

Mobilising Africa's Capital in a Fragmented World

Mobilising Africa's Capital: The Legal Architecture of Development Finance

The African Development Bank's African Economic Outlook 2026 (the "**Report**") arrives at a pivotal moment for African economies. Published against a backdrop of geopolitical fragmentation, tightening global financial conditions and declining external development assistance. Its central proposition is clear: Africa's long-term development trajectory will depend less on external finance and more on its ability to mobilise, structure and deploy its own capital at scale.

This commentary examines the legal dimensions of that challenge and the opportunities it presents for investors, governments, development finance institutions and market participants.

A Resilient but Constrained Growth Trajectory Across the Continent

Africa's headline growth is striking: average GDP growth of 4.4 percent in 2025, with 22 economies above 5 percent, projected to sustain 4.2 percent in 2026 before strengthening to 4.4 percent in 2027. Improved macroeconomic management, stronger agricultural output, elevated commodity prices and ongoing structural reforms have maintained Africa's position among the world's fastest-growing regions despite significant external headwinds.

The regional picture is more nuanced. East Africa leads at 6.6 percent (2025), moderating to 5.9 percent (2026) as Middle East-linked energy costs weigh on activity, before rebounding to 6.4 percent (2027). West Africa holds at approximately 4.7 percent, supported by agriculture and infrastructure investment. North Africa eases to 4.0 percent amid weaker tourism and supply chain disruptions. Central Africa edges up to 3.8 percent on sustained oil prices, while Southern Africa remains muted at 2.1 percent, constrained by weaker mining output and elevated energy costs.

But the risks are real. Inflation at 10.4 percent in 2026. Double-digit inflation across several jurisdictions. Geopolitical tensions, exchange rate depreciation and global fragmentation amplifying debt and fiscal vulnerabilities. For legal advisers, these realities hit transaction structuring head-on: currency risk allocation, sovereign

support arrangements, force majeure protections, debt refinancing frameworks and political risk mitigation all assume heightened importance.

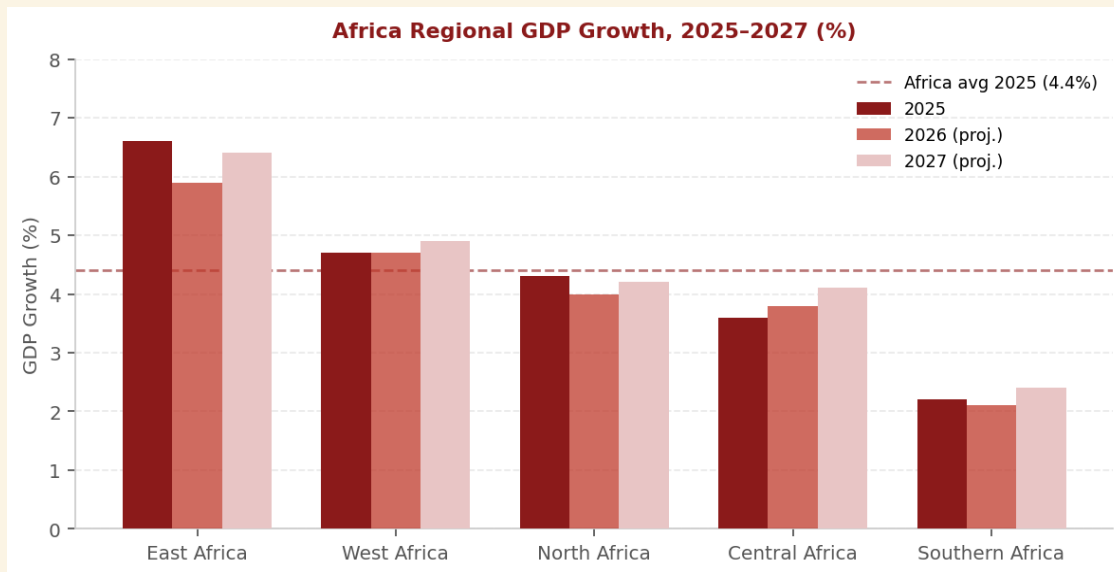


Figure 1: Africa Regional GDP Growth 2025–2027 (%). Source: AfDB African Economic Outlook (AEO) 2026.

The Shift from External Dependence to Financial Agency

The global financing environment has changed, structurally and perhaps permanently. Official development assistance, Chinese bilateral lending and access to international capital markets have all declined materially, with little indication of reversal. External finance is no longer just tighter. It is unreliable.

The response must be a decisive shift towards African financial agency: stronger domestic resource mobilisation, deeper capital markets, integrated financial systems, expanded private sector participation. This is not merely an economic objective, it is a legal and institutional one.

Pension funds, sovereign wealth funds, insurance companies and domestic asset managers cannot deploy capital at scale without legal certainty, clear investment mandates and appropriately structured products. The challenge goes beyond capital formation, it is about the architecture through which savings become productive investment.

Closing the Financing Gap

The scale of opportunity is enormous. The Report estimates up to US\$1.43 trillion in annual financing could be unlocked through stronger domestic revenue mobilisation, more efficient public investment, reduced illicit financial flows, deeper capital markets, expanded public-private partnerships, diaspora financing and better utilisation of natural capital.

Two figures stand out: approximately US\$469 billion in additional annual revenues from improved tax and non-tax mobilisation, and a further US\$299 billion in potential savings through more efficient public investment. Each has a direct legal dimension.

Strengthening domestic revenue mobilisation requires legislative reform, modern tax administration frameworks and international cooperation mechanisms capable of addressing base erosion and profit shifting. Improving public investment efficiency requires robust procurement frameworks, transparent project selection processes and effective public financial management systems. Deepening capital markets requires sophisticated securities regulation, fund governance frameworks, investor protection regimes and insolvency systems capable of supporting increasingly complex financing structures.

The Report also highlights a powerful multiplier: each additional dollar of public expenditure mobilises approximately US\$1.40 in private capital. But that effect is not automatic. It depends on the quality of legal and contractual frameworks governing private participation, concession arrangements, government support mechanisms, off-take structures, dispute resolution frameworks and regulatory certainty.

In practice, bankability is determined not by project economics alone, but by the legal architecture that underpins revenue certainty, allocates risk and provides confidence in contractual enforcement.

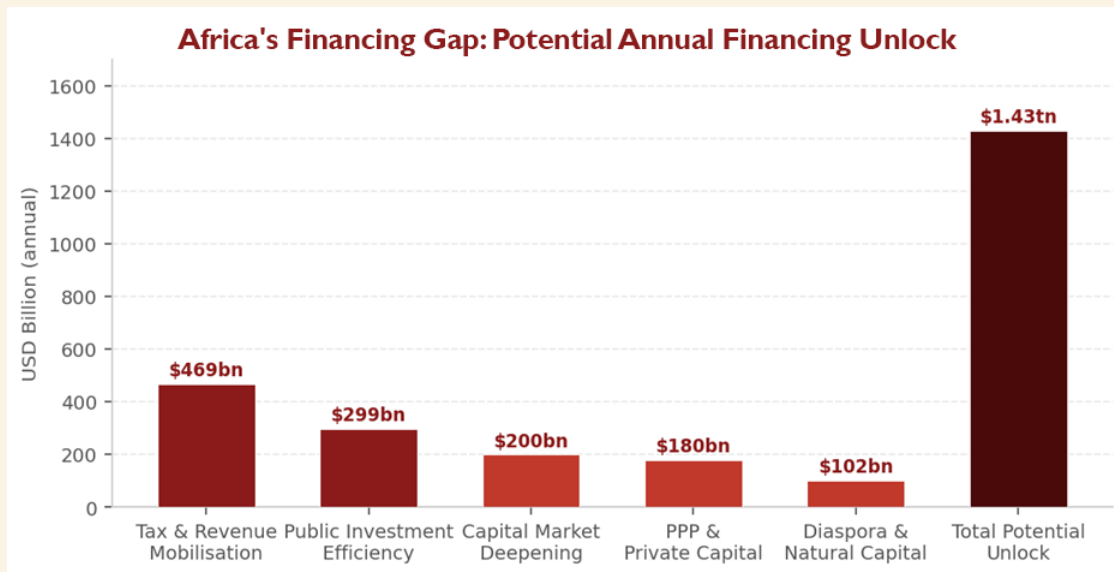


Figure 2: Potential Annual Financing Unlock (USD bn). Source: AfDB AEO 2026.

Domestic Institutional Capital and the Challenge of Intermediation

Here is the Report's most striking structural observation: Africa is not short of capital. The continent's pension funds, insurance companies and sovereign wealth funds collectively manage approximately US\$4 trillion, yet less than 2.7 percent goes to infrastructure and productive sectors within Africa. The problem is not availability, it is deployment.

This mirrors the Africa Finance Corporation's State of Africa's Infrastructure Report 2026, which similarly identified deployment, not availability, as Africa's principal development constraint. Both reports reach the same conclusion: the institutions and mechanisms channelling long-term savings into bankable investments must be strengthened.

Scaling deployment demands institutions with the mandate, balance sheet capacity and technical expertise to bridge fragmented pools of savings and long-term investment opportunities, and the legal frameworks that enable them to function.

The Report places significant emphasis on the New African Financial Architecture for Development (NAFAD), which seeks to leverage Africa's institutional asset base through pan-African financial institutions, integrated capital markets and innovative financing structures, including climate finance and Islamic finance instruments.

Building NAFAD is, at its core, a legal project, requiring enabling legislation, governance frameworks, regulatory coordination and sophisticated multi-jurisdictional structuring.

The launch of the African Credit Rating Agency represents another important institutional development. Addressing perceived biases in sovereign risk assessments has implications that extend beyond market perception. More accurate risk pricing has the potential to reduce borrowing costs, expand access to institutional capital and support the development of deeper local currency debt markets capable of financing long-term infrastructure without exposing borrowers to significant currency mismatch risk.

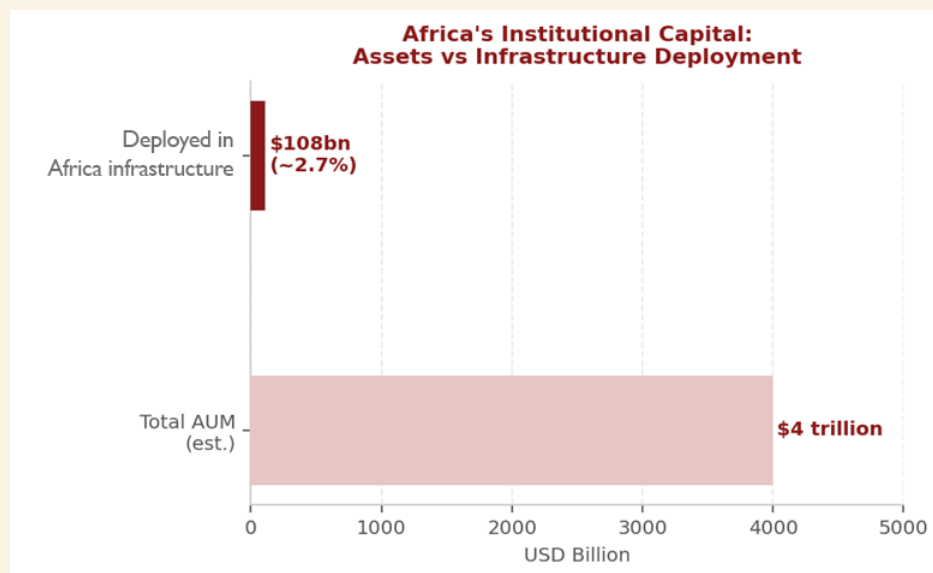


Figure 3: Africa's Institutional Capital - Infrastructure Deployment. Source: AfDB AEO 2026.

Capital Market Integration and the Continental Agenda

Africa's stock market capitalisation hit US\$1.2 trillion in 2024, nearly sixfold growth in two decades. Yet activity remains concentrated in just four markets: South Africa, Egypt, Nigeria and Morocco.

Capital market integration is both a financial imperative and a legal undertaking. Fragmented systems impede capital mobility and drag on resource allocation efficiency. The African Continental Free Trade Area and regional economic communities have made progress, but significant barriers remain.

Greater integration has the potential to expand investor pools, reduce financing costs and improve access to long-term capital. Achieving those outcomes will require harmonised securities regulation, enhanced regulatory cooperation, frameworks for investment products, standardised disclosure requirements and legal frameworks capable of supporting cross-border investment activity.

The Report also highlights the African Financing Stability Mechanism, intended to strengthen financial stability, ease liquidity pressures and support sovereign debt

management. Its credibility will depend on its legal foundations: institutional mandate, governance structure, voting arrangements, creditor status framework and intergovernmental agreements. These are not technical details, They are fundamental determinants of the mechanism's effectiveness.

What This Moment Requires, and What Parsons Delivers

The Report's central message is clear: Africa's development challenge has shifted from raising capital to deploying it, through institutions, markets and legal frameworks capable of supporting long-term investment.

The NAFAD framework, the African Credit Rating Agency, the African Financing Stability Mechanism and the public-private partnership agenda highlighted throughout the Report are, at their core, exercises in legal and institutional design. Their success will depend on the quality of the legislation, governance structures, transaction frameworks and regulatory systems that underpin them.

For governments, this means strengthening institutions, enhancing regulatory certainty and creating environments that attract long-term investment. For investors, it presents significant opportunities across infrastructure, energy, financial services, industrial development and capital markets. For legal advisers, it reinforces the growing importance of sophisticated structuring, regulatory design and transaction execution in shaping Africa's next phase of development.

At Parsons, we view the Report as more than an economic assessment; it is a roadmap for the legal and institutional reforms that will underpin Africa's future growth. Our work across development finance, infrastructure, project finance, capital markets, energy and cross-border investment places us at the centre of many of the themes it identifies.

As Africa turns inward to finance its development, the strength of its legal architecture becomes a decisive factor in economic success. At Parsons, we advise across this full spectrum, working with investors, project developers, development finance institutions, pension fund managers and governments on the legal frameworks that enable the transformation described in the Report. Our practice spans development finance and capital markets, energy and infrastructure, regulatory compliance and cross-border investment structuring, with offices in Lagos, London and the UAE, and a focus on the markets where this work is most consequential.

For further information on how Parsons can support your engagement with Africa's development finance, capital markets and infrastructure landscape, contact us at info@parsons-legal.com or visit www.parsons-legal.com.



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