



Advancing the implementation of the Agreement Establishing the African Continental Free Trade Area: proposing transformative strategic actions

Fifty-seventh session of the Economic Commission for Africa Conference of African Ministers of Finance, Planning and Economic Development

12 - 18 March, 2025, Addis Ababa

SIDE EVENT

Organized by the Macroeconomic Policy, Finance and Governance Division of the Economic Commission for Africa and the Trade and Development Bank

Role of subregional multilateral development banks in delivering on African development objectives

Background

Subregional multilateral development banks play a critical role in supporting African development by providing targeted financing, fostering regional integration and addressing local challenges that often escape the focus of global financial institutions. These banks are uniquely positioned to respond to subregional priorities with tailored financial solutions.

The role of African subregional multilateral development banks is critical in mitigating both real and perceived risks associated with development-focused investment, including through capital tranche issuance, credit enhancement, loan guarantees, political risk insurance and domestic capital mobilization. There is a clear opportunity for these banks to play a catalytic role by tapping into the resources of institutional investors and deploying innovative investment vehicles to support infrastructure development on the continent, de-risk the African investment landscape and crowd in private investment.

A prime example of where such investment is urgently needed is the African Continental Free Trade Area. The Area presents a transformative opportunity to boost intra-African trade, drive industrialization and accelerate economic growth. However, its success depends on significant investment in infrastructure, policy coordination and private

sector engagement. Multilateral development banks, including the African Development Bank and the World Bank, have already played a substantial role in financing regional infrastructure, trade facilitation and capacity-building efforts. Despite these contributions, funding remains fragmented and insufficient, particularly for industrialization, value chain integration and increasing access to trade finance for small and medium-sized enterprises.

To effectively support the implementation of the African Continental Free Trade Area, multilateral development banks must scale up financing for trade-enabling infrastructure, including transport corridors, energy systems and digital connectivity. In addition, expanding the access of small and medium-sized enterprises to trade finance through concessional lending and guarantees is essential for strengthening regional value chains. Beyond financing, multilateral development banks should also invest in industrial policy and value chain development to enhance the competitiveness of African businesses. Strengthening coordination among multilateral development banks and aligning their financing strategies with priorities for the African Continental Free Trade Area will help to reduce inefficiency and duplication. Finally, adopting more flexible and responsive financing mechanisms will be crucial in ensuring timely and sustained support for the Area's long-term success.



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Despite their importance, subregional multilateral development banks in Africa remain undercapitalized relative to the scale of the continent's development needs. Such financial limitations restrict their ability to fund large-scale infrastructure projects, to support small and medium-sized enterprises and to drive social development initiatives. Enhancing their financial capacity is essential to enable those banks to take on larger, more impactful roles in driving sustainable growth, fostering economic diversification and promoting regional trade.

A key challenge to scaling up their impact lies in de-risking investment, particularly in fragile economies or in sectors perceived as being high-risk by private investors. Innovative financial instruments, improved governance frameworks and stronger partnerships with international development institutions and the private sector will be crucial to unlocking new funding streams and mitigating risk.

Objective

The objective of this side event is to explore how subregional multilateral development banks in Africa can expand their financial capacity and leverage partnerships to play a more transformative role in delivering on African development objectives. The discussion at the side event will also focus on effective de-risking strategies to attract private sector investment and foster regional economic integration.

Expected Outcomes.

It is expected that the discussion at the event will generate actionable strategies for strengthening the financial capacity and institutional effectiveness of subregional multilateral development banks, empowering them to better fulfil African development objectives. It will also offer forward-looking recommendations on innovative de-risking tools, investment frameworks and opportunities for building strategic partnerships with global multilateral development banks, development partners and the private sector.

Moderator

- Director, Macroeconomic Policy, Finance and Governance Division, Economic Commission for Africa, Zuzana Schwidrowski

Speakers

- Deputy Executive Secretary and Chief Economist, Economic Commission for Africa, Hanan Morsy
- President, Arab Bank for Economic Development in Africa, Sidi Ould Tah
- Director-General, East African Development Bank, Vivienne Yeda Apopo
- President and Managing Director, Trade and Development Bank Group, Admassu Tadesse
- President and Chief Executive Officer, African Finance Corporation, Samaila Zubairu
- Director, Economic Development Division, Economic Commission for Latin America and the Caribbean, Daniel Titelman

Key Discussion Questions

- Increasing strategic alignment. How can subregional multilateral development banks better align their financial interventions with major development agendas, such as the 2030 Agenda for Sustainable Development and Agenda 2063: The Africa We Want, of the African Union?
- Scaling up financing capacity. What innovative financing mechanisms can help to increase the capital base and lending capacity of subregional multilateral development banks in Africa?
- Formulating de-risking mechanisms. What tools and frameworks can be employed to mitigate investment risks and attract greater private sector participation?
- Implementing institutional reforms. How can governance, transparency and operational efficiency be strengthened within these institutions?
- Creating partnerships. What models of



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collaboration between subregional, continental and global multilateral development banks can be used to help scale up development financing?

- Financing the African Continental Free Trade Area. How can subregional multilateral development banks be effectively leveraged to design and deploy transformative financing instruments that accelerate the successful implementation of the Area?

Target audience

The side event is targeted at policymakers, researchers, practitioners and other stakeholders.

Further information

For further information, please contact:

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