

Africa prospects 2026

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"As the era of concessional funding yields to volatile global markets, the continent's definitive path in 2026 is through the strategic mobilisation of its massive, patient domestic base: the \$700 billion held in pension funds and the \$100 billion flowing via remittances.

When Nigeria's pension fund trustees gathered in Abuja in December 2025, the message was loud and urgent: the \$17 billion sitting in government securities earning negative real returns must be deployed to infrastructure, or the country's development ambitions will remain theoretical. This microcosm captures Africa's central challenge in 2026 not a capital shortage, but a deployment problem. The Trump administration's cancellation of \$12 billion in annual USAID assistance to Africa confirmed what many of us already knew: donor dependence is over. The question is whether African governments will act decisively to mobilise their own substantial resources before the window closes.

Economic Outlook 2026

GDP growth for the region is estimated to be at 4.3% in 2026 (IMF), outpacing global growth of 3.2%, this averages hide profound variances on the ground. If we take East Africa for example, the region leads at 5.1% (Rwanda 7.2%, Tanzania 5.8%, Kenya 4.7%). West Africa manages 3.8%, dragged by Nigeria's 3.3%. Southern Africa barely exceeds 2.5%, anchored by South Africa's 1.8%. These represent fundamentally different trajectories compounding over time.

Many Governments in this region face a number of challenges: debt service consuming 50-90% of revenues in Kenya for example, yet faces political prohibitions on taxation following street protests. Kenya's Gen Z mobilisation in 2024-2025 established a hard limit: attempt fiscal extraction without delivering services, and the streets erupt. South Africa's GNU will accelerate restructuring. Uganda's post-election period will require IMF engagement, creating reform windows for those prepared to act quickly.

Currency risk remains unhedgeable through conventional instruments. The naira trades above 1,400 per dollar in parallel markets, the kwacha faces volatility despite Zambia's debt restructuring, Ethiopia's birr liberalisation will require time to stabilise. Zambia's decision accepting yuan for mining taxes signals pragmatic multi-currency diversification that Kenya and Angola are reportedly studying. For multinationals, this means matching revenue and cost currencies or pricing risk transfer to customers there are no hedges, only operational adjustments.

Political Outlook: Elections, AI, and sovereignty questions

Political risk concentrates around three dynamics that will define business operating environments.

Electoral pressure and fiscal constraints: Uganda's January 2026 elections see Museveni deploying state resources for victory, creating post-election fiscal crisis requiring IMF engagement. Kenya's 2026 cycle begins with mounting debt service requirements and public resistance making further tax increases untenable, the 2027 electoral cycle will force President Ruto to rely solely on the politically risky path of selling state assets, likely at distressed valuations. Côte d'Ivoire's succession uncertainty as Ouattara refuses to designate an heir recalls 2010-2011 civil war not imminent chaos, but risk requiring pricing. Ethiopia's Abiy Ahmed seeks re-election in June with economic reforms showing mixed implementation results. The Country's first-past-the-post electoral system is likely to exclude significant opposition voices from parliament. This allows the ruling party to dominate both federal and regional legislative seats.

AI and business model reinvention: According to KPMG's 2025 Africa CEO Outlook, 81% of African CEOs believe upskilling their workforce in AI will directly impact organisational success over the next three years (versus 77% globally). PwC's 28th Annual CEO Survey found 81% of African CEOs took action greatly impacting their business model in 2023 (versus 76% globally), with 45% recognising the need to reinvent business models to remain competitive over the next decade. The integration of AI and cybersecurity becomes critical 64% of CEOs operating in the region are concerned about AI talent competition (versus 70% globally), suggesting a focus on internal development rather than external recruitment wars.

Sovereignty and institutional capacity:The US drone strikes in Nigeria's Sokoto State establish precedent for unilateral action when Washington determines local forces cannot address threats. Egypt's naval positioning in Eritrea's Massawa and Asab ports, combined with GERD disputes, creates potential interdiction threat to Ethiopia's trade lifeline. Israel's Somaliland recognition challenges the AU's border inviolability principle. Trump's visa restrictions affecting 19 African countries suspend immigrant and tourist/student/business visas while reducing employment visa validity to three months redirecting talent, business and tourism flows to other friendlier jurisdictions.

The Domestic Capital Solution: \$800 Billion: Africa's pension funds total approximately \$700 billion (All Africa Pension Summit, Kampala, November 2025), projected toward \$1 trillion within the next decade. Yet less than 2% goes to infrastructure despite the \$130-170 billion annual gap. South Africa holds roughly 70% through its Public Investment Corporation (\$150 billion). Nigeria's \$17 billion (₦26 trillion, September 2025) sits overwhelmingly in government securities. Uganda's \$6.7 billion (12% of GDP) and Ghana's \$5.4 billion face similar underdeployment.

The barriers; trustee conservatism, poor project preparation, regulatory limits are being addressed. The movement to tap domestic wealth is accelerating. In Kenya, the Cabinet recently

backed a National Infrastructure Fund, which is designed to pool privatization proceeds alongside pension capital to mobilize a massive \$38.7 billion for development. Nigeria's National Pension Commission isn't far behind, currently reviewing its rules to govern and likely expand—the cap on infrastructure allocation. And we saw the regional consensus solidify at the November 2025 All Africa Pension Summit in Uganda, where the central message was clear: domestic capital mobilization is no longer optional. This push is validated by success stories like South Africa's PIC, which proves through its significant infrastructure and clean energy investments that deploying this capital at scale is absolutely feasible.

Diaspora remittances \$100 billion annually exceed both ODA (\$42 billion in 2024) and FDI (\$48 billion). Egypt leads with \$22.7 billion, Nigeria \$19.8 billion, Morocco \$12 billion, Kenya \$4.94 billion (exceeding tourism and agricultural exports as the country's largest foreign exchange source). Yet transaction costs remain punishing at 8.2% average (far above the 3% UN target), and approximately 75% finances consumption rather than investment.

Beyond the patriotic appeal, Diaspora bonds require credible governance, Israel raised over \$54 billion since 1951, India \$11 billion through three crisis-period issuances (1991, 1998, 2000). Nigeria's \$300 million issuance in 2017 showed mixed results. Ethiopia's 2008 and 2011 attempts faced low subscription due to transparency concerns the lesson being that diaspora capital demands governance quality African governments must deliver if they want to tap this resource.

What to look out for in 2026

Whilst the continent's investment momentum is undeniable, the geopolitics is actively shaping the risk-reward profile. In 2026, the collision of powerful domestic capital with shifting external power dynamics will define the playing field.

Geopolitical Firepoints:

The non-interventionist consensus is collapsing, forcing African nations to leverage their sovereignty more aggressively amidst immediate volatility.

Washington's unilateralism: The US drone strikes in Sokoto, Nigeria, set a dangerous precedent, underlining the risk that external security interventions could override national sovereignty. Investors must now factor this "kinetic risk" into models, especially across the Sahel.

The Border Test: Israel's recognition of Somaliland challenges the AU's core principle of *uti possidetis* (border inviolability). This risks hardening regional blocs in the Horn of Africa, fracturing cooperation along a critical maritime corridor.

Global South solidarity: The US-led move against Venezuelan leadership tests the limits of multilateralism. Africa's diplomatic response to this crisis will define its credibility as a unified voice demanding reform of the global financial and security architecture.

The UK's Commercial Pivot: The UK has moved from "donor to investor." Its new strategy centers on trade and private capital, signaling a complete end to the aid-based safety net and creating new opportunities for UK-backed private funds.

Policy Windows: Look for first-mover advantages as regulatory changes accelerate: the anticipated revision of **Nigeria's infrastructure cap (Q1 2026)** and the launch of **Kenya's National Infrastructure Fund (Q2 2026)**.

Accessing Patient Capital: The \$700 billion seeks inflation-hedged returns. Projects must meet strict fiduciary standards (governance, transparency, and proven tracks). Infrastructure, renewable energy, and real estate with long-term contracted revenues remain the ideal targets.

Multi-Currency Shift: Zambia's yuan acceptance is a template. With Kenya and Ethiopia negotiating similar currency restructuring, companies with Chinese exposure gain a powerful hedging tool: matching yuan revenues to yuan obligations to reduce dollar dependency and risk.

Leveraging Global Uncertainty: As global powers retreat into selective transactional politics, Africa gains leverage, demanding debt reform and strategically aligning with partners that offer genuine investment over aid.

In a world riddled with instability, Africa's resilience hinges not on GDP or external salvation, but on its political maturity to balance national security with regional cohesion, while rigorously deploying its \$800 billion in domestic capital through highly specific, jurisdictional strategies."

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