolution in several ways. Internally, we've introduced state-of-the-art digital technologies – enterprise-wide systems and digital signature mechanisms that allow transactions through digital platforms without paper-based approaches.

We've also adopted blockchain technology to improve efficiency and reduce turnaround times. This became invaluable during COVID when it had become difficult to move documents. We were able to transact in real time with customers, with multiple parties engaging simultaneously through blockchain mechanisms.

We've implemented this particularly in trade finance, which is very document-intensive. We've managed to save two or three weeks and more in some transactions by employing these modern approaches.

Everyone's looking at AI now, and while it's still early days, we're seeing real value in areas like cybersecurity. We use third-party specialists to help us manage these risks, and we're seeing AI capabilities embedded in systems that can identify trends and threats.

> **‘Made in Africa. Trade in Africa’ means creating jobs through value addition, unlocking markets for present and future growth.**

And as I mentioned, we're embracing new types of intermediaries doing digital lending, which is a different business model altogether.

**Five years from now, where would you place your bet regarding intra-African trade?**

I'd focus on the three Fs – fuel, fertilizer, and food as I mentioned earlier, as well as electricity and aviation. These sectors have enormous demand and significant gaps.

Take fertilizer for example, Dangote is building a massive fertilizer plant in Ethiopia, which currently imports one to two billion dollars of fertilizer annually. If Dangote captures that entire market, it's transformative. Nigeria has refined petroleum capacity, Uganda is constructing an oil refinery, and Mozambique and Tanzania are developing massive natural gas plants that will enable pipelines to reach other African nations without LNG access.

On electricity, countries like Angola, Mozambique, and Ethiopia are well positioned with clean energy – they all have abundant hydropower. Add in massive solar projects rolling out through initiatives like the AfDB's Desert to Power program. Egypt and Morocco are installing hundred megawatts of excess hydropower capacity. If you don't use it, you lose it – storage isn't easy.

But even through 2050, fossil fuel consumption will continue. Africans might as well use our own resources. We need to expand renewable energy while reducing fossil fuel reliance, but Africa lags significantly. During this transition, we should use our own resources because of our balance of payments challenges.

Aviation is another major opportunity. The capitalization required is massive, but we're seeing African aviation groups and joint ventures emerge in innovative ways. Look at the joint ventures between the largest aviation group in Africa and various African countries: Malawi Airlines, Zambia Air, ASKY in Togo, and now Air Congo. These represent integration of African multinationals.

Mining discoveries continue as well. Africans will export much of what we find since Africa doesn't consume as many minerals – the major industrial centers are in developed economies. But if mining generates strong revenue for infrastructure and workforce investment, it serves its purpose. Critical minerals offer huge opportunities, as does gold. Gold mining companies from South Africa and Ghana are already investing elsewhere on the continent. These are all very promising areas, and this isn't theoretical – I'm seeing practical manifestations of all of this.

**What role do leadership and institutional vision play in determining whether Africa's trade potential becomes reality?**

The continent has moved aggressively on the AfCFTA, capturing global attention – a major market finally unifying rather than remaining fragmented. With instruments ratified and in force, the barriers are coming down.

Yet unlocking the true potential requires diversification, value addition, and industrialization – a fundamentally different challenge because it happens within countries. The critical question is whether our governments are actually building the enabling environment for this transformation.

Some countries have moved quickly and disciplined themselves to create favorable conditions. Whether the entire continent remains committed, though, remains unclear. While several countries have worked hard to improve their investment climate, these tend to be smaller economies – Mauritius, Rwanda, Seychelles – or historically investment-friendly ones like South Africa, Morocco, and others. But across the continent, there's still significant work ahead.

The real issue isn't just the big picture – it's the details. We need to listen to people on the ground who experience these barriers daily. They can tell you plainly that what's discussed at higher levels simply doesn't translate into real change. They still face enormous inefficiencies.

Leadership and governance remain uneven. A few countries show exceptional commitment and dedicated governments, but that's far from the norm continent-wide.

**To conclude, what does 'Made in Africa. Trade in Africa' mean to you as an African and as a leader?**

For me, 'Made in Africa. Trade in Africa' means creating jobs through value addition across the continent and unlocking markets for present and future growth, so that prosperity becomes a real possibility for everyone. 'Made in Africa. Trade in Africa' also represents generating economic activity that delivers food security and resilience. When global markets tighten, we'll have our own economic landscape to depend on, and we can continue to do business here when the world beyond doesn't.

'Made in Africa. Trade in Africa' is fundamental to achieving all of this. ■