

Ore's Article

The tools to finance African trade already exist. What has been missing is the willingness to use them differently, and that is finally beginning to change, writes Oreoluwa Adeyemo, executive director of treasury coverage and growth at Starks Associates.

Here is a question worth sitting with: how does a continent with some of the world's fastest-growing economies, youngest populations and most abundant natural resources still struggle to finance its own trade?

The standard answer is that Africa lacks capital. That foreign banks have pulled back. That the risk is too high, the tickets too small, the infrastructure too weak. It is an answer that gets repeated so often in conference rooms, in policy papers, in development finance reports, that it has started to feel like fact.

It is not a fact. It is a story. And like most stories told about Africa from the outside, it mistakes the symptom for the cause.

Africa's central problem is not money, it is structure. Understanding that distinction is the beginning of understanding why something genuinely exciting is happening in African trade finance right now, quietly, practically and largely without the fanfare it deserves.

The wrong tools for the right job

Imagine you are trying to build a house, and someone hands you tools designed for an entirely different kind of construction. The tools work well in the environment they were made for – but the materials are different here. The ground is different. You could spend years blaming the house for not getting built. Or you could build better tools.

That is essentially what happened to African trade finance. The instruments global banks use, letters of credit, documentary collections, were designed for supply chains with predictable rhythms, buyers with credit histories that fit western rating systems, and legal frameworks that work consistently. African trade, particularly trade between African countries, does not always look like that. The buyers are real, the goods are real, the

demand is real, but the paperwork does not fit the template, and so the financing does not flow.

A Nigerian manufacturer importing from Kenya, or a Ghanaian trader selling into Senegal, often cannot access the same quality of trade financing that a European importer takes for granted, not because they are less creditworthy, but because the tools were never built for their situation. What non-bank structured finance practitioners are doing, and what makes this moment different, is rebuilding those tools from scratch.

Building security from the ground up

When a non-bank institution like Starks finances a trade transaction, the starting question is not “how strong is this company’s balance sheet?” It is “how safe is this transaction?” That is a fundamentally different question, and it leads to a fundamentally different answer.

The financing is built around the deal itself. The goods. The movement of money. The points where things could go wrong and the protections at each of those points to make sure they do not. By the time a facility is deployed, multiple independent layers of security are in place, each designed to catch what the layer above it might miss.

A business that would never pass a traditional bank’s credit committee, not because it is a bad business, but because it does not fit the template, can access financing that is safe, structured and commercially sound. The risk is not ignored. It is engineered around. You do not need a borrower to be perfect. You need the structure to be disciplined. When you get that right, an enormous range of African businesses, with real customers, real goods and real potential, become financeable in ways they never were before.

The dollar problem nobody talks about enough

Almost all African trade, including trade between African countries, is settled in US dollars. Which means that when something happens to the dollar that has nothing to do with Africa, Africa pays for it anyway.

When the US Federal Reserve raises interest rates, African importers face higher financing costs on top of higher currency conversion costs. When global events – conflict

in the Middle East, a banking crisis in Europe, a policy decision in Washington – tighten dollar liquidity, the credit lines African businesses depend on shrink, often overnight. The business did not change. The risk did not change. The dollar changed.

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The fate of a groundnut trader in Kano, a textile manufacturer in Addis Ababa, or a logistics company in Mombasa is partly determined by decisions made by people who have never heard of them, in cities thousands of miles away, for reasons that have nothing to do with Africa. That is not a small inconvenience. It is a structural vulnerability, and infrastructure is now being built to change it.

The settlement revolution most people have not noticed

The Pan-African Payment and Settlement System (PAPSS) is one of the most important financial infrastructure developments in Africa’s history. It sounds technical. It is actually simple, especially where Stark's pan-African treasury infrastructure is powering the flow and providing the local currency liquidity that makes real-time settlement possible.

Before PAPSS, if a Nigerian company wanted to pay a Kenyan supplier, the money would travel from Lagos to London or New York, convert into dollars, travel back to Nairobi, and convert again into Kenyan shillings. Each stop costs money and time; the whole journey might take three to five days and lose a meaningful percentage of its value.

PAPSS, with Starks as an active liquidity provider and market maker within it, cuts out the middle. Nigerian naira at one end. Kenyan shillings out the other. No dollar stop. No New York clearing house. No correspondent banking chain that can be switched off by a compliance decision in Frankfurt.

If you no longer need dollars to settle a transaction between two African companies, you no longer need dollar liquidity to finance it. Working capital requirements shrink. Costs drop. African businesses gain something they have not had in the modern era: a settlement infrastructure that is genuinely theirs.

Private credit: The financing layer Africa has been missing

Private credit simply means financing that comes from non-bank institutions rather than traditional commercial banks. It is not exotic. It is not distressed debt. It is structured, commercially priced lending against real assets and real cash flows, deployed faster, more flexibly, and with more structural creativity than most banks can currently provide for African trade.

Development finance institutions operate at the top of the market on large, long-term transactions. Microfinance fills the bottom. In between – the US\$50,000 to US\$10mn transactions that represent the vast majority of African commercial activity by volume – there has historically been very little available finance. That is the gap private credit is now filling.

Each transaction that performs builds data. That data improves pricing. Better pricing attracts more capital. More capital means more businesses get financed. It is a slow-turning flywheel, but it is turning.

What does this all add up to?

Africa is not waiting for the world to fix its trade finance problem. The fix is being built right now by non-bank institutions willing to structure differently, by infrastructures enabling settlement without dollar dependency, and by private credit providers filling the gap that global banks left behind.

The destination is an African commercial ecosystem that can finance, execute and settle its own trade without being held hostage to interest rate decisions in Washington, economic slowdown in London, or shipping disruptions in the Strait of Hormuz.

That is not just good for African business. It is good for any business anywhere in the world that wants a stable, growing, commercially sovereign African market to trade with.

Eden's Article

The Financing Gap Stifling Africa's Growth

By Eden Ologure & Emmanuel Felix for Starks Associates

Africa's \$420 billion trade finance gap is not self-correcting. Every year the right infrastructure goes unbuilt, the cost of inaction compounds. The continent needs more than capital injections or aid. It needs the rails, the policy backbone, and the intermediaries bold enough to lay them.

Key Structural Challenges

\$420 Billion

Trade Finance Gap

The Missing Middle

Too large for microfinance, too small for traditional bank credit.

Broken FX Infrastructure

Up to \$5 billion annually in transaction costs.

Weak Policy Coordination

Regulatory fragmentation and lack of cross-border interoperability.

Cost of Inaction

18% → 3%: Africa holds 18% of the global population but contributes only 3% of global GDP.

Rising Unemployment: 4 in 6 young Africans could be out of formal work by 2035.

TL;DR

Africa's \$420 billion trade finance gap is a structural systems failure, not a shortage of capital.

The current financial architecture systematically excludes the "missing middle," the manufacturers and traders in the \$20,000–\$500,000 range, and imposes up to \$5 billion annually in avoidable costs due to hard currency dependency.

Closing this gap demands local currency infrastructure, blended finance at scale, with Starks Associates actively building the necessary rails, and policy coordination that reflects the true urgency, because the cost of waiting is a generation of lost growth.

The Gap Nobody Can Afford to Ignore

The numbers tell a story that African policymakers, business leaders, and financiers can no longer afford to defer. According to Afreximbank's 2025 African Trade Report, Africa's trade finance gap has grown to an estimated \$420 billion annually, a figure that reflects not merely a shortage of liquidity but a structural mismatch between the financial instruments available on the continent and the commercial realities of its businesses.

That gap has widened considerably, and the window to act without consequence is closing.

To be clear, this is not a story of insufficient ambition. Africa's total merchandise trade surged 13.9% in 2024 to US\$1.5 trillion, following two years of contraction. Intra-African trade grew 12.4% over the same period to reach \$220.3 billion. The African Continental Free Trade Area (AfCFTA) is delivering measurable results, yet despite these gains, Africa still accounts for just 3.3% of global exports. For a continent with 1.3 billion people and a combined GDP of \$3.4 trillion, that figure should be the starting point for every budget conversation, not a footnote, for all African nations.

The cause is structural, not circumstantial. Traditional trade finance processes remain heavily dependent on manual documentation, rigid collateral requirements, and correspondent banking systems that impose costs of up to \$5 billion annually on African transactions. Intra-African trade still accounts for just 15–18% of total African trade, compared to 68% in Europe and 59% in Asia. Closing that gap requires addressing the systems underneath the numbers.

Currency Volatility and the FX Infrastructure Problem

Any honest conversation about Africa's capital gap must address currency risk. The structural dependence on hard currency intermediaries compounds the previously noted annual transaction cost burden. Remittance costs across the continent remain between 7.4% and 8.3%, well above global averages, with regulatory fragmentation and over-reliance on USD and EUR clearance as the primary drivers.

While consumer-to-consumer remittance costs remain a persistent policy challenge, Starks Associates focuses on commercially viable B2B payments, where our infrastructure lowers the cost basis for commercial transfers significantly below global averages.

The systemic reliance on hard currency intermediaries adds cost and delay at every point in the value chain. Businesses must route even simple intra-African payments through offshore clearing systems, adding exchange rate exposure, settlement risk, and transaction fees that erode margins and pricing competitiveness. For cross-border trade to become commercially viable at scale, Africa needs payment and settlement

infrastructure that works in local currencies, in real time, and at a cost that reflects the actual risk of the transaction rather than the inefficiency of legacy systems.

At Starks Associates, this is precisely the problem we are working to solve. Our cross-border payments and intra-African FX solutions are built to enable direct local currency pairings across African markets, reducing dependence on USD intermediation by aggregating FX liquidity and facilitating real-time conversions between currencies including the Naira, Cedi, Shilling, and Rand.

This is achieved through a proprietary, integrated liquidity pool and real-time clearing engine that bypasses traditional correspondent banking and operates on a single, standardized API for all 18 markets. Since launch, we have processed over \$6 billion in transaction volume across 18 countries. These are not proof-of-concept numbers. It is evidence that an alternative infrastructure is both possible and in active use.

"The continent does not lack ambition, demand, or entrepreneurial talent. What it is actively building is the financial integration, the infrastructure and the orchestration, to match. The question is not whether that infrastructure will be built. The question is whether it will be built fast enough. At Starks Associates, that work begins every morning."