Trade Finance Supply in Africa: Post-COVID Trends and Emerging Opportunities

African Development Bank Group

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Abbreviations and Acronyms

AfDB	African Development Bank Group
AML	anti-money-laundering
DFI	development finance institution
ESG	environmental, social, and governance
FI	financial institution
KYC	know-your-customer
PAPSS	Pan-African Payment and Settlement System
RPA	risk-participation agreement
SME	small and medium-sized enterprise

All dollar amounts are US dollars unless otherwise indicated.

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Executive Summary

The trade finance report produced by the African Development Bank Group (AfDB) serves to fill the knowledge gap in Africa's market for trade finance. This report, the fifth in the series, examines trade finance developments in Africa since the advent of the COVID-19 pandemic in 2020 and through 2024 from a bank-intermediation perspective. For the first time, the analysis quantifies the size of trade finance intermediated by development finance institutions (DFIs) and expands the discussion to include environmental sustainability and digitalization—two key emerging issues in the trade finance landscape.

Despite the challenging global environment, African financial institutions (FIs) continue to provide trade finance support to their clients, with estimates indicating a decline of almost 10% in unmet trade finance demand between 2019 and 2024. This outcome was underpinned by swift and substantial interventions following the COVID-19 pandemic from multilateral development banks, governments, export credit agencies, and others, which provided African banks with the resources necessary to improve their intermediation of trade finance on the continent after the crisis. Indeed, without financing from DFIs and other development partners, including the continued involvement of global banks in confirming and underwriting trade instruments, the trade finance gap in Africa could have exceeded $100 billion per year during the 2020–24 period. However, recent geopolitical tensions and associated disruption to global trade and supply chains could erase a decade of progress, potentially increasing the gap back to 2017 levels of about $102.5 billion.

The adoption of digital trade finance solutions by African FIs is expected to reduce transaction costs, enhance financial inclusion, and facilitate integration into regional initiatives, such as the Pan-African Payment and Settlement System (PAPSS), thereby boosting intra-African trade and prioritizing local currency financing.[1] Foreign-currency shortages were cited as the major concern for African FIs during the surveyed period.

This report aims to update our understanding of the challenges facing bank-intermediated trade finance in Africa in a period marked by heightened uncertainty about trade tariffs and their implications for these challenges. Opportunities to unlock sustainable finance for Africa's trade are also highlighted in the report, which could help policy makers support the industry amid ongoing macroeconomic and political frictions. The key findings are summarized below:

- **The unmet demand for trade finance in Africa ranged from $74 billion to $92 billion in 2024.** The estimated gap of $74 billion represents 5.4% of the region's total merchandise trade value in 2024.
- **Renewed geopolitical tensions and disruptions to global supply chains and trade flows could reverse post-pandemic progress in narrowing the gap.** Higher oil and fertilizer prices, elevated freight and insurance costs, weaker currencies, and tighter correspondent-bank risk appetite could widen the trade finance gap to $86.6–$102.6 billion by 2027 under a moderate-to-severe scenario. This is at least 17.7% above 2024 levels, potentially erasing a decade of gains.

1 The pan-African payment and settlement system is expected to save African enterprises $5 billion in transaction costs each year (UNCTAD 2022).

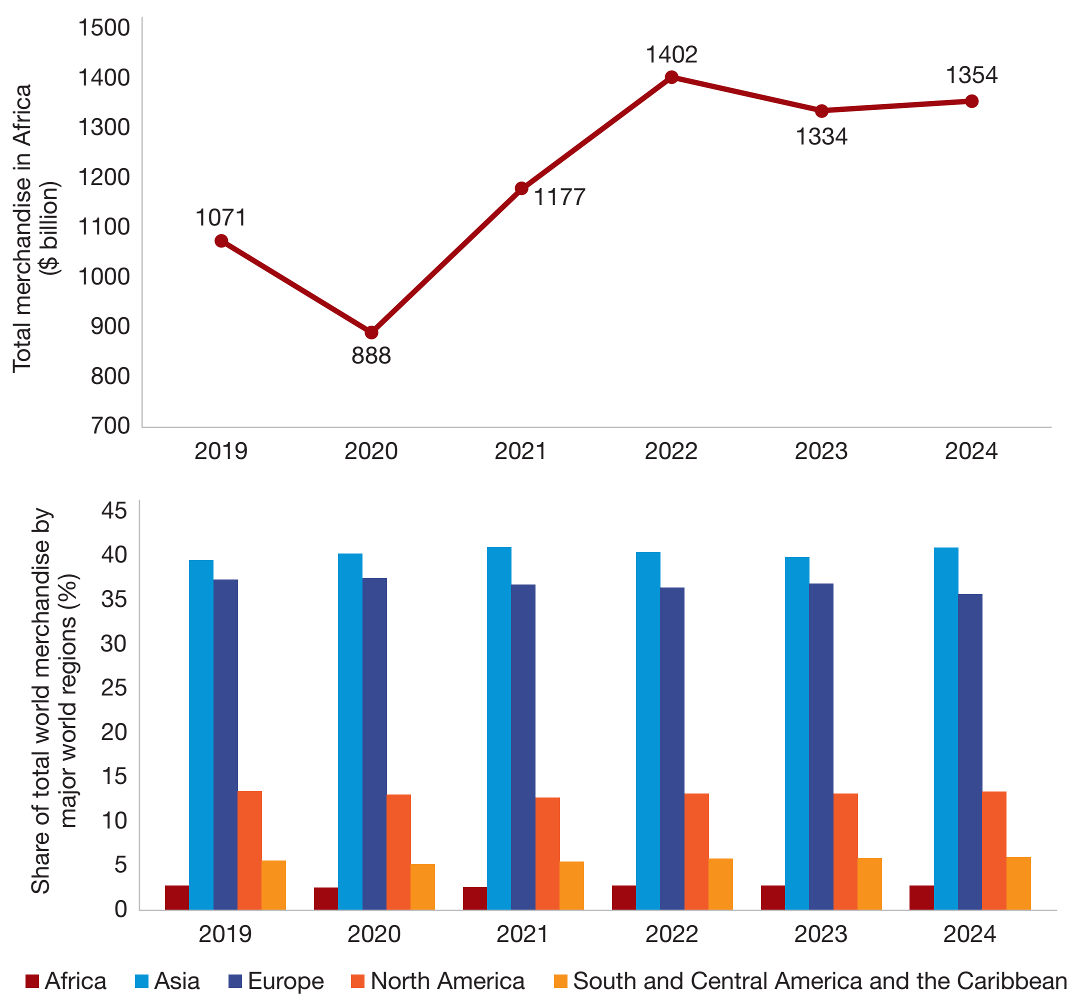
- **African trade remains underserved by commercial banks.** Over the five years of the study, commercial banks intermediated an average of 23% of Africa's total trade, down from 40% in the 2011–19 period.
- **Africa has, however, made significant progress in terms of bank-intermediated intraregional trade.** Between 2020 and 2024, intra-African trade accounted for 34% of total bank-intermediated trade, representing an 89 percent increase above prepandemic levels (18% in 2011-19).
- **Foreign-exchange liquidity shortages have become the primary barrier limiting banks' growth in trade finance.** About 36% of banks cited limited foreign-exchange liquidity as the primary constraint to their trade finance growth between 2020 and 2024, compared to 18% of banks in the 2015–19 period. The shortage of foreign exchange topped correspondent-banking limits and regulatory restrictions as the major constraints to trade finance growth.
- **The adoption of digital trade finance solutions by banks remains low, primarily due to high implementation costs and inadequate technological infrastructure.** Only 28% of the banks surveyed reported having adopted digital tools or platforms for their trade finance operations.
- **Yet banks recognize the benefits of digitalizing their trade finance operations.** Over 49% of respondents reported faster processing times as a primary benefit of digitalization, while 40% noted improved transparency, 35% pointed to reduced costs, and 30% mentioned enhanced security.
- **More than half of the responding banks—55%—have incorporated environmental sustainability into their trade finance operations.** On average, about 19% of banks considered their trade finance portfolios "green," with 44% having adopted a sustainability policy or framework—76% of which were introduced within the past five years.
- **The AfDB and other DFIs have played a significant role in reducing the trade finance gap in Africa.** DFIs facilitated about $32 billion in trade finance annually between 2020 and 2024, accounting for about 3% of Africa's total merchandise trade on average over the same period.
- **Africa's regional commercial banks are playing a more significant role as correspondent banks servicing issuing banks in Africa.** Six of the top seven confirming banks are African, reflecting the increasing role these banks are playing in helping to fill the trade finance gap, especially during periods of crises, such as the COVID-19 pandemic. In the preceding surveys, only two African banks featured in the top 10 confirming banks.

1. Introduction

Recent shocks arising from geopolitical fragmentation, the pandemic, and volatile commodity prices have had a significant impact on trade and trade financing in Africa. At $1,354 billion in 2024, Africa's merchandise trade is the lowest among all world regions and accounts for only 2.7% of global total trade. Between 2019 and 2020, Africa's merchandise trade declined by more than 17% (see figure 1). This decline can be attributed to disruptions in global supply chains caused by the COVID-19 pandemic and to foreign-exchange liquidity constraints that affected both businesses and banks. Before the COVID-19 pandemic, Africa's total merchandise trade

Figure 1.

Total Merchandise Trade in Africa and by Region



Source: Authors' construct using data from UNCTAD.

showed a fluctuating trend that largely mirrored global economic trends. Trade declined sharply in 2015 due primarily to weak global demand and declining commodity prices[2] and rebounded from 2017 through 2019, driven by rising oil prices and synchronized global growth.

Geopolitical tensions and related disruptions of global supply chains have contributed to challenges in trade and trade financing. The outbreak of the conflict in the Middle East in February 2026 and impasse over the closure of the Strait of Hormuz have added a further layer of vulnerability. Since roughly one-fifth of global oil supply transits that chokepoint, the conflict has driven sharp increases in energy and freight costs that translate directly into higher import bills, currency pressures, and tightening fiscal space for Africa's predominantly net oil-importing economies and countries that depend on the Middle East for fertilizer and related products. The shock compounds an already fragile external environment, threatening to reverse recent trade gains, particularly among countries in the Horn of Africa and along the Red Sea corridor, which are most exposed to disruptions of critical maritime trade routes. African banks have noted increased foreign-exchange liquidity pressures, in addition to sanctions and supplementary compliance burdens that have imposed know-your-customer (KYC) scrutiny, potentially reducing their willingness to engage in trade finance transactions.

This report examines the impact of emerging challenges on trade finance provision in Africa since 2020. It aligns with the AfDB's renewed focus on *Enhanced Access to Capital* by identifying critical bottlenecks that prevent African businesses from accessing the financing needed for cross-border trade and by presenting mechanisms to help mobilize domestic and regional financial resources for trade. The report uses data collected through a survey conducted by the AfDB for commercial banks across 38 African countries. The primary aim is to inform trade finance policy interventions by the AfDB and other DFIs active in the trade finance space. It presents updated evidence on unmet trade finance demand and the challenges facing the sector. But it goes even further. For the first time, the report provides survey-based evidence on **digitalization of trade finance processes** in Africa following the COVID-19 pandemic, as well as how African banks are adapting their trade finance products to address **environmental sustainability concerns.**[3] While less than a third (28%) of the surveyed banks reported having adopted digital tools or platforms for their trade finance operations, more than half of the banks (55%) have incorporated environmental sustainability into their trade finance operations. We also quantify **the size of DFI-intermediated trade finance** in Africa over the surveyed period (2020–24). While the role of DFIs in Africa's trade finance landscape has been highlighted in the previous reports,[4] the scale and intensity of their contribution have never been quantified.

The findings offer valuable insights into sustainable trade finance practices among African banks, highlighting the potential benefits of a full transition to digital tools and platforms for trade finance operations. Challenges associated with achieving sustainability and digitalization in trade finance by African banks are also discussed. The study's recommended reforms to harmonize financial systems and strengthen Africa's collective financial architecture through digitalization, for instance, also align with the AfDB's priority of *Reforming Financial Systems for Global Agency.* By tracking the number of DFIs active on Africa's trade finance market and estimating the scale of their intermediation, this report provides insights into the unmet demand for trade finance that would exist in the absence of DFI intervention.

2 https://media.afreximbank.com/afrexim/Afreximbank_Annual_Report_2020.pdf

3 In the report, the terms *environmental sustainability* and *sustainability* are used interchangeably.

4 See AfDB's 2014, 2017, and 2020 trade finance reports.

1.1 About the Survey

The report is based on a survey of commercial banks and DFIs in Africa covering the period 2020–24. The questionnaire was distributed to 925 commercial banks and 14 regional DFIs in Africa over the study period. Information was solicited on trade finance activities, including asset size, approval and rejection rates, industry distribution, funding types (funded and unfunded), default rates, and reasons for rejections. Bank-level characteristics such as ownership type and size, as well as financial characteristics, including after-tax profits and credit-risk profiles, were also captured in the survey. Information to assess the impact of COVID-19 on African banks' trade finance operations was also included in the questionnaire.

The survey examines how sustainability, digitalization, and the role of DFIs are shaping trade finance in Africa. Sustainability, for example, has become a top priority in global trade policy, with initiatives such as the European Union's Carbon Border Adjustment Mechanism and new traceability requirements for commodities like cocoa and diamonds, which directly affect exports from Africa and the financing thereof. Furthermore, the COVID-19 shock highlighted Africa's significant dependence on paper-based trade finance processes and its relatively low adoption of digital tools and processes compared to other regions. Thus, learning from that experience, some banks are shifting toward digitalization and associated innovations. This shift has resulted in lowering costs, faster processing, improved transparency, and enhanced security for African banks. DFIs continue to be key players in addressing Africa's trade finance gap, providing liquidity and utilizing tools such as risk-participation agreements, which support confirming and commercial banks in expanding their trade finance supply.

Approximately 235 banks responded to the survey, corresponding to a response rate of 25.4% (compared to a response rate of about 26% in the survey conducted in 2019). The overall sample encompasses 38 countries in Africa, divided into the following subregions: West Africa (53.6%), Southern Africa (20.0%), East Africa (18.2%), North Africa (7.7%), and Central Africa (0.5%). The data show a significant prevalence of majority foreign-owned banks (45%), followed by privately owned local banks (37%), and majority government-owned banks (14%), with 4% in the "Other" category. About 13% of respondents identified as DFIs, and 61% of those self-classified as national DFIs and 35% as regional DFIs.[5]

5 In measuring unmet trade-financed demand, we reviewed the trade finance portfolio of DFIs not based in Africa that support trade finance in Africa. These entities were not included in the survey.

2. Trade Finance Landscape

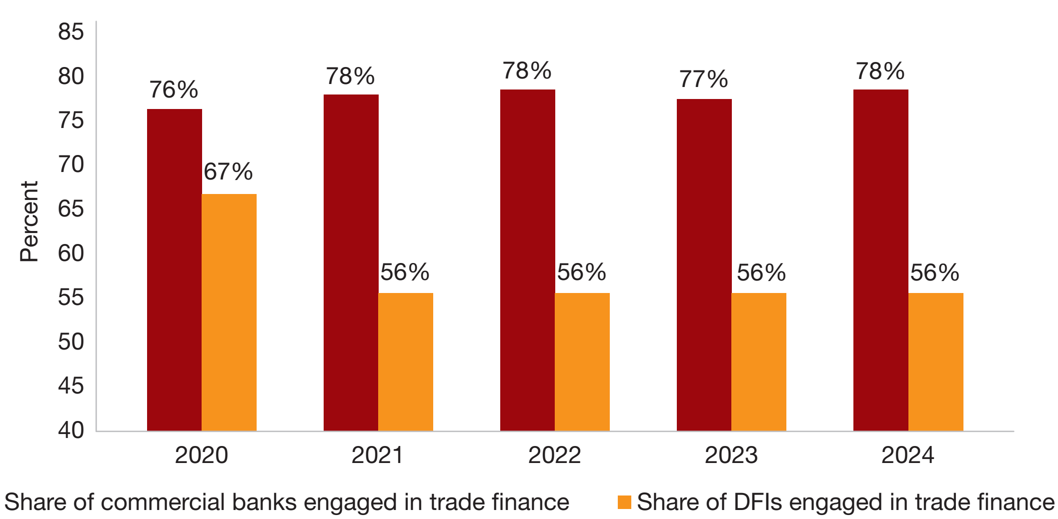
2.1 Banks' Participation in Trade Finance

The survey findings indicate that **trade finance remains a core activity for banks operating in Africa.** Trade finance participation rates of commercial banks increased by a modest two percentage points between 2020 and 2024, averaging 78% over the period (see figure 2). Yet trade finance participation by banks in Africa shows a slight decline from COVID-19 levels in 2019, which averaged 79%. Compared to the 2011–19 survey, in which 83% of banks reported having engaged in trade finance activities, this represents a decrease of five percentage points. The decline reflects the persistent structural and external shocks that weighed on banks' trade finance capacity. Banks cited limited foreign-exchange liquidity as a key factor constraining portfolio growth (see figure 14). The shortage was further compounded by, among other things, external shocks, such as the COVID-19 lockdowns, which disrupted supply chains and hindered trade flows.

Compared to commercial banks, **the share of DFIs engaged in trade finance, as reported in the survey, is presented for the first time** in figure 2. This new dimension underscores the importance of DFIs as catalysts to stabilize markets, particularly during or after external shocks. The data show consistency over time in the number of DFIs participating in trade finance during the 2021–24 period (56%), with a slightly larger share in 2020 (67%), mainly due to the additional support provided by DFIs in response to the COVID-19 pandemic.[6]

Figure 2.

Share of Banks in Africa Engaged in Trade Finance by Year



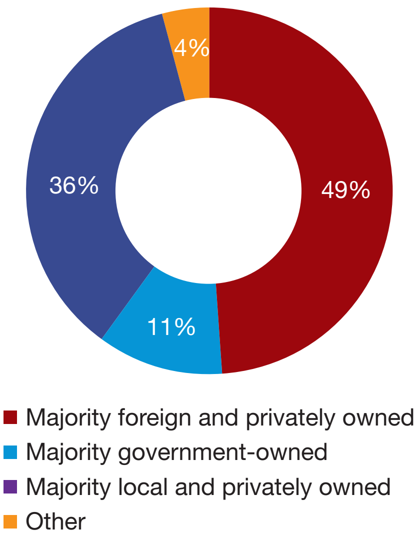
Source: AfDB Trade Finance Survey, 2025.

6 Chapter 8 provides more details on the nature of DFIs' contribution to trade finance in Africa, including the size of DFI-intermediated financing.

Trade finance participation is also examined by bank ownership type (see figure 3). The results show that, **on average, the majority of foreign and privately owned banks operating in Africa are relatively more engaged in trade finance** (49%) than most local and privately owned banks (36%). This is not surprising, as foreign banks can facilitate trade by reducing financial frictions and information asymmetries for firms with established banking relationships in their home countries (Claessens and van Horen 2021).

Figure 3.

Participation in Trade Finance by Bank Ownership Type (2020–24)



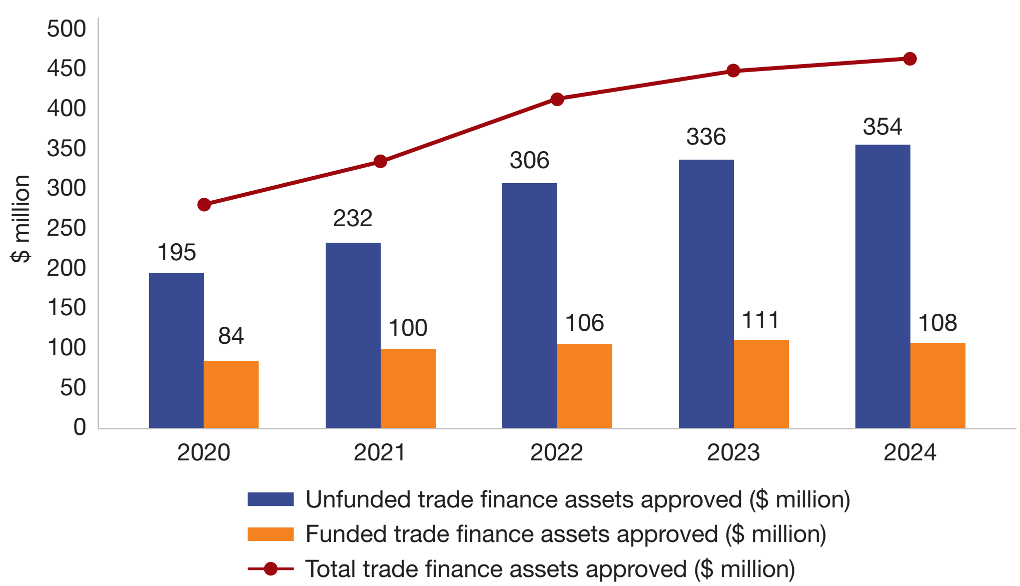
Source: AfDB Trade Finance Survey, 2025.

2.2 Funded and Unfunded Trade Finance Assets

The survey presents a detailed analysis of trade finance assets over the past five years. Figure 4 presents the average value of funded and unfunded trade finance assets of banks on the continent from 2020 to 2024. The trend is clear: **unfunded trade finance assets outweigh funded assets.** The dominance of unfunded assets, such as letters of credit and guarantees and overfunded assets like import loans, has been even more pronounced in the last three-year period. Unfunded assets, which accounted for 73% of banks' trade finance assets over the same period, increased by 81% from $195 million in 2020 to a peak of $354 million in 2024. At the same time, funded assets also grew from $84 million in 2020 to $108 million in 2024,

Figure 4.

Average Value of Funded and Unfunded Trade Finance Assets by Bank per Year



Source: AfDB Trade Finance Survey, 2025.

peaking at $111 million in 2023. In comparison, this general finding aligns with developments uncovered across 2011–19 in previous surveys, where, on average, unfunded trade transactions accounted for approximately 60% of trade finance assets in Africa. The widening gap between the two categories since 2020, which reflects the growing preference for unfunded trade finance instruments, suggests that the latter enables banks to support more transactions and trade volumes while maintaining a higher risk appetite without tying up significant funds.

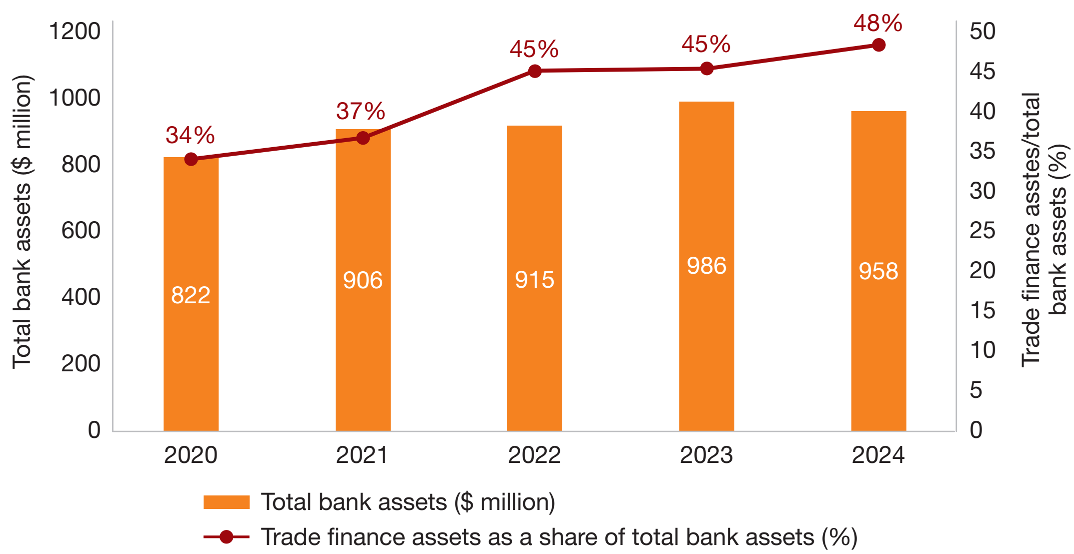
The proportion of total bank assets allocated to trade finance increased notably during the study period. In 2020, the average bank in the sample had total assets of $822 million, with trade finance assets accounting for 34%. By 2024, the average total assets had grown to $958 million, and the share of trade finance assets had increased sharply to 48% (figure 5). This suggests that, although the share of banks participating in trade finance remained stable over time (see figure 2), the participating banks have been allocating a greater share of their balance sheet to trade finance transactions. The increase is likely associated with a strong preference for off-balance-sheet instruments, as reflected in figure 4, where banks appear to use more sophisticated instruments, such as guarantees, which serve to derisk the market. This trend also suggests that banks may be becoming more sophisticated in their operations, increasingly adopting risk-mitigation tools that effectively derisk their transactions. The increased use of digital processing by banks engaged in trade finance could also be a contributing factor to the growth in trade finance assets, as banks are now able to connect with confirming banks that have digitalized tools and platforms.

2.3 Trade Finance Assets for Small and Medium-Sized Enterprises

Small and medium-sized enterprises (SMEs) play a crucial role in driving economic growth, especially in emerging markets. They create employment opportunities, foster innovation and entrepreneurship, and serve as the backbone of many local economies (Alam et al. 2022). In Africa, SMEs account for at least 80% of all businesses and 80% of employment and contribute in excess of 50% of the continent's GDP[7] (de Sousa dos Santos 2015;

Figure 5.

Average Value of Total Bank Assets and Trade Finance Assets as a Share of Total Bank Assets



Source: AfDB Trade Finance Survey, 2025.

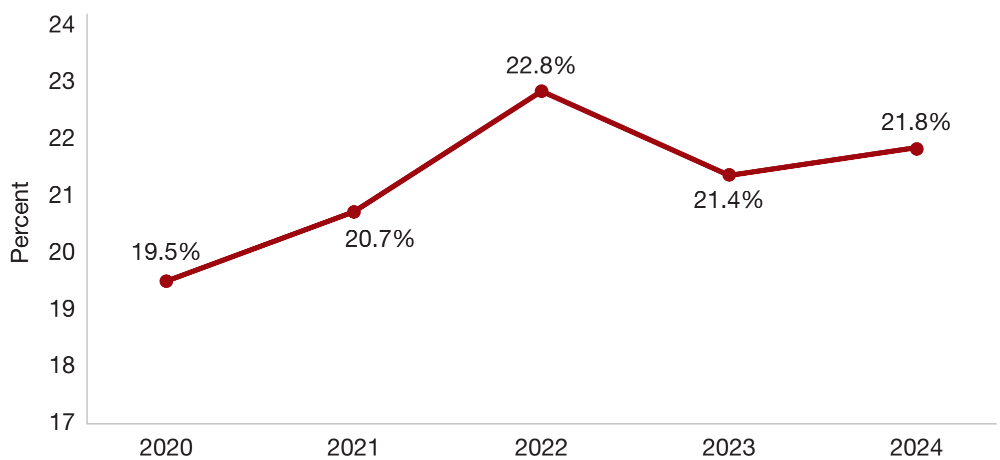
7 https://www.pacci.org/financing-small-and-medium-enterprises-smes-in-africa-a-crucial-imperative-for-chambers/

Cooper 2023). However, SMEs face significant challenges in accessing trade finance on favorable terms, and this limits their ability to expand and integrate into global value chains (Amoussou, Bempong Nyantakyi, and Mabuza 2021). To better understand the extent of SME participation in trade finance, banks were surveyed about the proportion of their trade finance portfolios allocated to SMEs.

The findings show that the share of trade finance dedicated to SMEs has fluctuated in recent years. **In 2020, SMEs accounted for approximately 19.5% of banks' trade finance assets, a decline from 34% reported in 2019.** This suggests that the progress made toward access to trade finance for SMEs was most likely derailed as a result of the COVID-19 pandemic. By 2022, the share of SMEs in banks' trade finance portfolios had increased by 3.3 percentage points, suggesting a temporary recovery to support SME trade activities in the aftermath of the pandemic. However, in 2023, the share declined to 21.4% and remained relatively stable through 2024, remaining above the pandemic level (figure 6).

Figure 6.

Average Share of Trade Finance Portfolio for Small and Medium-Sized Enterprises



Source: AfDB Trade Finance Survey, 2025.

These results highlight the volatility of SMEs' access to trade finance in Africa. The increase in support in 2021 and 2022 is likely a response to pandemic-related recovery pressures and initiatives. The slight decrease over the last two years of the period highlights the need for consistent and stable support for SMEs to ensure their continued participation in both regional and global trade. Given the importance of African SMEs in driving socioeconomic fundamentals, such as employment and economic growth, addressing the acute lack of access to trade finance across the continent would consolidate the sector's strategic importance, further embedding itself in global supply chains via international trade.

2.4 Default Rates

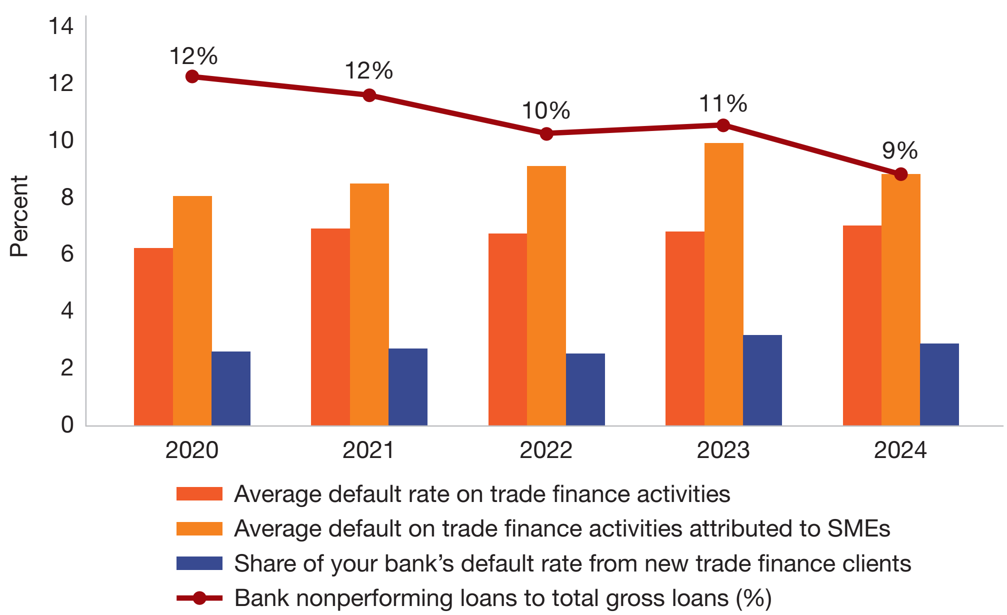
The average default rates on trade finance loans showed a fluctuating pattern between 2020 and 2024 (figure 7). Defaults were at their lowest in 2020, at approximately 6.2%, increasing to 6.9% in 2021 and remaining relatively constant through 2023. This pattern suggests that, amid the COVID-19 pandemic, payment-deferral schemes and various interventions were effective in mitigating the negative impacts from a credit-risk perspective. Loan defaults are reported at 7% in 2024, indicating that repayment risks are increasing again as post-COVID interventions are being phased out. Nonetheless, the average default rates in the 2020–24 period are consistent with those in the pre-COVID period (2015–19), which ranged between 6% and 8%.

Additionally, default rates on trade-related transactions remain lower than those on overall bank lending in Africa (figure 7). Indeed, as trade finance transactions are often asset backed, self-liquidating, and short term in nature, the associated risks are relatively low. However, default rates recorded by African banks remain higher than global averages. The global default rates for trade-related transactions across a suite of instruments ranged between 0.02% (export letters of credit) and 0.62% for export finance over the period 2008–21 (ICC 2022).

Defaults linked to new clients are lower than those observed across the overall trade finance portfolio, exhibiting similar fluctuations, ranging from 2.6% in 2020 to an average of 3% for the 2023–24 period. In contrast, defaults attributed to SMEs remained relatively stable. Starting at 8.0% in 2020, SME-related defaults edged up slightly to just over 9% in 2022, peaked at 9.9% in 2023, and then moderated to 8.8% in 2024. The high rates of SME defaults may stem from the challenges these firms encounter in obtaining affordable trade financing. Factors such as lack of collateral, higher transaction costs, and supply-chain disruptions contribute to this issue. Although SMEs' defaults are higher, they remain stable and more predictable. This presents a significant opportunity for DFIs to intervene, helping to reduce barriers and improve access to finance.

Figure 7.

Average Default Rates on Trade Finance Activities, Share Due to Small and Medium-Sized Enterprises and Clients, and against Bank Nonperforming Loans



Source: AfDB Trade Finance Survey, 2025.

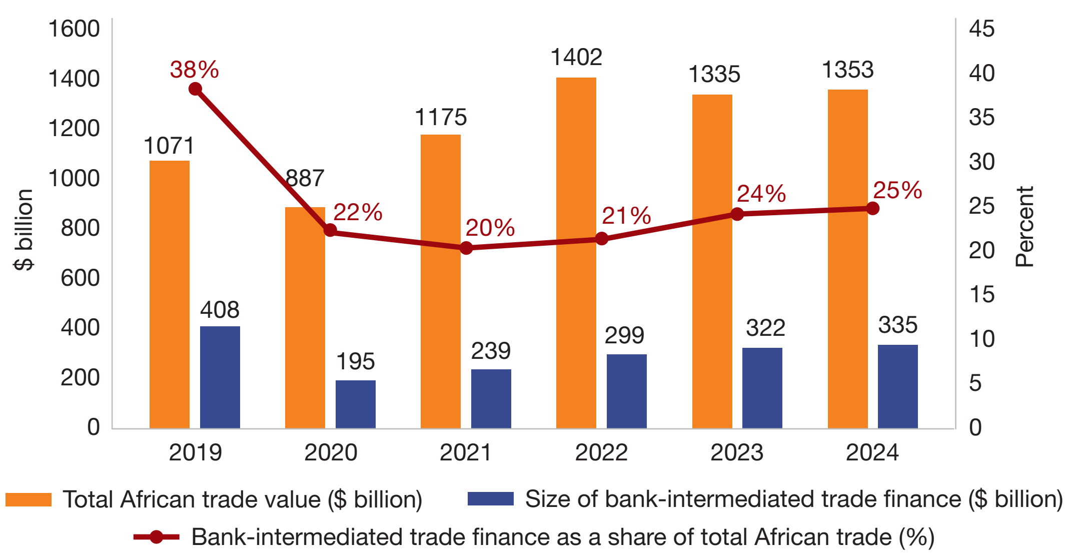
3. Bank-Intermediated Trade Finance in Africa

3.1 Size of Intermediated Trade Finance

Over 90% of world trade relies on trade finance (UNCTAD 2025a). Using the average values of funded and unfunded trade finance transactions, along with the share of banks that engage in trade finance activities, we estimate the size of bank-intermediated trade finance in Africa (see figure 8). This follows the methodology used by Bempong Nyantakyi (2023) and Gajigo and Bempong Nyantakyi (2022). Between 2020 and 2024, the average value of bank-intermediated trade finance stood at $278 billion, about 35% less than the $408.5 billion estimated between 2011 and 2019 (AfDB 2014, 2017; AfDB and Afreximbank 2020).[8] This confirms the expected contraction in the provision of trade finance resulting from the COVID-19 pandemic, where the response from banks reflected a decrease in intermediated financing of approximately 52% in 2020 (estimated at $195 billion) compared to the previous year. Bank-intermediated trade financing experienced a significant increase after the COVID-19 pandemic, rising by 22% in 2021 and 25% in 2022, following rapid interventions by governments, export credit agencies, and international FIs. Interventions comprised payment-deferral schemes and record amounts of trade finance guarantees and liquidity (Amoussou, Karagueuzian, and Bah 2020; Auboin 2021). Nevertheless, the decline in 2020 was quite pronounced, and African banks have yet to reach their prepandemic levels of trade finance intermediation.

Figure 8.

Average Size of Bank-Intermediated Trade Finance and Share of Total African Trade per Year



Source: AfDB Trade Finance Survey, 2025, and UNCTAD (2025b).

8 The value for 2019 from the previous report has been adjusted from $482 billion to $408.47 billion to reflect the revised trends through the year-end.

Considering the average value of trade in Africa over the surveyed period ($1,230.4 billion), respondent banks intermediated approximately 23% of total African merchandise trade—a decrease of 15 percentage points relative to the 2011–19 period. This translates to an average of about $278 billion of trade finance supplied to the continent per year between 2020 and 2024. Hence, African trade remains significantly underserved by banks compared to the 80% share of global trade that is supported by bank trade financing (WTO 2016).

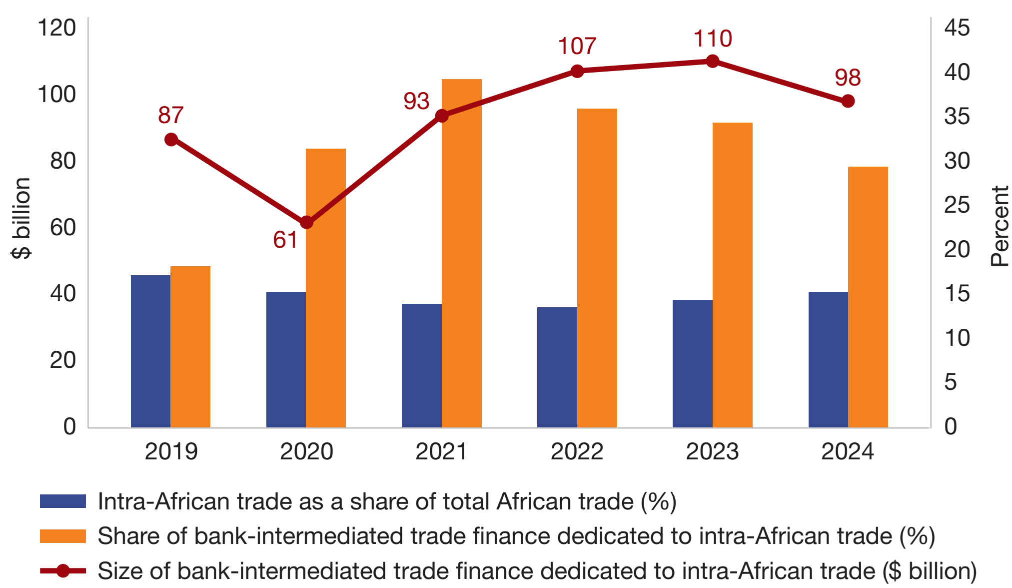
3.2 Intra-African Trade

The consistently low share of intra-African trade in total African trade (averaging 14% between 2020 and 2024) presents a significant challenge. It has typically been attributed, in part, to the fact that intra-African trade is underfunded. However, evidence of this is sparse. The African Continental Free Trade Area, designed to boost intra-African trade by removing barriers to such trade, has prompted several initiatives aimed at facilitating its financing, such as the African Export-Import Bank's African Currency Marketplace and Fund for Export Development in Africa.

Using bank-reported information on the share of trade finance (both off- and on-balance-sheet) dedicated to intra-African trade, the size of bank-intermediated trade finance committed to intra-African trade is calculated by multiplying the total size of bank-intermediated trade finance by the share of trade finance dedicated to intra-African trade. Figure 9 shows that bank-intermediated financing for intra-African trade declined significantly, from $87 billion in 2019 to $61 billion in 2020, reflecting the impact of the COVID-19 pandemic. The average share of intra-African trade in total African trade between 2020 and 2024 is also lower than it was in the period before COVID-19 (14% versus 17% between 2015 and 2019). Interestingly, intra-African trade appears to receive a greater share of bank-intermediated trade finance relative to the percentage of total trade conducted within the continent. This may be due in part to the rise in export-financing initiatives by multilateral development banks and DFIs, the larger role that African banks are playing in confirming trade finance transactions on the continent,

Figure 9.

Size and Share of Bank-Intermediated Trade Finance in Africa Dedicated to Intra-African Trade



Source: AfDB Trade Finance Survey, 2025, and UNCTAD (2025).

and initiatives such as PAPSS that seek to increase intra-African banking. By the end of 2024, PAPSS had a total network of 16 central banks and 150 commercial banks across the continent with the objective of reducing transaction costs and mitigating liquidity constraints—see box 1 (Afreximbank 2025b). In addition to PAPSS, regional payment infrastructures such as the East African Payment System and the Common Market for Eastern and Southern Africa's Regional Payment and Settlement System have also contributed to improving cross-border settlement efficiency. These systems help reduce transaction costs and risks and enhance financial integration.[9]

Box 1.

The African Export-Import Bank's Pan-African Payment and Settlement System

In line with a mandate to accelerate both intra- and extra-African trade, the African Export-Import Bank (Afreximbank) has implemented a suite of trade finance programs—including the Afreximbank Trade Finance and Trade Facilitation Program—to facilitate and finance trade across the continent. To further consolidate its central role in promoting African trade, Afreximbank, with the support of the African Union and the secretariat of the African Continental Free Trade Area, launched the Pan-African Payment and Settlement System (PAPSS). Officially inaugurated on January 13, 2022, after preparatory work that began in 2019, PAPSS is a real-time, centralized financial market infrastructure designed to enable efficient, inclusive, faster, cheaper, and secure cross-border payments within Africa. Its implementation is expected to contribute to deepening financial and trade integration across the continent.

A key objective of PAPSS is to reduce reliance on external (hard) currencies, thereby enhancing efficiency in intra-African trade and supporting the effective implementation of the African Continental Free Trade Area. Its integrated digital capabilities empower trade finance providers—including commercial banks and other key market participants—to optimize their operations. By allowing transactions to be settled in local currencies, PAPSS enables clients to make fast and cost-effective cross-border payments. The platform adheres to high security standards, including ISO 20022 encoding, and enhanced transparency features and analytics, to support better-informed decision-making.

PAPSS operates in close collaboration with designated "participants"—primarily African central banks—providing payment and settlement services for licensed payment service providers, fintechs, governments, and commercial banks. As of the end of 2024, PAPSS had expanded its network to include 16 central banks and over 150 commercial banks across Africa. Additionally, its African Currency Marketplace component facilitated pilot transactions in 12 local currencies. Furthermore, through its Fund for Export Development in Africa, Afreximbank has also admitted three new member countries—Egypt, Malawi, and Nigeria—to support export-finance initiatives aimed at narrowing the intra-African trade-financing gap.

Ultimately, PAPSS is expected to mitigate liquidity constraints, lower transaction costs, and enhance trade efficiency within Africa. The recent launch of PAPSSCARD in June 2025, during the 32nd Afreximbank annual meetings in Abuja, Nigeria, marks another milestone in advancing the goals of PAPSS and the African Continental Free Trade Area. A joint initiative between Afreximbank, PAPSS, and Mercury Payment Services, PAPSSCARD will enable instant, secure, and affordable cross-border retail payments across Africa. This initiative reinforces efforts to reduce dependence on external payment systems, which have historically hindered trade, increased transaction costs, and compromised control over the continent's vast financial and economic data.

Sources: Afreximbank (2025b, 2025a).

9 See https://www.comesa.int/comesa-clearing-house/ and https://www.eac.int/eadrip-news-updates/eardip-press-releases/3383-eac-unveils-regional-payment-system-masterplan-to-drive-financial-integration-and-digital-trade.

4. Trade Finance Gap in Africa: Where Are We Now?

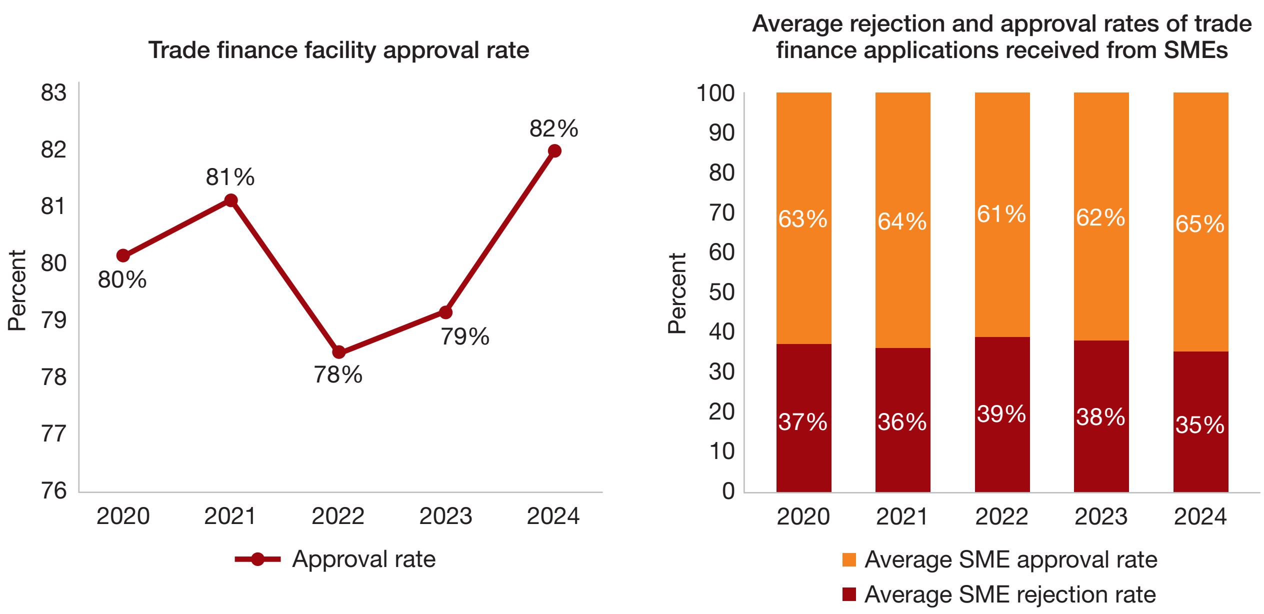
4.1 Trade Finance Approval and Rejection Rates

Banks' approval rates for trade finance applications received decreased slightly to 80% in 2020, compared to an average of 81% over the 2011–19 period. The average post-COVID approval rate (2021–24) also remains at 80% (see figure 10). As the impact of the COVID-19 pandemic lessened, approval rates for trade finance applications by banks in Africa increased again to 81% in 2021. However, approval rates declined in 2022 to 78%, primarily due to banks' tightening of credit standards in response to higher interest rates by central banks aimed at combating rising inflation. Furthermore, stricter, ongoing KYC requirements during this period contributed to banks approving fewer applications.[10] As some of these pressures are normalized, banks' trade finance approval rates also appear to be rising, reaching 82% in 2024.

Approval rates of trade finance applications for SMEs have remained fairly stable at an average of 63% over the 2020–24 period (see figure 10). As expected, the same patterns observed in banks' overall trade finance

Figure 10.

Trade Finance Approval and Rejection Rates



Source: AfDB Trade Finance Survey, 2025.

10 Rejections of trade finance application have important implications for firms in Africa. About 14% of Kenyan and Tanzanian firms indicated that they had no alternative trade finance sources after being rejected by banks (AfDB 2022). Even worse, over a quarter of SMEs reported having little to no alternative form of finance following rejection of their trade finance applications (Amoussou, Bempong Nyantakyi, and Mabuza 2023).

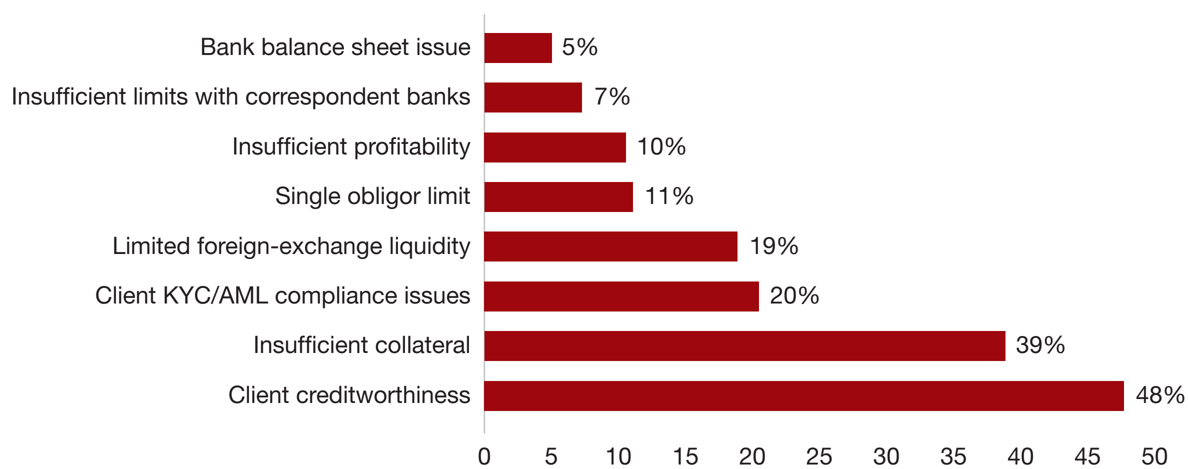
portfolio approval rates over time are also apparent for SMEs, though at lower levels. This confirms the structural challenges that SMEs face in accessing trade finance, as the approval rate has remained far below the trade finance approval rate for almost the decade that the AfDB has been tracking for African banks. Indeed, efforts aimed at supporting SMEs and ensuring the sustainability of their access to trade finance through targeted financing programs, improving the enabling environment for SME financing, and enhancing the adoption of digital tools and systems must continue.

4.2 Reasons for Rejecting Trade Finance Applications

The primary reasons for banks' rejection of trade finance applications have not changed significantly since the first trade finance report in 2014: weak client creditworthiness (48% of surveyed banks) and insufficient collateral (39%). Additionally, 20% and 19% of surveyed banks reported that compliance with stringent international KYC and anti-money-laundering (AML) regulations, and limited foreign-exchange liquidity, respectively, were reasons for rejecting trade finance applications (see figure 11). These structural challenges appear to persist despite efforts by governments, international FIs, and development partners to address them. Efforts include the strengthening of private credit bureaus in countries such as Ghana, Nigeria, Tanzania, and Uganda; strengthening of collateral registries for movable assets (for example, Ghana, Liberia, and Malawi); technological innovations, especially via fintechs and data-driven/mobile lending solutions; regulatory reforms; and improving institutional capacity. Nevertheless, continued enhancements regarding the availability of credit information, along with the implementation and consistent updating of collateral registries and coordination among jurisdictions that adopt the UN Model Law on Electronic Transferable Records, which promotes paperless trade and facilitates the digitalization of trade finance transactions, are some solutions that could encourage bank intermediation in Africa.

Figure 11.

Reasons for Rejecting Trade Finance Applications



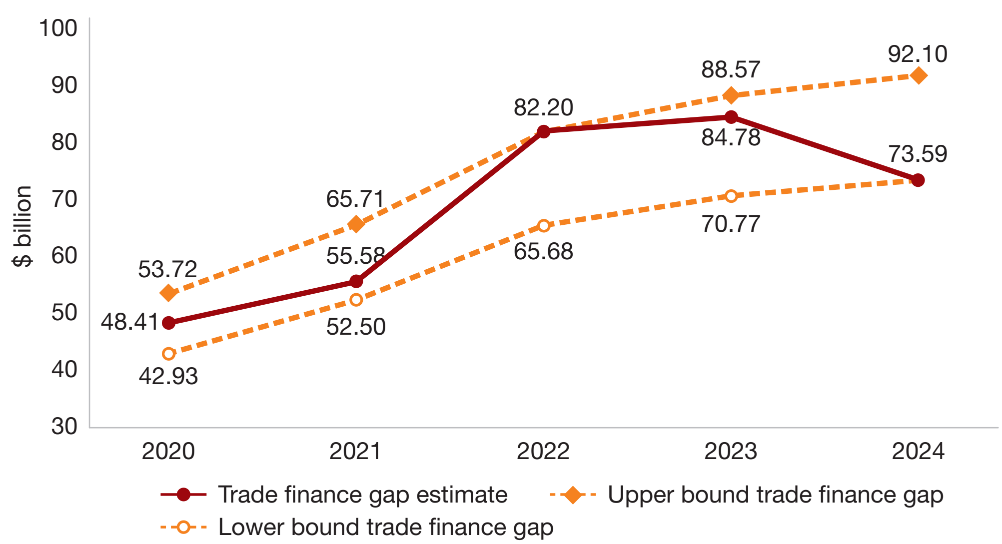
Source: AfDB Trade Finance Survey, 2025.

4.3 Trade Finance Gap Estimate

The trade finance gap in Africa has been considered large over the years and is often cited as the major constraint to the expansion of African trade (Afreximbank 2025b). Therefore, obtaining a current estimate of this gap, albeit a daunting task, is crucial for helping boost Africa's trade volumes and its share of trade in the world. Consistent with the previous trade finance reports, we use the size of bank-intermediated trade finance in Africa and the average rejection rates by banks to estimate the difference between trade finance demand and supply since the COVID-19 pandemic occurred in 2020. We follow the methodology used by Bempong Nyantakyi (2023) and Gajigo and Bempong Nyantakyi (2022). Additionally, we generate estimates of the upper and lower bounds of the trade finance gap using the highest and lowest rejection rates over the 2020–24 period. The results are presented in figure 12. The trade finance gap estimate in 2020 ($48.41 billion) declined relative to that in 2019 ($93.43 billion). This is potentially due in part to the influx of financing from governments, export credit agencies, and international FIs to mitigate the negative impact of the COVID-19 pandemic following prolonged lockdowns, confinement measures, and business closures, which also contributed to muted levels of demand and supply of trade finance during this period. As the responses to the COVID-19 pandemic lessen from a financial-injection perspective, the trade finance gap also seems to be rising, though it remains below prepandemic levels. The post-COVID trade finance gap is estimated at an average of $74 billion between 2021 and 2024, a 53% increase from the estimated gap in 2020, mainly due to the decline in approval rates in 2022 and 2023 from the inflationary macroeconomic environment discussed in section 4.1. Nevertheless, the average post-COVID gap is 20% lower than the $92.3 billion average over the 2011–19 period, indicating significant progress with respect to bridging the disparity in trade finance in Africa.

Figure 12.

Evolution of Trade Finance Gap over Time



Source: AfDB Trade Finance Survey, 2025.

In 2024, the unmet demand for trade finance in Africa is estimated to be below $92.1 billion (that is, $74 billion). With total African merchandise trade and the global trade finance gap estimated at $1,352.7 billion and $2.5 trillion (ADB 2025), respectively, unmet trade finance demand in Africa represented approximately 5.4% of the region's total trade value in 2024 and 3% of the global trade finance gap. Africa's share of the global trade finance gap (3%) is about the same as Africa's contribution to global trade (2.7%), as opposed to in 2019, when Africa's trade accounted for only 3% of global trade but its share of the global trade finance gap was at 5.5% (AfDB and Afreximbank 2020). This suggests in part that the trade finance ecosystem in Africa is maturing, with African FIs gradually becoming more effective at addressing the trade finance gap, possibly through increased participation by other stakeholders, such as DFIs.

Access to trade finance provides firms with opportunities to strengthen market integration, enhance economic growth and resilience, and support market expansion. However, not all trade finance requests by firms are funded by banks engaged in trade finance. Several factors have influenced Africa's trade finance landscape since the last report, not least the COVID-19 pandemic. The pandemic's impact on trade finance in Africa is discussed in section 5.2. Understanding these factors is crucial to designing solutions that will reduce the unmet demand for trade finance in Africa.

5. Challenges and Opportunities in Africa's Trade Finance Landscape

5.1 Constraints to Trade Finance Supply

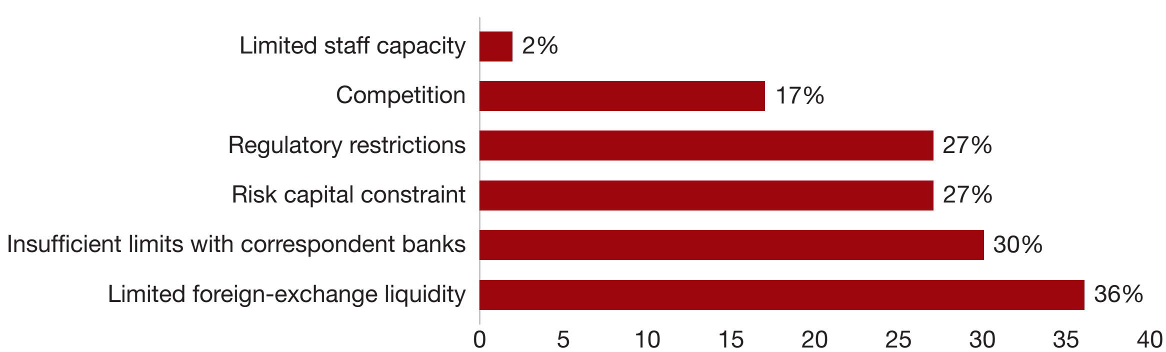
Historically, increased competition, insufficient limits with correspondent banks, and limited foreign-exchange liquidity have been cited as the top three barriers to the supply of trade finance in Africa (AfDB and Afreximbank 2020). However, the current survey shows a shifting pattern of the main constraints to trade finance supply across Africa (see figure 13).

Indeed, between 2020 and 2024, a larger proportion of banks (36%) cited limited foreign-exchange liquidity as a major constraint to trade finance growth relative to the previous surveys (18% on average). The share of the US dollar and the euro in foreign trade invoices has remained stable over the past two decades, with the US dollar accounting for 88% of the foreign-exchange volumes traded.[11] The COVID-19 pandemic caused significant declines in trade and tourism earnings in hard currency for African countries, with the hardest-hit implementing foreign-currency restrictions to shore up their reserves. This contributed to the dwindling of foreign currency available to FIs and traders alike. In addition, capital outflows further weakened local currencies relative to the dollar, with African firms and banks now seeking to engage in more local currency transactions.

Over time, risk-capital constraints and regulatory requirements have also become key impediments to the growth of banks' trade finance portfolios. Since the 2007–08 global financial crisis and related Basel III reform measures, international standards have tightened, negatively impacting trade finance activities, particularly in Africa. These constraints could tighten with the Basel III Endgame (the latest implementation phase of Basel III), which began in July 2025 and involves higher capital requirements, a new leverage ratio framework that increases banks' capital reserves against their assets, and stricter liquidity requirements. Higher risk aversion

Figure 13.

Major Constraints to Trade Finance Supply in Africa (2020–24)



Source: AfDB Trade Finance Survey, 2025.

11 https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization

and increased cost of trade finance operations, driven by higher compliance costs, will contribute to making trade finance less accessible to banks' customers. These new requirements may also lead to a drop in global international banks' trade finance exposure in Africa, further contributing to another constraint to trade finance growth—namely, insufficient limits with correspondent banks, which the current survey has revealed as already the second major constraint to trade finance on the continent (30%). While collateral requirements were not highlighted as a major constraint on the supply of trade finance by respondent banks, they do feature as a major reason for their rejection of trade finance applications. Collateral requirements for trade finance in Africa tend to be very high, often including significant cash collateral requirements, bank guarantees, or high-quality tangible assets, such as property or equipment. This is mainly because banks typically do not consider the merchandise to be traded as sufficient collateral, despite this being at the heart of the International Chamber of Commerce rules on letters of credit.

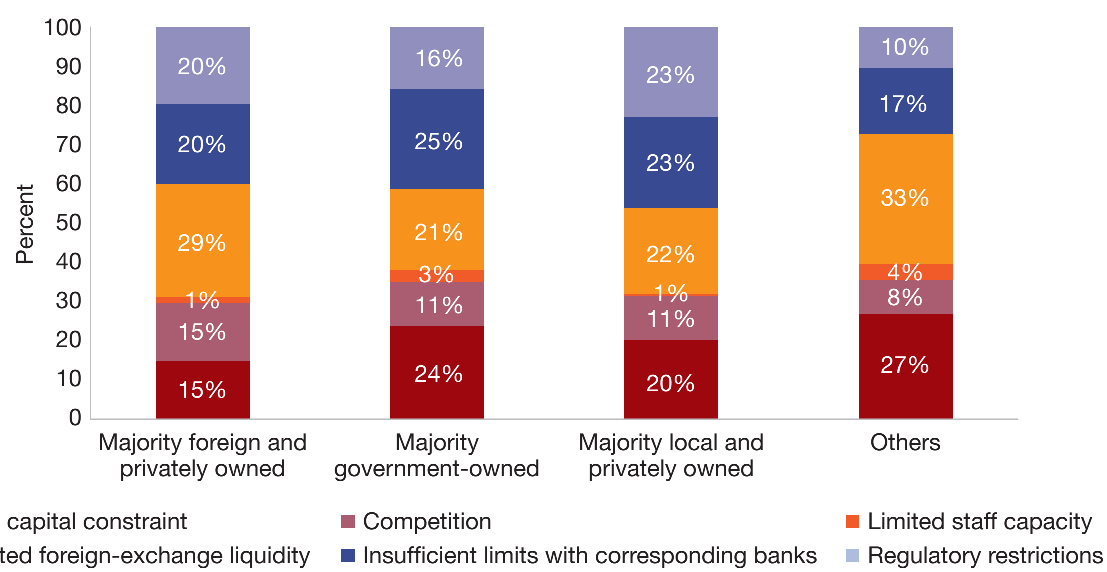
5.1.1 Constraints on Trade Finance Supply by Bank Ownership Type

When analyzed by bank ownership type, the constraints to the growth of trade finance supply in Africa broadly reflect the same trend as that of the overall continental level. As shown in figure 14, the most frequently reported impediments to growth in banks' trade finance portfolios are limited foreign-exchange liquidity (21% to 33%), risk-capital constraints (15% to 27%), insufficient limits with correspondent banks (17% to 25%), and regulatory restrictions (10% to 23%).

However, some variations can be observed depending on the ownership structure of respondent banks. For instance, limited foreign-exchange liquidity is cited as the main constraint by a higher proportion of the majority foreign-owned banks (29%) than majority government-owned banks (21%), likely due to preferential access of the latter to limited foreign-exchange reserves. In contrast, risk-capital constraint is found to be a major constraint for 24% of the majority government-owned banks, whereas it is cited by only 15% of the majority foreign-owned banks as a major constraint to trade finance. This reflects the general notion that foreign-owned

Figure 14.

Constraints to Trade Finance Supply by Bank Ownership Type



Source: AfDB Trade Finance Survey, 2025.

banks tend to be more capitalized relative to their state-owned counterparts, with better risk management and reduced exposure to country risk given the ability of parent banks to diversify across several markets.

5.1.2 Constraints on Trade Finance Supply for Intra-African Trade

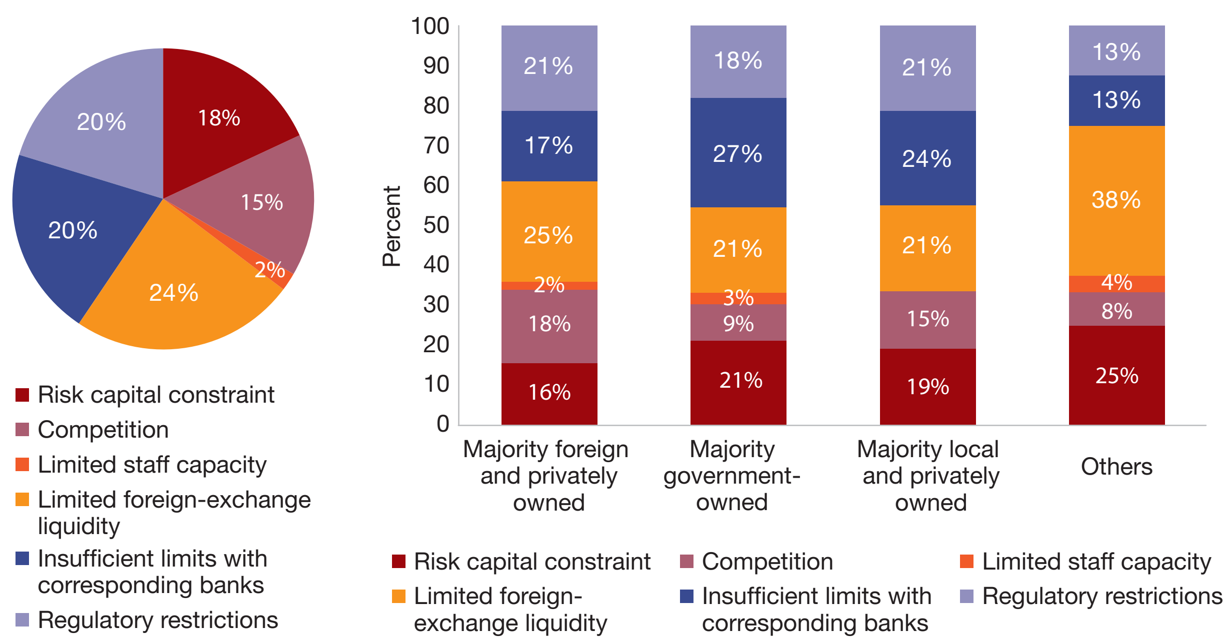
Intra-African trade constitutes a limited portion of Africa's total international trade relative to regions like Europe, the Americas, and Asia. Intra-African trade accounts for merely 15.1% of Africa's total trade in 2024 (from 14.2% in 2023) compared to 64%, 46%, and 60% in Europe, the Americas, and Asia, respectively (UNCTAD 2025b). The African continent is far from realizing its full potential in terms of intraregional trade, which is an important driver in enhancing regional economic integration. The African Continental Free Trade Area, by eliminating tariffs, addressing nontariff barriers, and enhancing regional value chains, should significantly boost the value of intra-African trade by an estimated 15–25% by 2040, according to the Economic Commission for Africa.[12]

Constraints to trade finance growth for intra-African trade are broadly the same as those reported for the overall African trade, including trade with other regions in the world. As shown in **figure 15**, the five main constraints to intra-African trade finance listed by the respondent banks are limited foreign-exchange liquidity (24%), insufficient limits with correspondent banks and regulatory requirements (both at 20%), risk-capital constraint (18%), and competition (15%).

When comparing the ranking of the intra-African trade finance constraints by bank ownership type, one can observe that only 17% of the majority foreign-owned banks consider insufficient limits with correspondent banks as a major constraint, against 27% for the majority government-owned banks and 24% for the majority local

Figure 15.

Constraints to Intra-African Trade Finance Overall and by Bank Ownership Type



Source: AfDB Trade Finance Survey, 2025.

12 https://www.un.org/osaa/news/concrete-recommendations-accelerate-afcftas-progress

privately owned banks. This can be explained by the fact that the majority foreign-owned banks have facilitated access to the network of global international corresponding banks, at least from their parent companies abroad. Competition is identified as a major constraint to intra-African trade finance by a higher proportion of privately owned banks, including foreign majority banks (18%) and local majority banks (15%), compared to 9% for majority government-owned banks, which illustrates the greater incentive to competition of the private sector.

5.2 Impact of COVID-19 on Trade Finance Operations in Africa

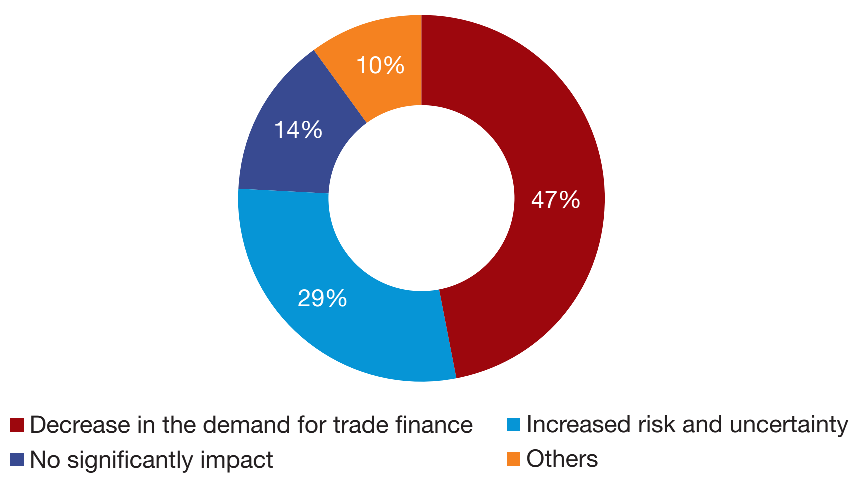
In Africa, where the structural trade finance gap averaged over $90 billion per year prior to 2019, the COVID-19 crisis affected countries' economies at varying levels, with global lockdowns, supply-chain disruptions, and restrictions on the movement of people and goods, among others. These exacerbated the urgency and pressure on trade finance, significantly affecting operations and requiring rapid, coordinated responses across the board to ensure service continuity, protect portfolio quality, and guarantee support for the most critical sectors of the economy. The AfDB's 2025 trade finance survey gathered firsthand data on the impact of the COVID-19 crisis on trade finance in Africa as reported by FIs operating in the industry.

The survey findings reveal that 85% of FIs reported a negative impact of the pandemic on their trade finance operations. The survey explored the main challenges posed by the pandemic in the banks' trade finance operations. Of the banks surveyed, 47% recorded a decrease in the demand for trade finance due to the COVID-19 pandemic, while 29% noted increased risk and uncertainty as a key challenge (see figure 16).

African FIs that engage in trade finance responded to the pandemic's challenges in various ways. As shown in figure 17, 46% and 31% of surveyed banks deployed remote working solutions and digital platforms, respectively.[13] Other channels for adjusting to the effects of COVID-19 included automating processes (27%), training on digital tools (27%), and joint initiatives with other banks (11%). Indeed, most of the mechanisms through which banks in the survey adapted to the pandemic involved digitalization, an emerging issue in the trade finance landscape that is discussed in more detail in section 7.

Figure 16.

COVID-19 Effects on Trade Finance Activities in Africa

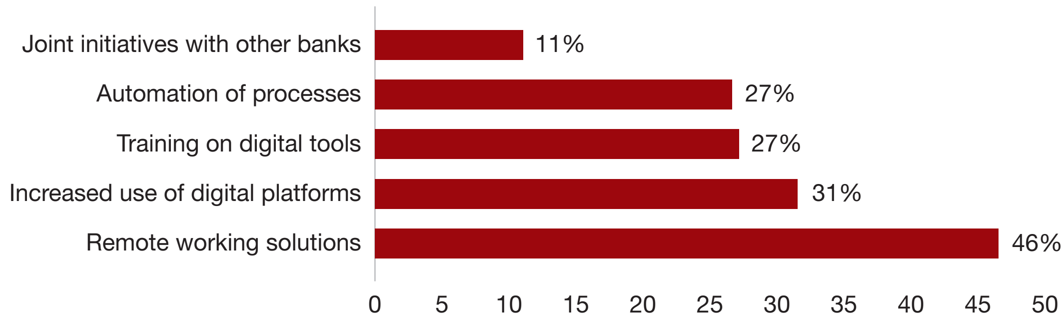


Source: AfDB Trade Finance Survey, 2025.

13 It is important to note that the responses are not mutually exclusive. Banks were able to provide multiple mechanisms through which they adapted to the challenges posed by the COVID-19 pandemic.

Figure 17.

Adapting to Challenges Posed by the COVID-19 Pandemic



Source: AfDB Trade Finance Survey, 2025.

5.3 Recent Geopolitical Tensions Could Stifle Trade Finance in Africa

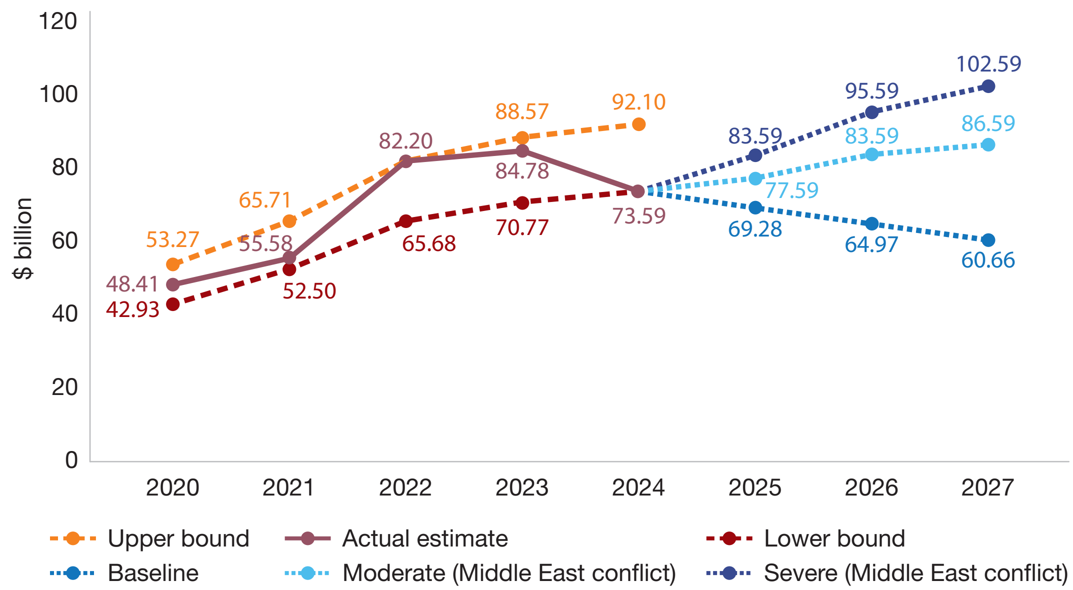
The outbreak of the conflict in the Middle East and the resulting closure of the Strait of Hormuz have introduced a fresh and potentially severe headwind to Africa's trade finance environment. The conflict has driven a sharp rise in oil and fertilizer prices and elevated insurance and freight costs which have in turn inflated shipping for Africa's predominantly net oil-importing economies and those dependent on the Middle East for fertilizer and related products. This shock has placed additional pressure on already strained foreign-exchange reserves in many African countries. As import costs rise and currencies weaken – at least 29 African currencies have depreciated since the outbreak of the conflict – the creditworthiness of African borrowers deteriorates in the eyes of international correspondent banks, potentially further compressing the supply of trade finance even as demand intensifies. While oil and gas producers such as Nigeria and Angola may benefit from higher export revenues, this windfall is unlikely to offset the near-term tightening of trade finance conditions across the continent.

The conflict also risks reversing the structural progress made in narrowing Africa's trade finance gap since the pandemic. The inflationary macroeconomic environment of 2022 and 2023 already pushed the post-COVID gap upward by 53% relative to 2020 levels, primarily through declining bank approval rates. A sustained energy price shock of the kind now unfolding could lead to higher inflation – projected at an average of 10.4 percent for the continent, nearly a percentage point higher than the rate forecast in January 2026 prior to the conflict – lower corporate margins, and weaker loan-repayment capacity and prompt banks to further tighten credit standards. At the same time, the diversion of risk appetite and capital toward conflict-related hedging in global financial markets leaves less room for emerging-market trade finance exposures on which African importers and exporters depend. Without a coordinated response from commercial banks, export credit agencies, and development finance institutions comparable to the pandemic-era financial injections, the trade finance gap risks climbing back toward, or beyond, its prepandemic average of $93.4 billion recorded in 2019.

Indeed, estimates in this report show that under a moderate scenario with sustained energy prices above $105 per barrel and a tighter bank risk appetite comparable to 2023, the trade finance gap could reach roughly $86.59 billion by 2027, about 17.66% more than in 2024 ($73.59 billion), while a scenario involving prolonged Strait of Hormuz disruption, sharp local-currency depreciation, and contraction in international trade credit lines would push the gap to approximately $95.59 billion by 2027, effectively returning to the trade-finance-gap level reached in 2017 ($95.63 billion) and erasing a decade of progress. By contrast, the baseline scenario of no exogenous shock would see the gap continue to narrow toward $65 billion (see figure 18), underscoring that much of the projected widening is attributable to geopolitical tensions in the Middle East, rather than underlying structural conditions.

Figure 18.

Africa Trade Finance Gap: Strait of Hormuz Disruption Scenario



Source: AfDB (2020–24 actuals); scenario projections (2025–27). The baseline assumes the post-peak ordinary least squares trend (–$4.3 billion/year) continues in the absence of an exogenous shock. A moderate Iran-war scenario assumes sustained Brent above $105/barrel and a tighter correspondent-bank risk appetite comparable to the 2022–23 episode. The severe scenario assumes prolonged disruption of the Strait of Hormuz, sharp local-currency depreciation, and significant contraction in international trade credit lines. Projections are scenario-based estimates and do not constitute official forecasts.

6. Environmental Sustainability and Trade Finance

Africa's trade is particularly vulnerable to environmental sustainability risks and impacts. Although the continent accounts for only about 3% of global greenhouse gas emissions, it is among the most vulnerable to the impacts of climate change. This report, building on previous editions, expands its scope to examine environmental, social, and governance (ESG) principles (broadly referred to as environmental sustainability in this report) in relation to trade finance in Africa—a relatively new area compared to its more advanced uptake in Europe, North America, and parts of Asia (Kleos Advisory and ITFA 2022).

Pressing global environmental challenges, including climate change and deforestation, underscore the urgent need to redirect financial resources toward sustainable practices, including in the area of trade. While there has been exponential growth in the deployment and demand for green financial instruments such as green bonds, social bonds, and sustainability-linked loans/bonds, the role of trade finance in promoting environmental sustainability remains largely underexplored and underutilized (Elliot and Olofsson 2024).

A growing discourse on sustainable trade finance, alongside the development of green trade finance tools—such as green letters of credit and sustainability-linked guarantees—positions these instruments as vital levers for integrating sustainability into trade. Initiatives by international institutions, including the International Chamber of Commerce's Principles for Sustainable Trade,[14] the Principles for Responsible Banking of the Finance Initiative of the UN Environment Programme, and the IFRS sustainability disclosure standards issued by the International Sustainability Standards Board,[15] provide a framework to accelerate the adoption of green trade finance. These frameworks can help embed sustainable finance practices across key stakeholders, including banks and firms.

The survey results provide encouraging insights into sustainable trade finance practices among African banks. Notably, there has been little prior benchmarking of the trade finance–environmental sustainability nexus in Africa, making these findings particularly valuable. Globally, the 2023 trade finance survey by the Asian Development Bank showed a shift toward sustainable financing, with 70% of surveyed banks having a definition for climate and/or green finance transactions and 74% planning to align future trade finance with ESG principles (ADB 2023).

It is in the strategic interest of African banks to systematically align their trade finance operations with the global shift toward sustainability priorities, including ESG principles and science-based targets. While there is no definitive data on ESG adoption rates for banks across Africa, where the shift is still in its nascency, the sustainable banking assessment for Africa conducted by the World Wildlife Fund provides a useful benchmark for evaluating ESG integration in African banks. Though not representative of all African banks and not specifically focusing on trade finance, 72% of the 25 banks surveyed reported incorporating sustainability into their core strategies (WWF 2025). However, 48% still lacked concrete commitments to sustainable finance. Banks in South Africa and Kenya emerged as regional leaders in ESG integration, with average scores of 50.1% and 43.7%, respec-

14 https://iccwbo.org/news-publications/policies-reports/icc-principles-for-sustainable-trade/
15 https://www.ifrs.org/groups/international-sustainability-standards-board/

tively highlighting stronger institutional commitments and more robust regulatory frameworks supporting ESG subscription (WWF 2025).

Through this survey, we gauge whether and to what extent banks are greening their trade finance portfolio. We seek to understand if they have adopted policies and/or frameworks to guide their sustainable trade finance operations and how recent these policies are. These questions are important when evaluating the progress being made by African banks in their transition to more sustainable/ESG-aligned financing for trade and how issues such as taxonomies, regulations, and the like are shaping the dynamics of sustainable trade financing on the continent.

In Africa, 55% of surveyed banks reported incorporating environmental sustainability into their trade finance operations. On average, about 19% of their trade finance portfolios is considered “green.” Furthermore, 44% of banks have adopted sustainability policies or frameworks—77% of which were introduced in the past five years or more recently (see figure 19). These include ESG strategies (33% of banks), transparency and disclosure standards (15%), and climate/green finance taxonomies (7%).

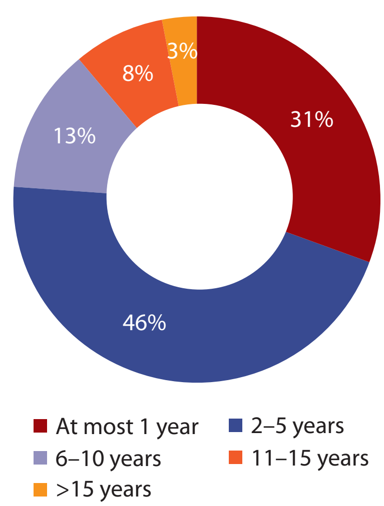
This demonstrates a growing recognition among African banks of their role in supporting the continent’s low-carbon transition, and the importance of trade finance as a catalyst for this shift. Banks are beginning to integrate sustainability into their strategic planning, not only to mitigate risks from climate change but also to align with global goals, such as the Sustainable Development Goals and the Paris Agreement on climate action.[16]

Among banks that incorporate sustainability in trade finance, 41% conduct environmental or climate risk assessments of clients, 20% partner with international organizations promoting sustainable trade finance, and 19% have developed or deployed green trade finance products (for example, green letters of credit). Furthermore, on average, sectors with the highest exposure in African banks’ trade finance portfolios include agricultural-commodities trade (26.5% of responding banks), power generation and distribution (18.6%), and industrial inputs, machinery, and equipment (17.3%).

About half of banks (48%) did not perceive the adoption of sustainability considerations as a significant barrier to trade finance. However, for banks that identified this as a financing barrier, they cited key obstacles such as the lack of internal ESG capacity (15% of responding banks), low client awareness (14%), compliance and transparency burdens (12%), and high transaction and implementation costs (12%). When all banks surveyed were asked about broader challenges to promoting sustainable trade finance, they pointed to the lack of client awareness of ESG tools and concepts (49%), the limited availability of green finance products (35%), the high cost of implementing sustainable finance (28%), and regulatory issues (13%), including un-

Figure 19.

Years since Adoption of Sustainability Policy or Framework



Source: AfDB Trade Finance Survey, 2025.

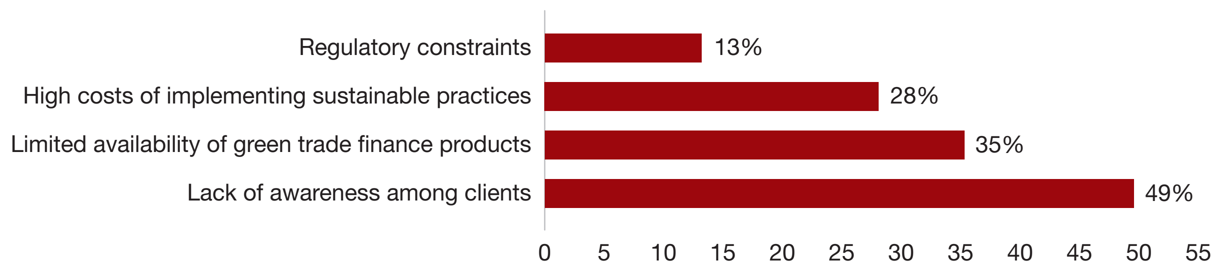
16 Article 2.1(c) of the Paris Climate Agreement enjoins stakeholders to *“make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”*

clear national policies and taxonomies (see figure 20). The widespread lack of awareness of sustainability/ESG issues—many of the unaware clients are suspected to be SMEs—suggests a need for targeted capacity-building and awareness campaigns to help businesses understand ESG opportunities and risks in trade finance.

While sustainable trade finance is still in its nascent stages in Africa, this report highlights significant potential for growth, alignment with the Sustainable Development Goals, and compliance with article 2.1(c) of the Paris Agreement. The willingness of African banks to embrace this agenda is promising, as 62% expect sustainability issues to become more central to their trade finance operations in the medium term.

Figure 20.

Challenges in Promoting Environmentally Sustainable Trade Finance



Source: AfDB Trade Finance Survey, 2025.

7. Digitalization and Trade Finance

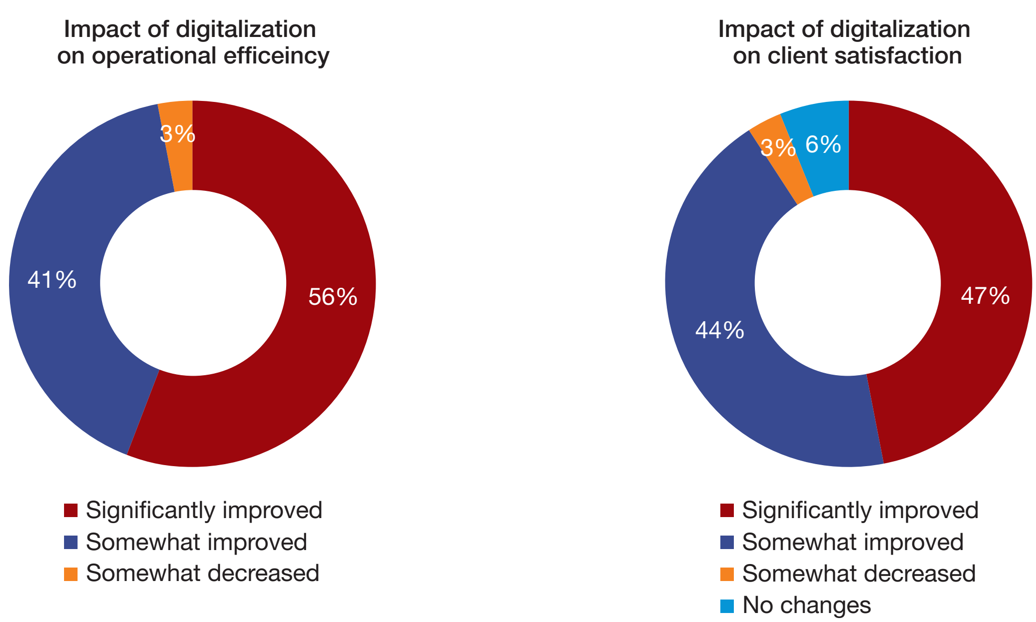
The COVID-19 pandemic exposed a major weakness in trade finance transactions in Africa—the overreliance on paper-based transaction processes (Bempong Nyantakyi and Drammeh 2020). However, this problem was not restricted to the African continent. In the United Kingdom, a trade transaction can require up to 40 different paper-based documents, many of which request the same information multiple times, and it can take up to two or three months to complete (Financial Times 2023). Pilot projects utilizing digital commercial trade documents, following the United Kingdom's Electronic Trade Documents Act (2023), have reported gains in efficiency and cost savings ranging from 40% to 90% (Britcham 2024).

Indeed, digitalization—which focuses on the end-to-end process of creating new value throughout the entire transactional process—presents opportunities for alleviating several key challenges in trade and trade finance, such as slow and costly processes (Deutsche Bank 2024). The survey results highlight that the main benefits of African banks' digitalization of their trade finance operations include faster processing times (49% of respondents), improved transparency (40%), reduced costs (35%), and enhanced security (30%).

However, **only 28% of the banks surveyed in Africa reported having adopted digital tools or platforms for their trade finance operations.** This is significantly less than the 42% share of trade finance operations conducted through digital platforms in the Asia-Pacific region in 2024 (Market Growth 2025). Of the surveyed banks

Figure 21.

Digitalization and Operational Efficiency/Client Satisfaction



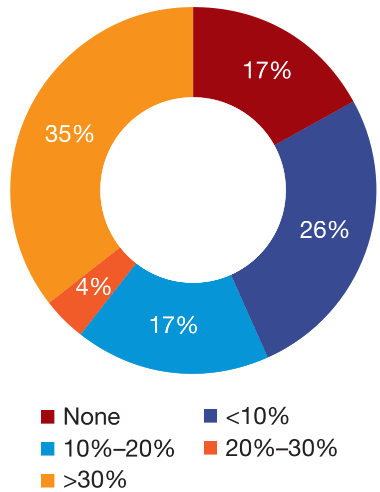
Source: AfDB Trade Finance Survey, 2025.

that reported adopting digital tools or platforms, 56% and 47% stated that they had experienced significant improvements in operational efficiency and client satisfaction, respectively (figure 21).

The main digital tools adopted by the African banks surveyed include electronic documentation (7%), mobile banking for trade finance (6%), online trade finance portals (4%), and blockchain-based platforms (2%). By fully transitioning to digital trade finance solutions, 35% of respondent banks expect to reduce transaction costs by more than 30% (see figure 22). Globally, new trade finance tools, such as digital guarantees and API-integrated letters-of-credit platforms, have helped reduce processing times by up to 63%, while smart contracts have reduced document-verification times by 60% in pilot programs conducted by top global banks (Market Growth 2025).

Figure 22.

Digitalization and Expected Reduction in Transaction Costs



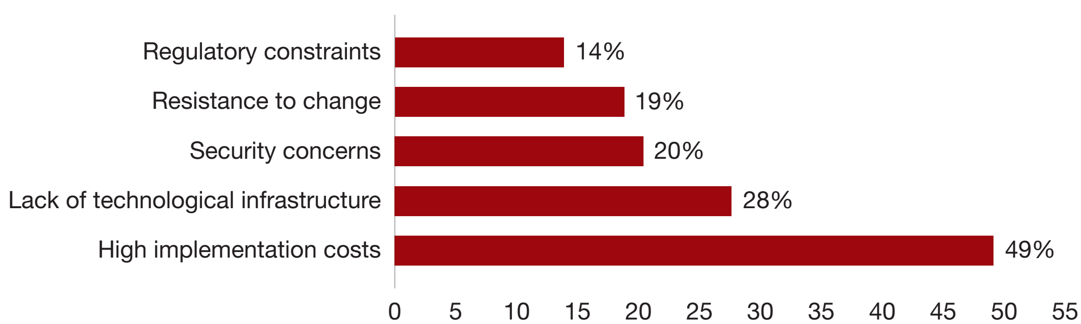
Source: AfDB Trade Finance Survey, 2025.

Compared to the rest of the world, Africa lags in the adoption of digital and electronic business processes, including trade finance (World Bank Group 2016). African markets are underutilizing the tech-driven trade networks and platforms that are already in place. Mauritius is the first African country among a growing list of other jurisdictions to adopt the UN Model Law on Electronic Transferable Records, which facilitates fully electronic trade finance instruments. The 2017 model law put forth by the UN Commission on International Trade Law was embraced by Mauritius only in 2025.[17]

Approximately 49% of respondent banks cited high implementation costs as the main barrier in adopting digital trade finance solutions, followed by lack of technological infrastructure (28%); see figure 23. Broader challenges faced by the surveyed FIs in adopting digital trade finance solutions, aside from high implementation costs (40%), include a lack of technical expertise (17%), client resistance (15%), and regulatory barriers (6%).

Figure 23.

Primary Barriers to Adopting Digital Trade Finance Solutions



Source: AfDB Trade Finance Survey, 2025.

17 https://tradetreasurypayments.com/posts/mauritius-enacts-electronic-bill-of-exchange-law-first-african-country-to-adopt-mletr

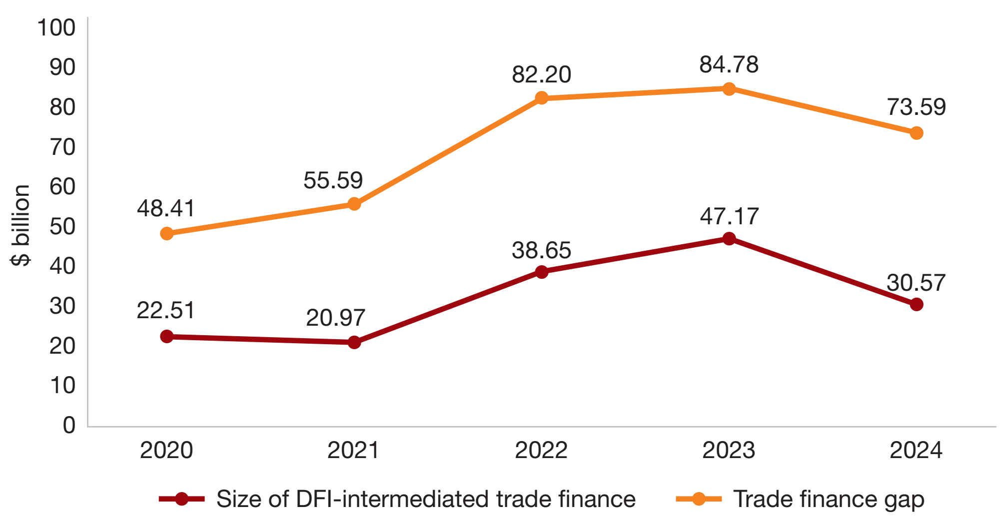
8. The Role of Development Finance Institutions in Addressing Africa's Trade Finance Gap

DFIs play a countercyclical and catalytic role in stabilizing Africa's trade finance landscape amid mounting pressures on commercial banks. Unlike private lenders, DFIs, particularly multilateral development banks and regional DFIs, leverage strong balance sheets, investment-grade credit ratings, and developmental mandates to sustain trade flows, particularly during crises such as the COVID-19 pandemic and the Russia–Ukraine conflict. The role of DFIs has been increasingly prominent in helping reduce the continent's unmet trade finance demand from an estimated average of over $90 billion between 2011 and 2019 to approximately $48 billion in 2020, to a post-COVID average of $74 billion (2021–24). This upward trend reflects both the lingering effects of global shocks and persistent structural constraints in the African trade finance market as the various COVID-19 interventions are being phased out.

Beyond crisis response, DFIs have played a sustained market-building role by providing hard-currency liquidity, deploying risk-sharing instruments, and investing in regulatory and financial infrastructure. Their consistent involvement has been vital, especially as banks continue to face interlinked constraints, such as limited capital, high compliance costs, and weak correspondent-banking networks. Survey results for this report covering 14 regional DFIs find that 56% were consistently active in trade finance, maintaining engagement even during periods of heightened external shocks. On average, DFIs intermediated $32 billion annually between 2020 and 2024 (see figure 24). Without this catalytic support, Africa's trade finance gap could have exceeded $100 billion per year during this period—an increase of over 40% of the estimated unmet trade finance demand. The AfDB

Figure 24.

Size of DFI-Intermediated Trade Finance and Trade Finance Gap



Source: AfDB Trade Finance Survey, 2025.

and African Export-Import Bank have made significant contributions to this, as evidenced by their trade finance programs, highlighted in boxes 1 and 2.

The engagement of DFIs in Africa's trade finance landscape aims at addressing the key challenges faced by commercial banks in the market for trade finance. These DFIs have helped ease foreign-exchange constraints through hard-currency credit lines and liquidity facilities. For example, the AfDB's Trade Finance Program has injected liquidity into over 30 countries, enabling local banks to finance essential imports in agriculture and energy. Similarly, the Africa Trade Fund, established in 2012 by the AfDB with seed financing from the Government of Canada, provides technical assistance to help low-income countries develop trade-related skills and improve the regulatory environment and infrastructure to enhance trade performance and competitiveness. Furthermore, in fiscal year 2023–24, the International Finance Corporation committed $3.9 billion in trade finance, with half of its own-account financing directed to gender projects and 21 percent to low-income countries and fragile and conflict-affected situations. In addition, regional initiatives such as the African Export-Import Bank's PAPSS, supported by DFI capital, aim to reduce overreliance on the US dollar by enabling cross-border trade in local currencies (see box 1).

Box 2.

Trade Finance Program of the African Development Bank Group

Since the publication of the inaugural report on trade finance in Africa in 2014, the AfDB has taken significant steps to help reduce the trade finance gap in the region. The efforts made in partnership with sister institutions may have contributed to lowering the unmet demand from its peak of $120 billion in 2011 to $81 billion in 2019 and further to approximately $74 billion in 2024. As of September 2025, the AfDB has supported more than $13.5 billion of trade through the deployment of $2.13 billion in trade finance lines of credit to local banks, $850 million in soft-commodity finance facilities directly to soft-commodity aggregators, and the unfunded risk-participation agreement (RPA) partnership with confirming banks.

In particular, the RPA facilities have supported 3,100 transactions worth $8.8 billion total trade. These transactions involved 175 issuing banks in Africa and 16 confirming banks located in Asia, Europe, and Africa. More than half of these transactions (56%) were geared toward supporting SMEs, and approximately 20% were in support of intra-African trade.

To complement the RPA, the AfDB launched the Transaction Guarantee instrument in 2021. This is an unfunded instrument providing up to 100% nonpayment-risk cover to confirming banks for trade finance transactions issued by eligible Africa-based banks, including those in low-income countries and transition states. The AfDB plans to build on the gains realized to date and contribute more significantly to the reduction of the trade finance gap by accelerating the implementation of the Transaction Guarantee instrument to guarantee local banks. The AfDB is also considering the introduction of a complementary supply-chain finance facility aimed at increasing access to finance for SMEs.

The AfDB also seeks to strengthen collaboration with trade finance partners to scale up trade finance lending through a risk-distribution platform involving financiers and insurers. This initiative will leverage the business-origination capacity of active players on the continent as well as catalyze institutions that have the risk appetite for African-related business.

Source: AfDB Trade Finance Program, 2025.

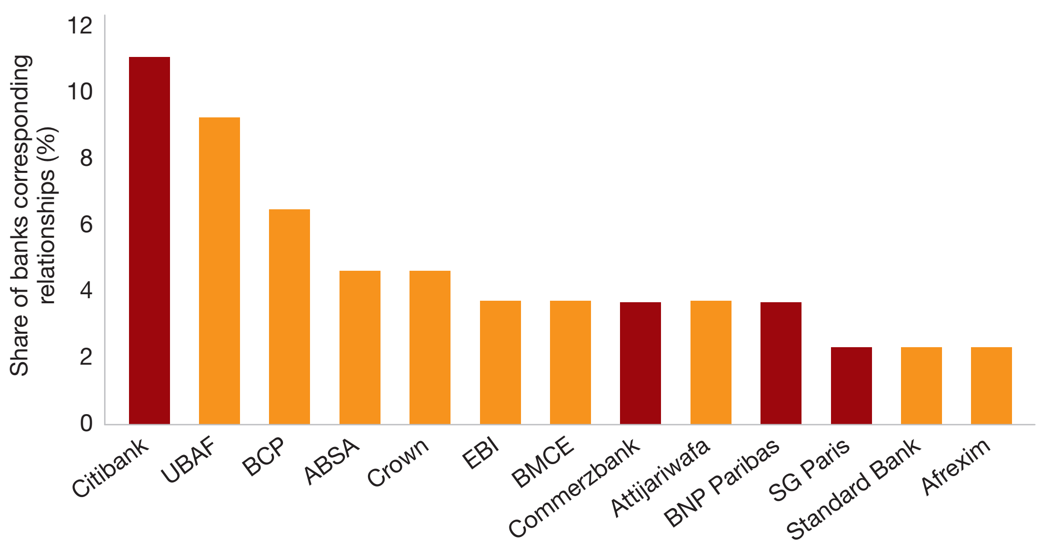
Since 2011, DFIs have responded to the decline in correspondent-banking relationships (which declined by nearly 25% between 2011 and 2020) by offering risk-sharing instruments and guarantees that encourage global banks to maintain or expand their lines of credit with African partners (Mabuza, Bempong Nyantakyi, and Amoussou 2022). The AfDB, International Finance Corporation, and other DFIs leverage their credibility to build trust with international banks, reducing perceived compliance and credit risks. Their programs have helped preserve flows through Citibank and UBAF while also enabling new entrants, such as the African Export-Import Bank, Banque Centrale Populaire, Absa, Crown, and Ecobank International (formerly EBI), to establish correspondent operations in Africa (see figure 25).

As in previous waves of the survey, banks ranked their top confirming banks. Citibank continues to lead the pack of top confirming banks for African issuing banks, as it has since 2015; it had confirmation relations with 11% of African banks between 2020 and 2024 and 9% between 2015 and 2019. However, four of the top five confirming banks are now regional banks (UBAF, Banque Centrale Populaire, Absa, and Crown) as opposed to banks from developed markets in the 2015–19 survey (Commerzbank, Standard Chartered Bank, and Deutsche Bank). The inclusion of new banks, such as the African Export-Import Bank, among the top confirming banks, reflects the increasingly important role that commercial and regional banks from Africa are now playing to help fill the trade finance gap.

Nearly 27% of the banks surveyed cited regulation as a constraint, due to the tightening of global and domestic regulatory requirements, including AML/KYC standards and Basel III Endgame reforms, which increase compliance costs and raise barriers to the expansion of trade finance. DFIs are mitigating this through policy dialogue and technical assistance that help regulators strike a balance between financial integrity and trade facilitation. The AfDB and its partners support the harmonization of AML/CFT frameworks across Africa, promote digital KYC solutions, and build supervisory capacity. These efforts reduce regulatory fragmentation, ensuring that

Figure 25.

Ranking of Top Confirming Banks for African Issuing Banks, 2020–24



Note: red and orange bars represent foreign and African correspondent banks, respectively. BCP: Banque Centrale Populaire; EBI: Ecobank International; UBAF: United Bank for Africa Finance; BMCE: Banque Marocaine du Commerce Extérieur; SG Paris: Société Générale Paris; Afrexim: Africa Export-Import Bank; Crown: Crown Bank Zimbabwe.

Source: AfDB Trade Finance Survey, 2025.

African banks can maintain access to global financial systems without being disproportionately burdened by compliance risks.

As trade finance is capital-intensive, many African banks struggle to allocate sufficient risk capital. Stricter Basel III requirements have increased capital-reserve needs, limiting banks' ability to expand trade portfolios. DFIs are addressing this through partial credit guarantees, cofinancing structures, and portfolio risk-participation agreements (RPAs). The AfDB's Trade Finance Program, for instance, uses transaction guarantees and RPAs, which are both unfunded instruments, to unlock additional capacity for African transactions. These instruments not only expand the headroom for banks with thin capital buffers but also crowd in private-sector participation by derisking African exposures and supporting access to finance in underserved markets.

Lastly, African banks face some competition from fintechs, nonbank FIs, and multinational banks with greater scale and technological sophistication. While such competition can spur innovation, it also places pressure on smaller banks' ability to sustain trade finance operations profitably. DFIs have a critical role to play in supporting digitalization in both small and bigger FIs. This includes investing in shared digital trade platforms, supporting supply-chain finance tools, and promoting partnerships that foster innovation and drive growth. DFI-backed trade-digitalization initiatives, for instance, are reducing transaction costs, enhancing operational efficiency, and improving outreach to underserved SMEs. In parallel, DFIs are addressing internal capacity constraints within banks—particularly gaps in staff expertise related to structuring and managing trade finance products—through targeted capacity-building programs, technical assistance, and knowledge-sharing initiatives. By embedding training and institutional support within their trade finance operations, DFIs are not only strengthening the competitiveness of African banks but also enhancing their long-term ability to expand and manage trade portfolios effectively.

Overall, DFIs' interventions appear to have helped reduce Africa's trade finance gap from a potential $100 billion or more to about $74 billion annually between 2021 and 2024, amid global shocks. Their support is most visible in the provision of foreign-exchange liquidity but also extends to correspondent banking, regulatory harmonization, risk-capital relief, and institutional strengthening.

9. Conclusion and Policy Recommendations

This report presents recent developments of the trade finance market in Africa, deepening our understanding of the typology and scope of the challenges facing the providers while providing an appreciation of the emerging issues that offer opportunities for banks engaged in trade finance activities in Africa. It reaffirms the crucial role that DFIs play in Africa's trade finance landscape and highlights some of the key initiatives implemented to help reduce the trade finance gap on the continent. The analysis underscores the continued importance of, and need for, Africa-wide collaboration between different players in addressing knowledge gaps, providing on-the-ground market insights into trade finance challenges, and serving as a basis for targeted interventions from the AfDB and other development partners.

Without a doubt, the average size of unmet demand remains too high, ranging between $61 billion and $76.5 billion per year over the 2020–24 period. Moreover, only about a quarter of African trade is intermediated by banks, a considerable decline from the 38% of African trade that was bank-intermediated in the pre-COVID period of 2011–19. Banks' rejection rates of trade finance applications remain significantly high, particularly for SMEs, at 37% over the survey period. Given that SMEs represent a significant proportion of businesses in Africa, it is essential that measures are undertaken to enhance their access to trade finance and increase their participation in trade. To achieve this, commercial banks and DFIs should create trade finance facilities with a specific percentage allocated for SMEs, ensuring that smaller businesses are not overshadowed by larger, more established clients.

DFIs can also expand the use of RPA and supply-chain finance offerings and other guarantee schemes, which will help banks better manage perceived risks of SMEs and increase banks' capacity to meet existing demand for trade finance. This, in turn, will increase the coverage of trade finance portfolios dedicated to SMEs. In addition, DFIs should continue to offer foreign-exchange liquidity through mechanisms such as trade finance lines of credit with both short- and long-term options. Furthermore, awareness campaigns and technical-assistance programs are crucial for improving SMEs' understanding of trade finance instruments, application processes, and compliance requirements, enabling small businesses to better position themselves for funding. Since the demand for trade finance is closely linked to the volume of trade activity, policies that promote SME participation in import and export markets, such as trade facilitation, access to information, and simplified, digitalized customs procedures, will support sustained demand that the financial system is better able to serve.

By digitalizing their trade finance operations, banks can leverage technological innovations to help reduce information asymmetry between creditors and borrowers, expedite processing times, including for KYC and AML compliance, and enhance transparency. Indeed, 28% of banks surveyed reported adopting digital tools or platforms, and 56% of these banks reported significant improvements in operational efficiency. Accelerating digitalization in trade finance across Africa cannot be overemphasized. However, achieving this will require strong coordination among DFIs, regulators, and banks. To this end, DFIs can play a crucial role in driving digital transformation by promoting the adoption of key frameworks by African countries, such as the UN Model Law on Electronic Transferable Records, which has been signed by only one African country. Additionally, DFIs and other stakeholders can support infrastructure initiatives like PAPSS, which aims to enable faster, more secure, and cost-efficient cross-border transactions, including in local currency. They can also help commercial banks enhance their digital capabilities, including automating trade processes and adopting secure digital platforms for document verification and client onboarding. Regulators should align national policies to facilitate interoperability, reduce exposure to cybersecurity risks, and improve data-governance standards that foster trust in digital trade systems. By collaborating closely, DFIs, regulators, and banks can create a digitally integrated trade finance ecosystem that improves efficiency, transparency, and financial inclusion.

Similarly, by incorporating environmental sustainability into their trade finance operations, African banks are recognizing their role in supporting the continent's low-carbon transition and the importance of trade finance as a catalyst for this shift. Africa presents significant opportunities to advance sustainable trade finance, but unlocking this potential requires coordinated action. DFIs, regulators, and banks each play a critical role in building the institutional capacity needed to integrate ESG principles into trade finance systems and operations. A key priority is strengthening financial intermediaries and regulatory frameworks to support ESG-aligned products, metrics, and disclosures. This includes promoting harmonized ESG taxonomies and reporting standards, which can help banks and businesses assess climate risks and attract sustainable finance. However, persistent challenges—such as limited institutional capacity, high compliance burdens, and the high cost of ESG integration—continue to hold back progress. Targeted technical assistance from DFIs can help bridge these gaps by supporting ESG-focused training for bank staff, developing ESG performance metrics for trade finance portfolios, ensuring compliance with ESG reporting standards, and adopting digital tools for ESG data management. Regulators, in turn, should align national frameworks with international ESG standards to create an enabling environment for sustainable finance. Through strategic collaboration, stakeholders can foster a more resilient, transparent, and sustainable trade finance ecosystem across the continent, thereby accelerating Africa's just transition and positioning its economies for long-term, inclusive development through trade.

Beyond these structural priorities, the recent escalation of geopolitical tensions, notably the conflict in the Middle East and the impasse of the closure of the Strait of Hormuz, underscores the need for a coordinated contingency response to safeguard Africa's trade finance gains. Estimates indicate that, absent any intervention, the trade finance gap could widen to approximately $86.6 billion under a moderate shock and to as high as $102.59 billion under a severe Strait of Hormuz disruption by 2027, effectively returning the continent to 2017 unmet demand levels and erasing a decade of progress. To mitigate this risk, DFIs, export credit agencies, and commercial banks should establish a standing crisis-response facility, modeled on the trade finance interventions of the COVID-19 era, that can be rapidly deployed to backstop correspondent-banking lines, provide foreign-exchange liquidity, and underwrite trade transactions for net oil-importing economies during periods of acute external stress. In parallel, central banks and regional bodies should accelerate the rollout of local-currency settlement mechanisms such as PAPSS to reduce dependence on hard-currency trade credit while DFIs deepen risk-sharing arrangements with African confirming banks to keep trade flowing.

Evidently, the support provided by DFIs to Africa's trade finance landscape is indispensable. In a continent where commercial financial flows remain insufficient and unevenly distributed, DFIs step in not only with capital but with confidence, expertise, and partnerships. Their role is not merely to plug gaps but to transform markets—creating the conditions for trade to flourish sustainably. To further strengthen this impact, this report recommends a combination of innovative financial solutions, capacity building, and supportive policy reforms involving collaboration among DFIs, governments, local FIs, and development partners, to increase trade finance support for businesses in Africa (especially SMEs) and intra-African trade. The collaborative effort for the latter involves expanding regional trade finance facilities, ensuring ease of cross-border payments, and derisking intra-African transactions for local banks.

Looking ahead, Africa's estimated $74 billion trade finance gap represents both a challenge and an opportunity. Closing this gap, particularly amid ongoing trade-policy uncertainty and geopolitical tensions, will require stronger coordination among DFIs, greater engagement with commercial banks, and policy reforms that enhance financial inclusion and transparency. As Africa seeks to scale up intra-African trade under the African Continental Free Trade Area, DFIs will remain indispensable in bridging financing gaps while building a more resilient, diversified, and Africa-centered trade finance ecosystem. The success of the African Continental Free Trade Area and the continent's broader industrial ambitions depend largely on how effectively DFIs can continue to mobilize trade finance, especially for SMEs, women entrepreneurs, and fragile markets. As DFIs expand their reach and deepen their impact, they will play a central role in unlocking Africa's potential as a vibrant, competitive, and connected global trading partner.

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