Unlocking Africa's high-growth markets

Strategies for Sub-Saharan success

Major Sub-Saharan markets

(Nominal GDP in USD bn)

Source: Bing

Key findings and recommendations:

- The shifting landscape of global trade has placed Sub-Saharan Africa at the center of strategic expansion for companies around the world, as well as intensified competition between Western and Chinese interests.
- While Africa has not delivered the growth rates seen in emerging Asia over the past decades, certain African markets offer great opportunities for companies following a strategic approach.
- Engaging with African markets still poses significant risks. Companies should diversify their exposure to shocks in a single country to build resilience against local volatility.
- Companies seeking to capitalize on Africa's growing opportunities should target countries whose development stage matches their product portfolio.
- Infrastructure companies are likely to find highest demand in less developed economies such as Ethiopia, Tanzania, and Angola. Nigeria also belong in this group because of its sheer market size. Suppliers of industrial subcomponents are best positioned in more diversified markets such as South Africa, Kenya and the Ivory Coast. Finally, producers of consumer goods are likely to see the strongest opportunities in countries with larger middle classes and higher purchasing power, especially South Africa.
- Companies should look beyond current market sizes to future growth trajectories and riskreward profiles. South Africa, Kenya, Ghana, Tanzania, and the Ivory Coast offer stronger longterm prospects due to more favorable business climates and institutional frameworks that support sustained industrial and consumer expansion. In contrast, Nigeria, Ethiopia, and Angola face more uncertain outlooks stemming from weaker governance structures and heavy reliance on single commodities.

Market entry strategies for Sub-Saharan Africa

Companies seeking success in Sub-Saharan Africa should balance current market size, longterm potential, and country risk profiles

GLOBAL TRADE SHIFTING:

Succes in Africa requires a targeted strategy

The shifting landscape of global trade has placed Sub-Saharan Africa at the center of strategic expansion for global companies. As a number of African economies record robust GDP growth, supported by urbanization and rising middle classes, the region is moving from a frontier market toward a more important hub for exports and longterm investment.

Africa is also the only major world region where births are still expected to rise sharply over the coming decades, while most other regions have already peaked. By midcentury, around two in every five babies born globally will be born in Africa.

Although exports to Sub-Saharan Africa still make up only 1–2 percent of total exports for most developed countries, the region's rapid expansion means that global companies should pay greater attention to these markets now in order to capture future gains as purchasing power rises.

However, market opportunities are not uniform. They vary significantly by sector, development stage, business climate, and institutional framework.

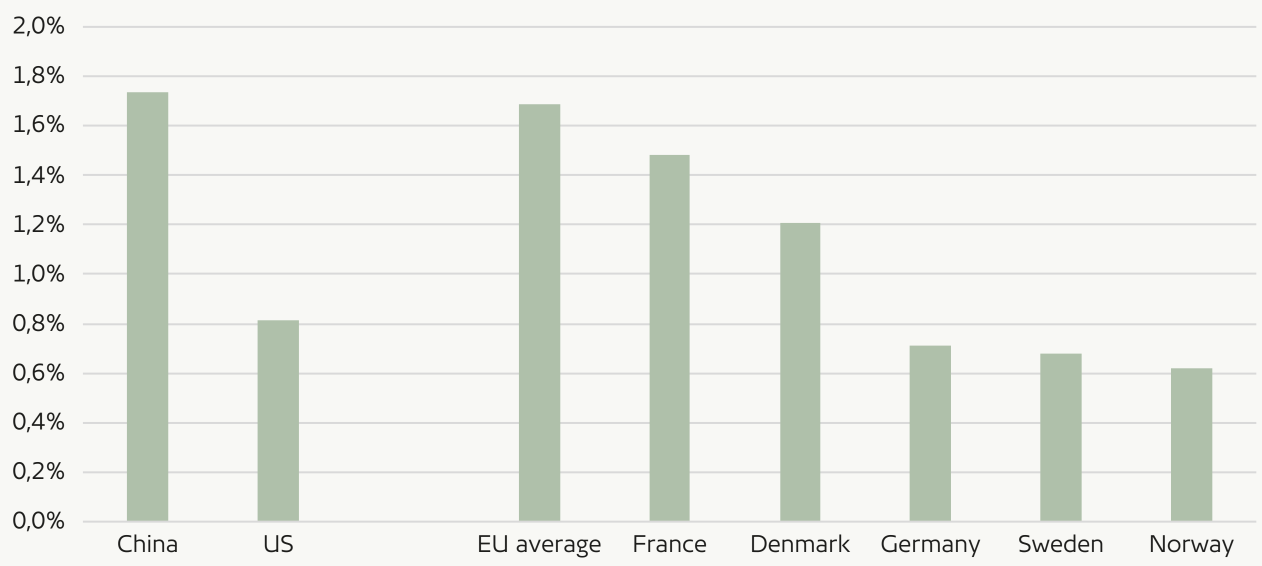
To succeed, companies should adopt a targeted strategy that prioraitizes:

› Productmarket fit: Allocating resources to markets that align with specific product portfolios.

› Scalability: Prioritizing markets with scale.

› Growth potential: Prioritizing markets with the greatest potential for sustained longterm growth, which is necessary for them to become future economic powerhouses.

Share of total exports to Sub-Saharan Africa



Source: OECD Trade in Value Added (TiVA)

Navigating the risk-reward trade-off in Africa's biggest markets

For companies seeking success in Sub-Saharan Africa combining current market size, long-term potential and country risk profiles provides the most complete risk-reward framework for market entry decisions.

The eight largest economies – South Africa, Nigeria, Kenya, Angola, Ghana, Ethiopia, Ivory Coast, and Tanzania – are especially important, as they together account for about 80 percent of the region's total output.

While long-term potential and country risk are inherently linked, they do not move in a straight line. The relationship is often nonlinear and varies based on economic maturity. In less developed markets, risks are more volatile, and a single event, such as a commodity price shock or an internal conflict, can lead to currency collapse, capital controls, or sovereign default, even if the country has a sound long-term trajectory. As institutional depth and economic development increase, risks become more incremental. In these countries, robust institutions serve as a counterweight to poor policy decisions, often preventing worst-case scenarios and ensuring that setbacks remain manageable rather than catastrophic.

Of the 'Big Eight' economies, **South Africa** presents the most favorable risk-reward profile. Due to its independent institutions, deep financial markets, and access to capital, its existential risks are much lower than those of the other economies.

The other markets are more volatile. However, the risk-reward profiles differ greatly. **Kenya** and, to a lesser extent, **Ghana** have compelling long-term potential, but companies should be aware of the relatively high current risks. Both countries carry elevated risks due to high public debt and fiscal vulnerabilities. The central question is whether institutional strength will lead to fiscal consolidation before debt dynamics become self-reinforcing. For companies with sufficient risk tolerance and a medium-to-long time horizon, both markets offer disproportionate reward potential.

The **Ivory Coast** occupies a striking position. A decade of political continuity and cocoa export dominance has improved the economy, leaving current risk almost on par with South Africa. However, this has not translated into broad institutional maturity, which makes long-term reward potential more limited than current risk metrics suggest. Companies may find good opportunities in the Ivory Coast now, but in the long term, the potential reward is more limited than in the previously mentioned markets.

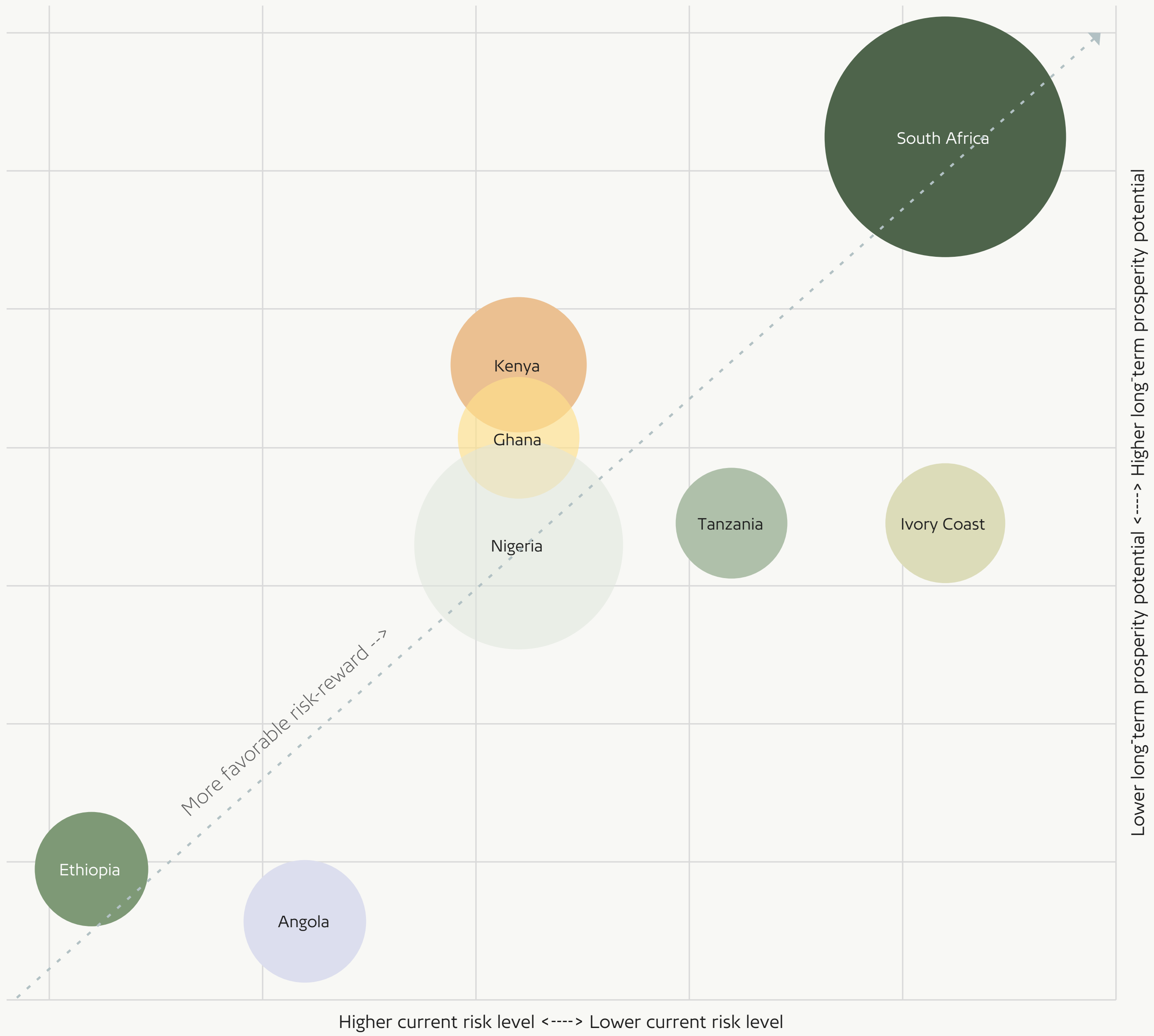
Tanzania exhibits a similar dynamic. Its sectors of tourism, gold, and agro-processing, alongside credible reform momentum, create short-term investability. However, this is not the same as the deeper institutional foundations required for sustained high-value industrial growth.

The Ivory Coast and Tanzania both illustrate this principle: while commodity strength and political stability can reduce near-term risk, they are not substitutes for the institutional depth necessary for long-term prosperity.

Nigeria's market size is too large to ignore for companies operating regionally or continentally. However, the risk-reward trade-off is relatively weak overall.

Ethiopia and Angola have the least compelling risk-reward profiles in this group, as they combine elevated country risk with limited long-term potential. Angola's near-total dependence on oil leaves it acutely exposed to commodity cycles, and Ethiopia's institutional fragility and debt restructuring needs constrain investability. For most commercial strategies, the risk-adjusted case for either market remains weak in the near term.

Risk-reward profiles across Africa's 'Big Eight' economies



The bubble sizes indicate current nominal GDP levels.

Source: Own estimates.

FROM INFRASTRUCTURE TO CONSUMERS:

How companies can capture Africa's growth

Companies seeking success in Sub-Saharan Africa should target markets whose development stage and local industrial maturity matches their product portfolio.

Each of the 'Big Eight' markets has a different degree of economic maturity. For global companies, understanding this trajectory is crucial to identifying where scalable sales and investment opportunities lie.

Broadly, opportunities in these markets fall into three key categories. The first is **large-scale infra-structure**, which is one of the few scalable investment opportunities in less industrialized economies such as Ethiopia, Tanzania, Angola, and Nigeria (due to scale). These countries face infrastructure gaps that constrain manufacturing and logistics growth. Governments are prioritizing energy generation, transport corridors, ports, and digital connectivity – areas where international construction, engineering, and technology firms can play a central role. Ethiopia's industrial parks, Tanzania's transport investments, and Angola's post-oil infrastructure agenda all illustrate this type of opportunity.

The second segment of opportunities involves integration into **local industries through supply chains and supporting services**. These business-to-business (B2B) opportunities expand with industrial maturity and diversification. South Africa offers the broadest range of such opportunities, spanning automotive parts, mining equipment, chemicals, and machinery. Kenya has also made significant progress and now offers a wide set of opportunities in agro-processing machinery, textiles, assembly automation, and renewable energy components. The Ivory Coast has shown the fastest recent improvement in diversification metrics, but this progress remains heavily concentrated in agro-industry, creating strong opportunities in processing, packaging, and chemical inputs.

Ghana, Tanzania, Nigeria, and Ethiopia have less diversified economies dominated by raw commodity exports, but they still offer targeted supply chain opportunities, especially Nigeria because of its scale. Ghana offers potential in cocoa processing and mining services, Tanzania in cashew and tobacco processing, and Ethiopia in textiles and leather. Angola remains heavily dependent on oil exports, with only limited diversification beyond cement and fisheries, making it a lower-priority market for broad industrial suppliers.

The third opportunity lies in **consumer markets**. South Africa stands out as the most attractive consumer market, especially for higher-value products. Again, Nigeria's scale makes it a second tier despite a lower purchasing power per capita than South Africa. Angola, Ghana, Ivory Coast, and Kenya form a third tier, supported by fast-growing urban middle classes and more selective but still meaningful demand, while opportunities in Tanzania and Ethiopia are limited.

Market opportunities across Africa's 'Big Eight' economies

	Dominant sectors	Infrastructure opportunities	B2B opportunities	Consumer opportunities
South Africa	Diversified industrial economy	○	◯	◯
Kenya	Semi-diversified industrial economy	○	◯	○
Ivory Coast	Agroindustry	○	○	○
Ghana	Gold, oil, cocoa	○	◦	○
Tanzania	Agriculture, mining, tourism	◯	◦	·
Nigeria	Oil	◯	◦	◯
Ethiopia	Agriculture	◯	◦	·
Angola	Oil	◯	·	○

The size of the dot indicates relative market potential.

CO_2-reducing cement technology in Ghana

CBI Ghana has established a cement factory near Accra in Ghana that utilises CO_2-reducing cement technology developed by the Danish company FLSmidth. This innovative technology allows the substitution of imported clinker with locally sourced calcined clay in cement production, reducing CO_2 emissions by up to 20% compared to conventional cement. The CBI Ghana plant is only the second in the world to implement this technology and is currently the largest of its kind.

Impact Fund Denmark and EIFO played key roles in enabling the project. Impact Fund Denmark contributed equity financing that supported CBI Ghana in adopting this innovative low carbon cement technology, while EIFO provided a buyer credit guarantee, helping secure the overall financing and reduce project risk.

Through its involvement, Impact Fund Denmark and EIFO have taken an important step toward building a more sustainable cement portfolio and promoting low-carbon industrial practices.

Ensuring Danish water technology in Ghana

Alumichem supplies advanced chemical solutions for water treatment, where small doses of coagulants make it possible to efficiently purify lake and river water and transform it into clean drinking water.

With a contract guarantee from EIFO, Alumichem can deliver its solutions to Ghana Water Limited – despite the utility's financial challenges. The guarantee secures stable operation of the country's water supply and supports Danish exports to West Africa.

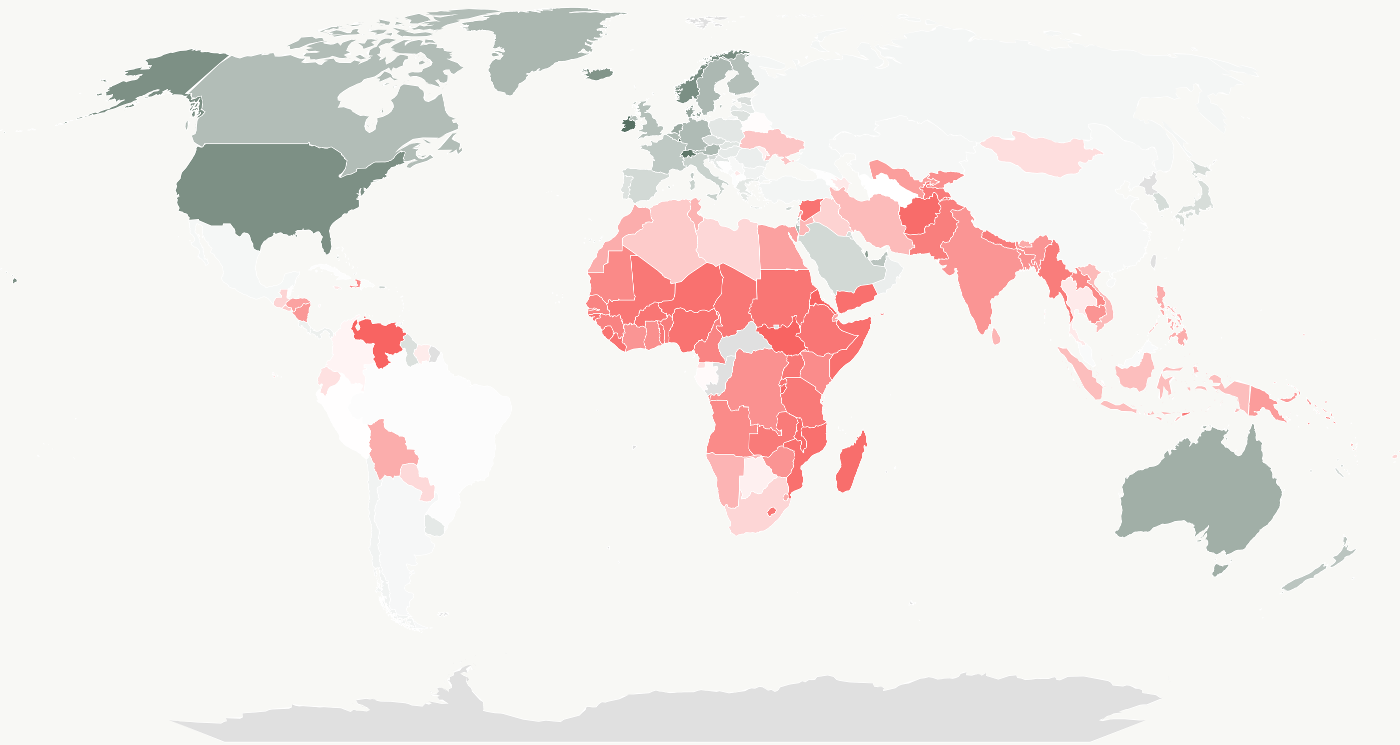
Since 2022, Alumichem has been the largest supplier of water treatment chemicals in Ghana, improving both water quality and water capacity for more than 4 million people. EIFO's support – including an initial Green Accelerator grant, and then subsequently the first guarantee under EIFO's Africa facility – is essential for maintaining supply security and creating significant social and health impact in the country.

Africa's position among emerg-ing regions

The 'rising tide' in Africa is more selective than it was in Asia twenty years ago

Why global companies must be more selective in Africa than in Asia 20 years ago

GDP per capita 2024 (USD)



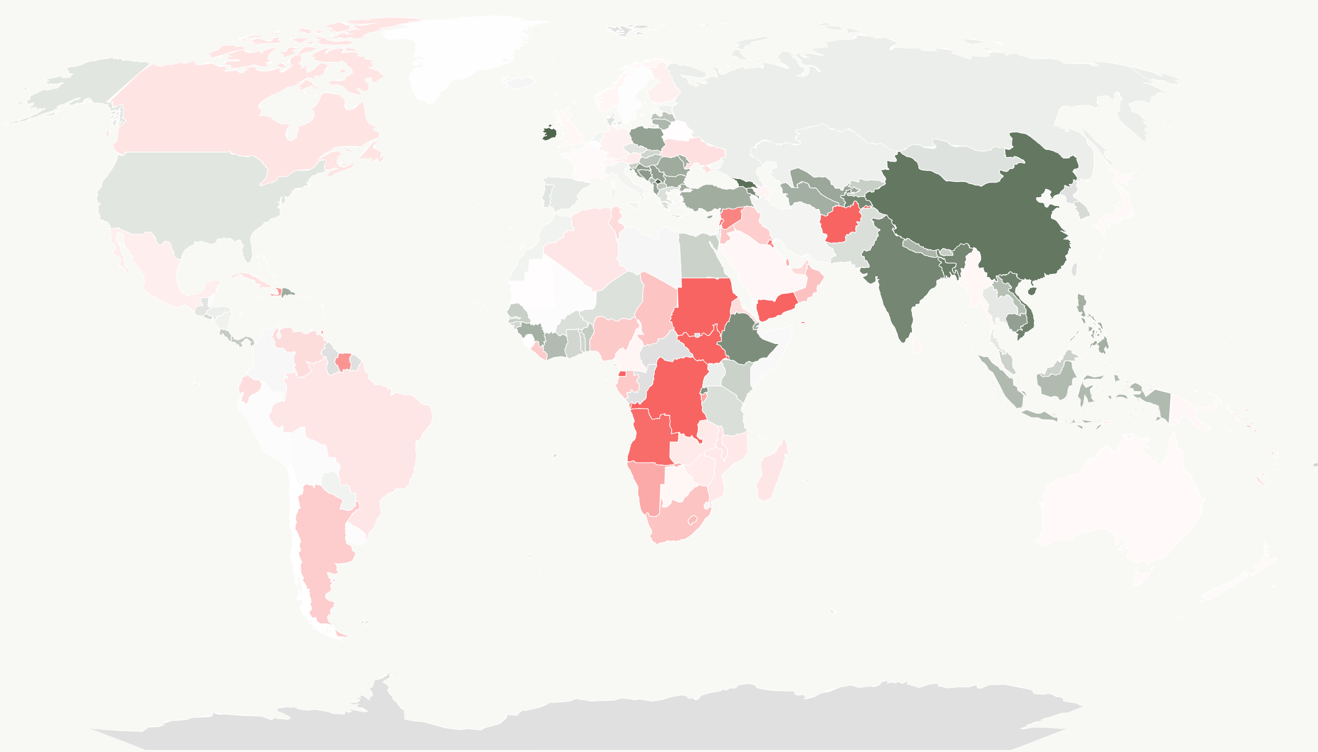
Green: Higher than median, Red: Lower than median

Historically, emerging markets have outpaced advanced economies in GDP growth through economic convergence. Starting from a lower economic baseline, these countries have greater potential for transformative growth. For instance, a new primary road in an underserved region catalyzes trade and mobility far more than incremental projects in saturated, high-income markets, where capital faces diminishing marginal returns.

Furthermore, emerging economies can adopt the technologies, processes, and practices of advanced economies, thereby bypassing the costly and time-consuming process of developing them independently. This technological leapfrogging enables faster growth with reduced research and development expenses.

However, when it comes to growth, Sub-Saharan Africa presents a complicated picture. Despite being the poorest major region in the world, growth varies sharply across Africa. In aggregate, African economies have not replicated the growth rates achieved by other emerging regions at comparable stages of development.

Real GDP growth per capita 2015-2024 (avg. annual %)



Green: Higher than median, Red: Lower than median

This contrasts with other regions, such as Asia, where most low-income economies have grown rapidly and steadily reduced the gap with wealthier economies, as predicted by economic convergence theory.

During their initial industrialization phases in the 1990s, East Asian economies led by China achieved growth rates approximately three times higher than those currently observed in Africa. China maintained growth rates of around 8 percent in the late 1990s – a feat that no major African country has replicated to date, despite having nearly identical inflation-adjusted GDP per capita levels as China during that period.

Most emerging Asian countries, including China, India, and Vietnam, have consistently recorded per capita growth rates of at least 5 percent over the past decade, unlike many African economies.

This divergence suggests that the 'rising tide' in Africa is more selective than it was in Asia twenty years ago. For companies, Africa demands greater selectivity than Asia did a generation ago as the strongest opportunities are not spread evenly across all countries, but concentrated in the markets that are successfully combining growth, diversification, and rising productivity.

Exporting companies target African countries at varying market stages

Different exporting companies exhibit distinct competitive strengths that lead them to target different segments of Africa's markets.

Chinese and Western companies often compete for different opportunities. Chinese companies tend to be strongest in lower-income markets, where cost, speed, and scale matter most. Western companies, especially those from countries such as the US and Denmark, are often better positioned in higher-income African markets, where buyers can pay for higher-quality products, advanced technology, and reliable service.

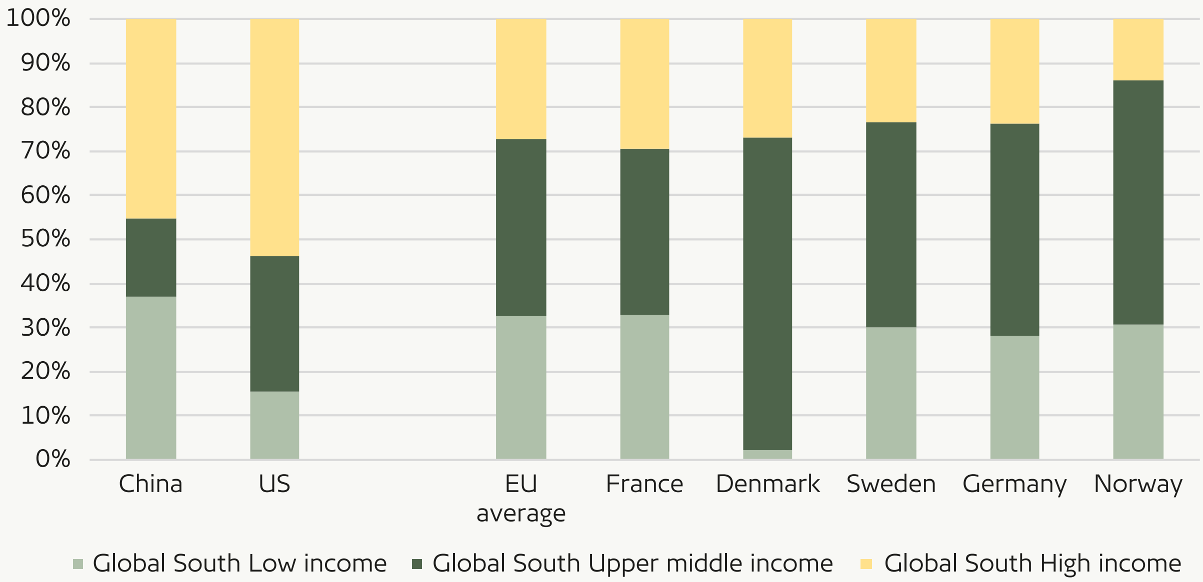
This divide is also visible in export patterns. US and Danish exporters send a large share of their Global South exports to high- and middle-income markets, while China has a much larger exposure to low-income economies.

The competitive landscape is still changing. Chinese national champions are moving up the value chain and increasingly challenging Western firms in high-tech sectors. At the same time, growing middle classes in African cities are raising demand for specialized services, advanced equipment, and intellectual property. That creates more room for premium exporters, but mainly in the right markets.

US exports are typically concentrated in high-value goods such as aircraft, technology, pharmaceuticals, and brand-ed consumer products. These products depend on stable regulation, strong distribution systems, and consumers with greater purchasing power. Danish exports follow a similar pattern, with strengths in pharmaceuticals, advanced ma-chinery, and wind turbines, all of which are capital-intensive and generally better suited to more developed economies.

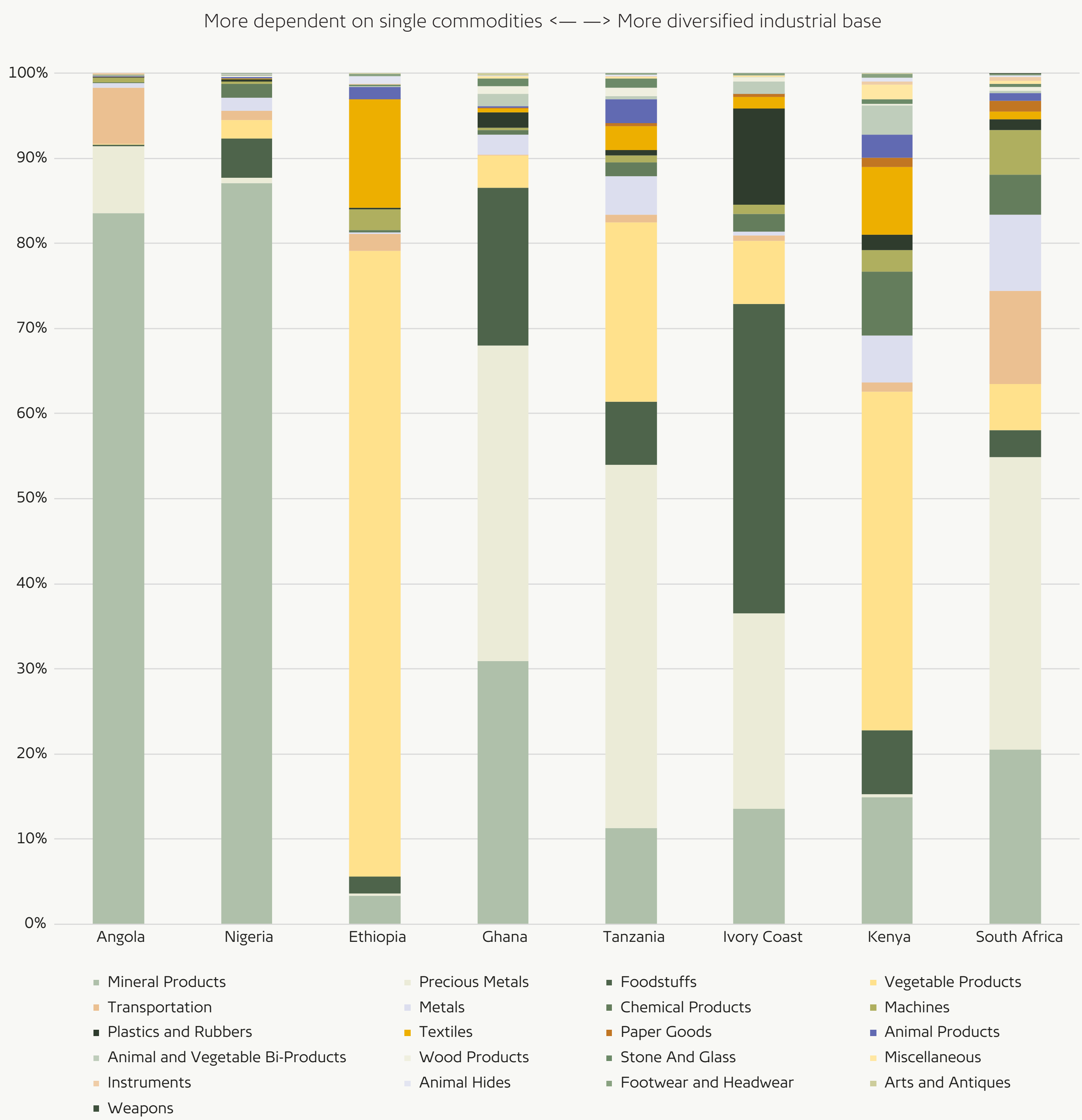
For premium-tier exporters, countries such as South Africa and Kenya already offer sophisticated consumer and industrial markets that can absorb advanced solutions, while lower-in-come countries such as Ethiopia and Tanzania still favor ex-porters that provide the basic building blocks of development.

Share of Global South exports to low, middle and high-income countries



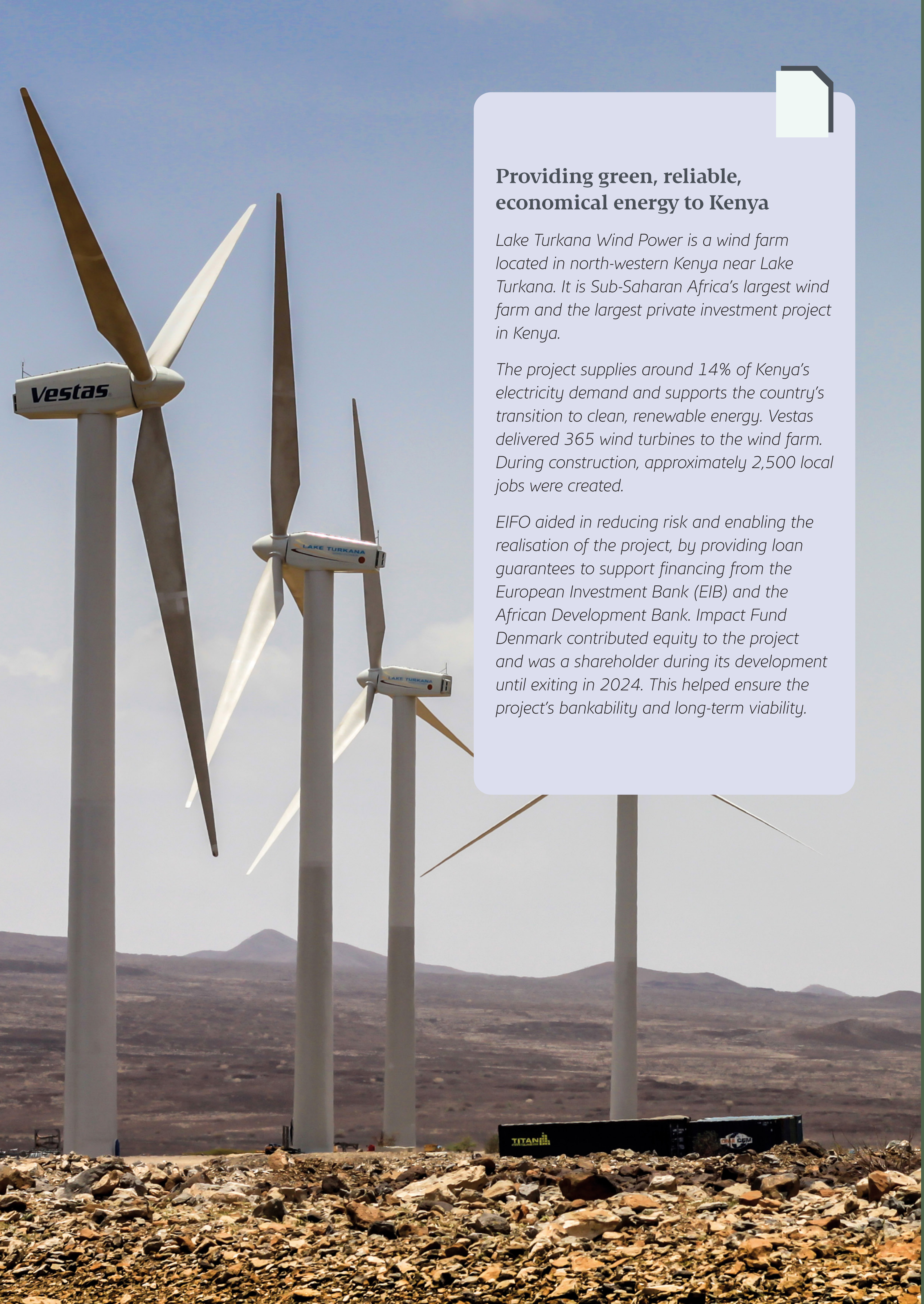
Source: UN Comtrade; Statistics Denmark.

Market sophistication across Africa's 'Big Eight' economies



The chart depicts market sophistication based on the export mix.

Source: OEC, 2024



Providing green, reliable, economical energy to Kenya

Lake Turkana Wind Power is a wind farm located in north-western Kenya near Lake Turkana. It is Sub-Saharan Africa's largest wind farm and the largest private investment project in Kenya.

The project supplies around 14% of Kenya's electricity demand and supports the country's transition to clean, renewable energy. Vestas delivered 365 wind turbines to the wind farm. During construction, approximately 2,500 local jobs were created.

EIFO aided in reducing risk and enabling the realisation of the project, by providing loan guarantees to support financing from the European Investment Bank (EIB) and the African Development Bank. Impact Fund Denmark contributed equity to the project and was a shareholder during its development until exiting in 2024. This helped ensure the project's bankability and long-term viability.

Long-term growth potential in African markets

Countries with stronger institutions experience faster economic growth and develop high-value industries more quickly

High-value industry potential varies widely across the ‘Big Eight’

Creating high-value industries is essential to achieving long-term prosperity and unlocking market potential. An examination of Sub-Saharan Africa’s eight largest economies reveals stark differences in their ability to develop high-value industries. Countries with better business climates and capable, predictable, and accountable institutions are better at developing higher-value industries and attracting investments, which support the expansion of the consumer market required for sustained market development.

South Africa remains the region’s most sophisticated economy, resembling a conventional middle-income emerging market. The country boasts reliable contract enforcement, transparent procurement processes, a diversified industrial base, deep capital markets, an independent central bank, and functioning regulatory institutions. Despite challenges such as unemployment, energy constraints, and political dysfunction, South Africa is poised to attract the most foreign direct investment (FDI) in Africa and remain the continent’s dominant economic powerhouse. Its institutional strength and economic diversification are unmatched.

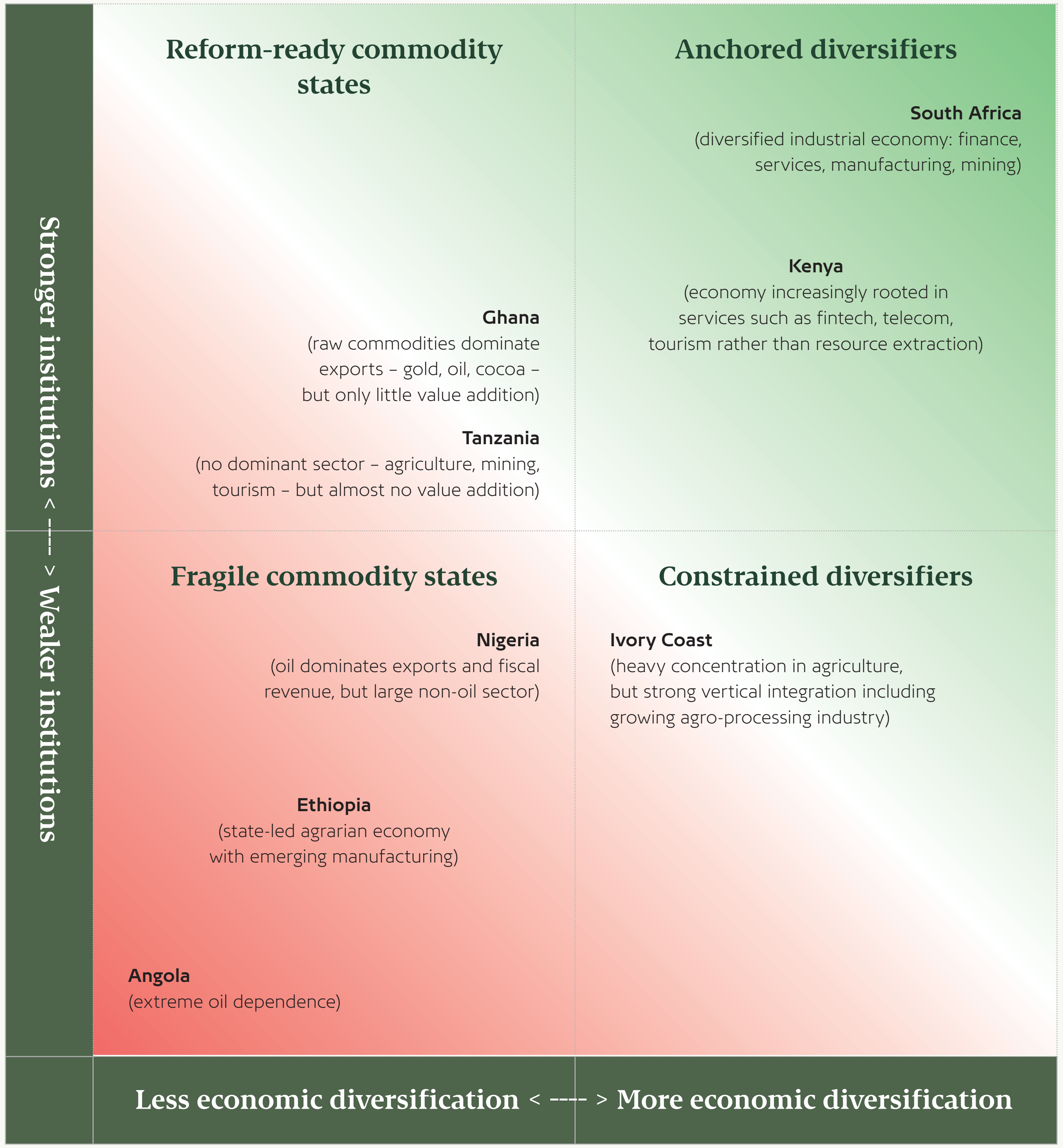
Several Sub-Saharan countries aspire to South Africa’s economic stature, but **Kenya** is currently the most viable contender in terms of long-term potential. Its business climate and institutional framework rank second in the region. This is reflected in its strong, independent judiciary and its devolution, which reduces central bottlenecks. This predictability for investors has enabled Kenya to attract foreign direct investment (FDI) into high-value, knowledge-intensive sectors like fintech and telecommunications rather than relying on a traditional industrialization path that may never fully materialize. Kenya appears well positioned to unlock sustained, long-term prosperity on its current trajectory.

Ghana and Tanzania have sufficiently strong business climates and institutions to support investment in higher-value sectors, but both remain in early transition, still heavily reliant on lower-value commodity and agricultural activities. The institutional foundation is present but the productive transformation it needs to enable has not yet followed at scale.

The **Ivory Coast** has somewhat weaker institutions, but it has achieved notable vertical integration in agriculture. As the world’s largest cocoa producer by a wide margin, the country has structural power in the global value chain that partially offsets weaker governance, since scale continues to attract foreign direct investment into processing. However, this vertical integration remains largely confined to agriculture, and value addition in other sectors is still limited.

Although **Nigeria, Ethiopia, and Angola** have large economies driven by population and resources, weak institutions and high dependence on commodities constrain their potential. Nigeria remains heavily dependent on oil revenues, and its fragmented federal system hinders the development of coherent industrial policies. Ethiopia and Angola have historically had highly centralized power structures and substantial state control over the economy. Despite its current market size, Angola has the weakest long-term potential due to its heavy dependence on oil and weak institutional base. Without significant structural reforms, Angola is likely to remain a ‘resource enclave’ rather than an engine for regional prosperity.

Economic composition across Africa’s ‘Big Eight’ economies



APPENDIX 1:

Forecasting the future through business climate

Drawing on the academic literature, we find that the business climate and the broader institutional framework are among the most reliable predictors of long-term prosperity, as countries with better frameworks tend to grow faster.

A good framework can catalyze growth by optimizing incentive structures and minimizing transaction costs. For example, it can safeguard private property rights and ensure the impartial enforcement of contracts. These elements are essential for encouraging long-term capital investment and developing new, higher-value industries as part of a diversification effort.

To assess the business climate and institutional framework, we utilize data from the V-Dem Institute at the University of Gothenburg. We focus on four mid-level indicators that shape the business climate:

› Information and expression: Free elections, free association, free academic research, and independent media

› Legal system: Rule of law, rights, and corruption control.

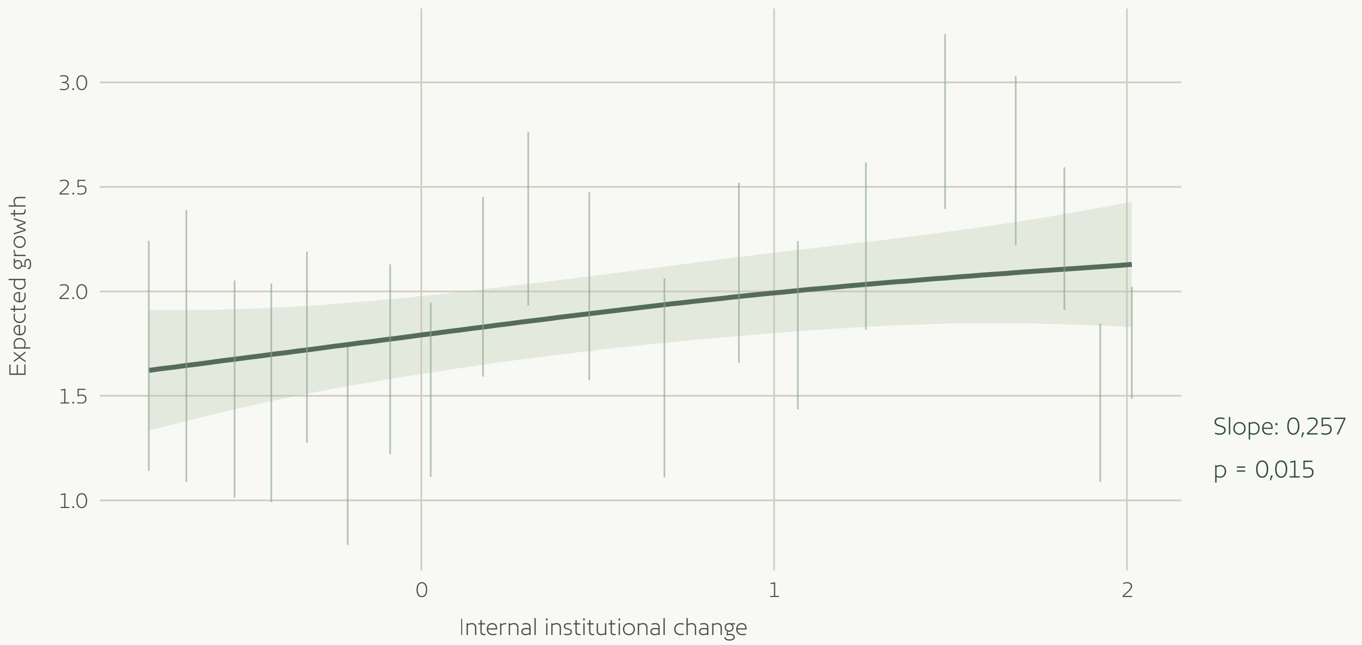
› Stakeholder engagement: Civil society participation in decision-making beyond voting.

› Evidence-based policy environment: Decisions are made through open, reasoned discussion with broad consultation.

We find that that countries with superior frameworks consistently outperform their peers in terms of long-term prosperity. This pattern holds true across all regions.

Our findings indicate that, when normalized for income, countries with robust frameworks achieve growth rates 1,15 times higher than their counterparts. This performance gap compounds over time, which explains why countries with weaker frameworks often struggle to catch up with more advanced economies.

Correlation between institutional framework strength and GDP growth



Source: Own calculations based on V-Dem.

APPENDIX 2:

Comparing business climates in Africa and Asia

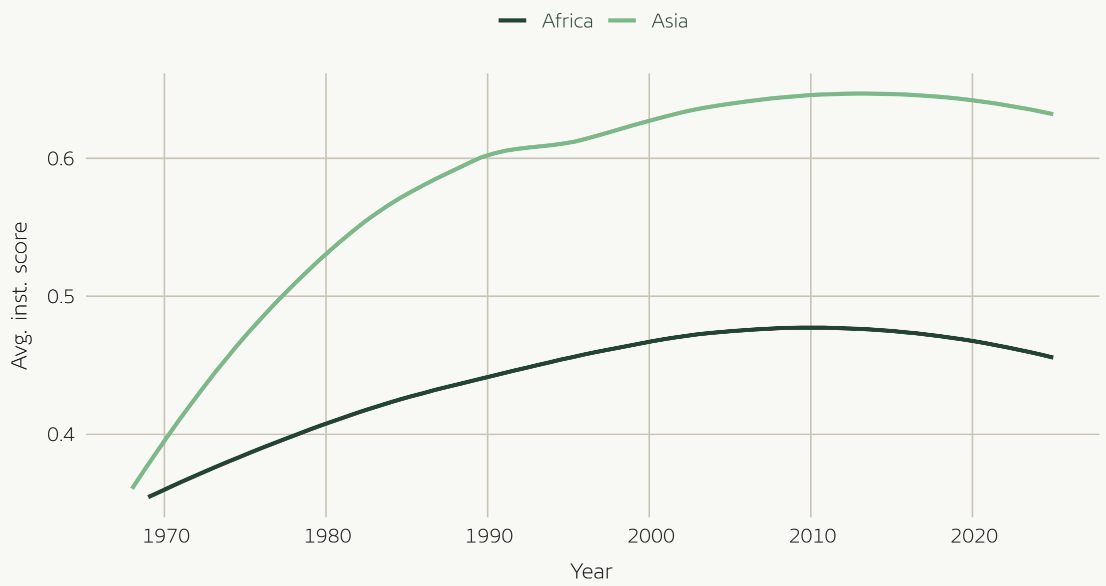
As noted previously, Africa's growth story is not uniform. This divergence cannot be explained by resource endowments or demographic trends alone, but is rooted primarily in differences in business climates and institutional frameworks.

African countries that have built more capable, predictable, and accountable institutions have been substantially more successful at sustaining economic expansion and developing higher-value industries. Those that have not remain trapped in commodity dependence and low-productivity growth cycles.

For companies, this matters not only because the depth of African markets reflects the countries' ability to generate new industries, but also because industrial development is a key driver of long-term prosperity and, ultimately, future market size. Investing in markets with stronger institutional foundations is therefore not only a risk management decision but a bet on the size of the opportunity itself.

A comparison with Asia illustrates the scale of the challenge. Taken as a whole, Sub-Saharan African countries lag their Asian peers by 0,67 standard deviations on composite institutional quality measures – a gap that goes a long way toward explaining the divergence in industrial upgrading and export complexity between the two regions over the past three decades. Yet that aggregate figure obscures substantial variation within Africa: the institutional distance between the region's strongest and weakest performers is large enough to make continent-level generalizations misleading.

Institutional development in Africa vs. Asia



The figure shows development of the variable 'judicial constraints on the executive'

Source: Own calculations based on V-Dem.