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THE SWEDISH TRADE & INVEST COUNCIL

EXECUTIVE GLOBAL INSIGHT
SEPTEMBER 2024

AFRICA'S NEW GREEN HORIZON

How Swedish companies can capture opportunities in Africa's green transition and accelerate change

EXECUTIVE SUMMARY

THE ROLE OF SWEDISH EXPERTISE IN AFRICA'S GREEN TRANSITION

The global green transition is a race against the clock, and Africa is at the frontline of the challenge to avert the worst effects of climate change. The shift to sustainable practices is not only urgent but an existential matter as the average temperature is projected to increase by 1.5 to 2.5°C.

Rising temperatures, changing rainfall patterns, and extreme weather events have far-reaching consequences for the continent, including reduced agricultural productivity, water scarcity, and displacement of communities. Africa's population is projected to reach 2.5 billion people, further exacerbating these trends.

Countries are taking steps to address climate change and meet their international commitments under the Paris Agreement in several sectors such as healthcare and energy. By aligning with their Nationally Determined Contributions (NDCs), African countries can unlock opportunities for sustainable development and economic growth.

This report explores the impacts of climate change, population growth and rapid urbanisation in Africa and the need for sustainable solutions creating opportunities for growth and collaboration. With an ecosystem of innovative climate tech start-ups and legacy companies at the forefront of sustainability, Sweden is well-positioned to contribute to global decarbonisation efforts. Swedish companies can contribute with cutting edge expertise and technologies in areas such as renewable energy, sustainable transport, mining practices, and circular economy principles, aligning with African countries' sustainability goals and capitalising on the growing demand for green solutions in the continent's emerging markets.

SIX KEY OPPORTUNITIES

- **Renewable energy:** Swedish companies can make a major contribution to the development of renewable energy infrastructure and fossil-free electricity in Africa. Sweden's leadership in renewable energy sources, energy storage, and grid infrastructure makes it a key player in the global race to expand renewables.

- **Sustainable urban transport:** Africa's rapid urbanisation unlocks opportunities for Swedish companies offering sustainable urban transport solutions. Sweden's expertise in designing sustainable public transport systems and integrating renewable energy sources into the transport fuel mix can bring strong value.

- **Sustainable mining:** Swedish companies can help African mining companies adopt sustainable mining that minimise environmental impact, reduce carbon emissions and ensure responsible resource extraction. Swedish expertise in technologies and processes for efficient water management, waste reduction and biodiversity conservation also come into play.

- **Healthcare infrastructure and services:** Improving healthcare infrastructure and services is crucial for Africa's development. Swedish companies can contribute by providing medical equipment, technology and expertise in areas such as telemedicine, digital health solutions, and healthcare management systems.

- **Clean water and sanitation:** Swedish specialists in water treatment technologies, water purification systems, and sustainable sanitation solutions can help improve access to clean water and sanitation – which remains a significant challenge in many parts of Africa.

- **Waste management and recycling:** Swedish companies with expertise in circular economy solutions, waste-to-energy technologies and recycling systems can play a crucial role in addressing Africa's significant challenges in waste management and recycling.

KEY TAKEAWAYS

- Africa is particularly vulnerable to the effects of climate change. Rapid population growth and accelerating urbanisation add to the pressure on Africa's socio-economic development – requiring an urgent green growth model.
- African governments are announcing new policies and incentives to address climate change and prioritise their Nationally Determined Contributions (NDCs) – UN members' commitments to reduce greenhouse gas emissions.
- By offering leading expertise in six key industries, Swedish companies are well-positioned to accelerate sustainable development and play a decisive role in Africa's green transition.

RISING POTENTIAL IN FOUR KEY MARKETS

This report focuses on four African markets where the potential is rapidly rising for Swedish companies offering smart solutions for decarbonisation and sustainable development.

Conducting detailed research, demonstrating local viability through pilots, actively engaging with local ecosystems, and prioritising strategic partnerships are all imperatives for success.

Morocco leads North Africa's sustainable development, with a strong emphasis on renewable energy and water management to meet ambitious 2030 targets. Morocco's policies and investments underscore its commitment to foster a sustainable and resilient economy, positioning the nation as a pivotal partner for Swedish companies.

Nigeria is Africa's second largest economy and is a vast market with significant growth potential. With a population exceeding 220 million, the country has recognised the need to diversify its energy mix and upgrade its public transport system, offering strong opportunities for Swedish suppliers.

Kenya, the economic powerhouse of East Africa, is experiencing shrinking resources due to climate change, forcing the country to shift to greener energy and more sustainable transport systems. Swedish companies in renewable energy, e-mobility, technology and capacity building have promising opportunities.

South Africa, a major gold and platinum group metals producer, faces challenges from aging mines and increased mining depths. With a focus on environment, social and governance (ESG) and sustainability, South Africa seeks closer collaboration with Sweden to implement sustainable mining operations.

Executive Global Insight is published by Business Sweden to give Swedish business leaders a regular deep-dive into the most important trends in cross-border trade. The report series helps decision-makers break down risks and opportunities and provides actionable insights, drawn from the knowledge and expertise of Business Sweden's global advisors based in more than 40 markets.

ABOUT THE STUDY

This report is based on research and analysis by Business Sweden's Africa teams using quantitative data as a well as interviews conducted in June and July 2024, to gather qualitative data.

The interviewees are executives at Swedish companies (key accounts, midcorps and SMEs) as well as representatives of key public Swedish export organisations.

Interviewed companies: *ABB, BCC, FLIR, Hitachi Energy, Roam, Scania West Africa, Siemens Energy, SKF, Swedfund, Volvo Maroc.*

TAKING ACTION: THREE MAJOR CHALLENGES

Rising temperatures, changing rainfall patterns, and increased frequency of extreme weather events such as droughts and floods are some of the key manifestations of climate change in Africa. These changes have far-reaching consequences, including reduced agricultural productivity, water scarcity, food insecurity, displacement of communities, and threats to biodiversity.

With mounting concerns over environmental degradation, governments are announcing policies and incentives to address the issue and meet the targets of their Nationally Determined Contributions (NDCs) – UN members' commitment to reduce greenhouse gas emissions under the Paris Agreement. By aligning green transition efforts with their NDCs, African countries can not only fulfil their international climate obligations but also unlock opportunities for sustainable development and economic growth.

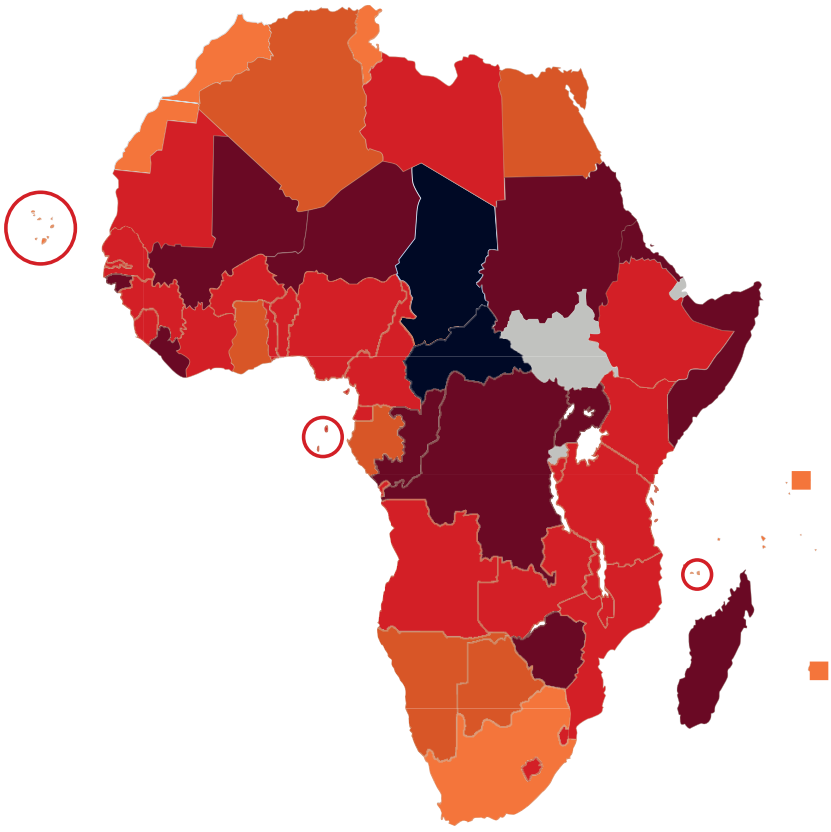
At the same time, climate change is just one of three major challenges facing African countries. Population growth and rapid urbanisation also require urgent action to ensure a prosperous and resilient future for Africa – where sustainable solutions play an equally important role. Below is an overview of current trends and implications.

1 CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION

By 2050, Africa's average temperature is projected to increase by 1.5 to 2.5 °C. Crop yields could decline by up to 22% by then. Africa loses an estimated 3.4 million hectares of forest annually, and soil erosion affects about 65% of agricultural land. Climate-related factors could displace up to 86 million people in Africa by 2050. Sustainable resource management and environmental conservation become imperative to mitigate these negative impacts.

AFRICA IS ON THE FRONTLINE OF CLIMATE CHANGE

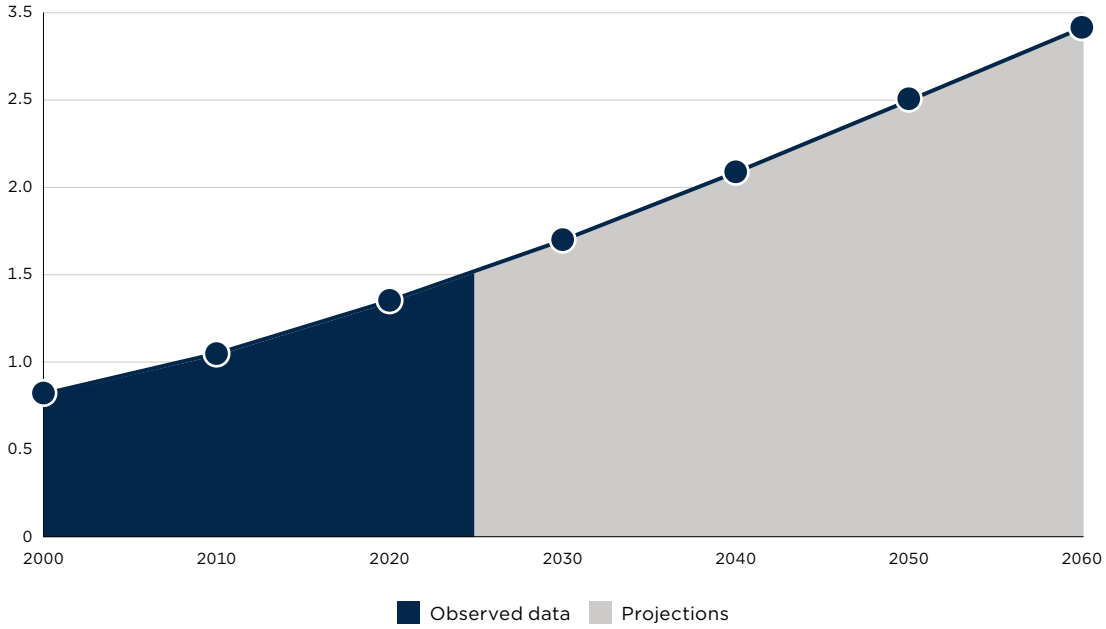
Index scores for climate resilience of African countries, 2022



Based on assessment of 180 countries for readiness, vulnerability and GDP.
* Averages based on 10 countries in Southern Europe, 53 in Africa.
Sources: Henley & Partners, Statista calculations

POPULATION GROWTH SOARING TOWARDS 2.5 BILLION MILESTONE

Population growth in Africa, billions of people, 2000–2060



Source:
UN DESA, 2019

2 POPULATION GROWTH

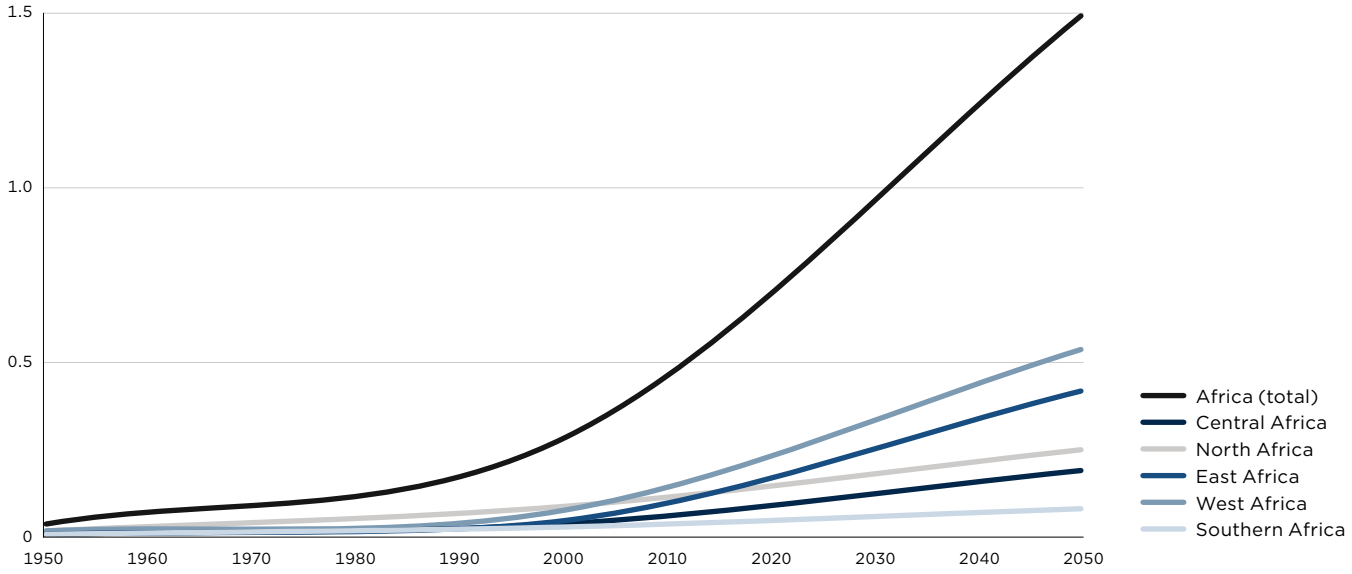
Africa's population is projected to double by 2050 and reach 2.5 billion. This trend puts pressure on already strained resources such as food, water and energy. Meeting the basic needs of such a large population becomes a critical task for governments and policymakers. At the same time, rapid population growth contributes to a larger workforce and consumer demand. This, in turn, can stimulate economic growth and attract investment in various sectors, leading to job creation and improved living standards.

3 RAPID URBANISATION

The African continent is experiencing rapid urbanisation driven by factors such as population growth, rural-urban migration, and economic opportunities. The urban population is projected to reach 1.3 billion by 2050, more than doubling the current figure of 550 million, which brings many challenges. Informal settlements and slums emerge, lacking basic amenities, and transport systems face strain, leading to congestion and pollution which impacts the lives and health of local communities.

PACE OF URBANISATION MORE THAN DOUBLES BY 2050

Population growth of urban areas in Africa, billions of people, 1950–2050



In the face of these trends, African countries are implementing key policy-driven initiatives to mitigate negative impacts, adapt and provide sustainable solutions. These include:

- Policies that promote decarbonised energy generation and reduced dependence on fossil fuels. Key initiatives include the development of renewable energy (solar, wind, hydroelectricity, biomass), rural electrification programmes and grid regulations.
- Initiatives to enhance sustainable transport solutions to reduce carbon emissions and improve urban mobility. Key policies include the expansion of public transport networks and infrastructure (i.e. BRT lines, mass transport systems, etc.), the development of electric vehicles, and promotion of biofuels.
- Promotion of sustainable mining practices that minimise environmental impact and ensure responsible resource extraction. Initiatives focus on reducing water and energy consumption, implementing proper waste management systems, and promoting community engagement and social responsibility.
- Improving healthcare infrastructure and services, recognising the urgent need to ensure the long-term sustainability of healthcare systems. Improvements include the construction of hospitals, provision of medical equipment and promotion of sustainable healthcare practices and digital health technologies.
- Adoption of circular economy principles to minimise waste generation, promote recycling and enhance water conservation. Initiatives include waste management practices (recycling, composting, waste-to-energy conversion), as well as efficient irrigation systems and wastewater treatment technologies.

These initiatives present significant opportunities for Swedish companies to contribute with their expertise and new technologies. By aligning with African countries' sustainability goals, Swedish players can forge partnerships and capitalise on the growing demand for green solutions in Africa's emerging markets.

LAGOS, NIGERIA

LEADING THE WAY IN FOUR PROMISING MARKETS

Climate change, population growth and rapid urbanisation affect the entire African continent. As new initiatives emerge for taking consolidated action, a new horizon of opportunity has opened up in four key markets.

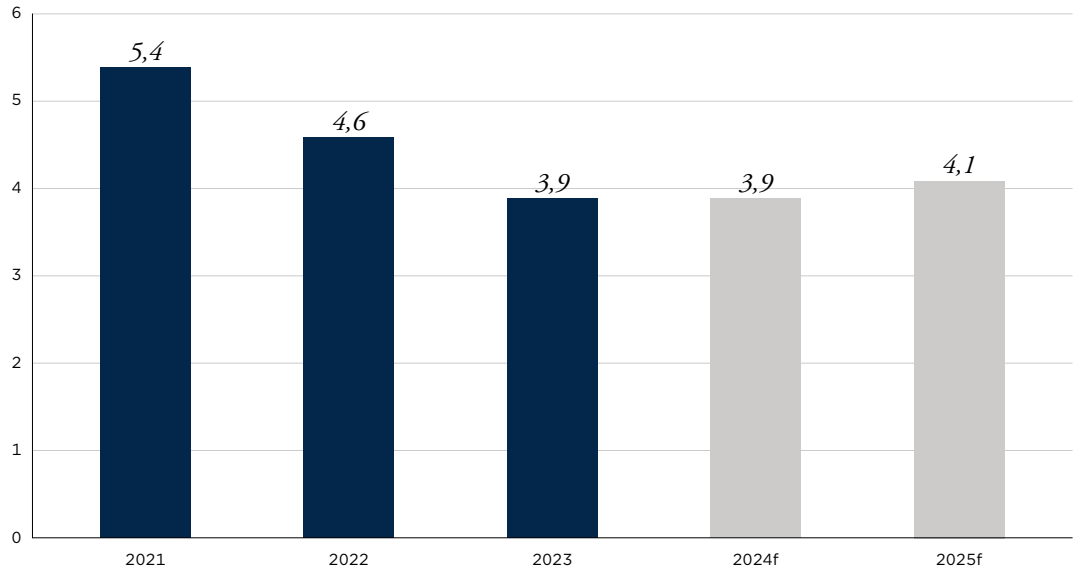
NORTH AFRICA

The countries of North Africa are navigating economic growth and diversification amid worsening environmental challenges. Growth in the region is projected to remain steady at 3.9% in 2024 before improving slightly to 4.1% in 2025[1]. With a 2023 GDP of $395 billion, Egypt represents the largest economy in North Africa. Oil and Agriculture remain a cornerstone of the region's economies. However, North Africa has faced significant challenges in recent years due to adverse weather conditions, including droughts in Morocco and Tunisia and flooding in Libya.

While part of the same region, Algeria, Egypt, Morocco, and Tunisia have remarkably diverse economic profiles. Algeria has typically been known as an oil-producing country, while Egypt, Morocco, and Tunisia have had more diverse economies with textiles, automotive, and food production as long-standing industries.

This region presents promising opportunities for Swedish companies in energy, healthcare, water management and transport. As North Africa transitions to greener practices, there is significant demand for renewable energy technologies such as green hydrogen, solar and wind power, to diversify the energy mix. A growing focus on water management against the backdrop of increased water scarcity opens up prospects for investment in desalination technologies, smart irrigation, and efficient water reuse systems. In transport, there are opportunities for advancements in green infrastructure and electric vehicles. Additionally, the need for improved healthcare infrastructure to match population growth expands the market for healthcare innovations. These evolving needs create a dynamic environment for Swedish companies to make impactful contributions.

ECONOMIC GROWTH IN NORTH AFRICA
GDP growth, per cent, 2021–2025



Source: AfDB, 2023

[1] AfDB, 2024

SHIFTING TO RENEWABLE ENERGY

North Africa is one of the world's most vulnerable regions to climate change. Meanwhile, energy systems are already under pressure to meet the demands of economic growth, energy security and social welfare. Since the 1970s, average and seasonal surface temperatures in most regions of North Africa have increased between 0.2°C and 0.4°C per decade, well above the world average of 0.18°C[2]. Precipitation patterns have also changed significantly, aggravating existing water scarcity in some North African countries.

Population in the region's major cities is expected to grow by 1.2% per year[3] – a faster rate than anywhere else in the world, except in sub-Saharan African cities – putting pressure on resources, infrastructure, and job creation (SDGs 1, 8, 11). Rapid urbanisation also contributes to growing demand for modernisation of transport and infrastructure, but also regional integration opportunities.

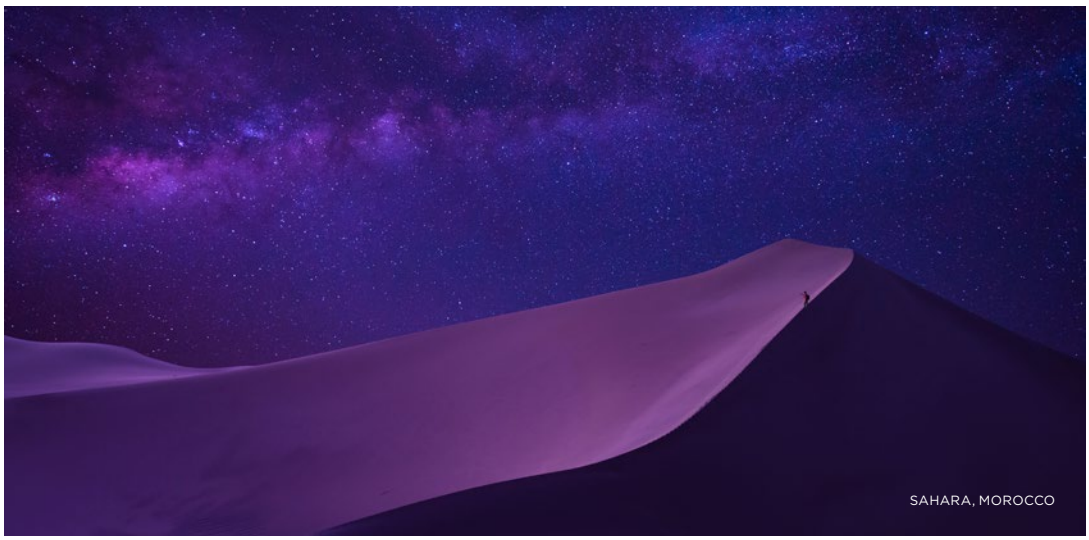
Addressing these challenges requires substantial financial resources, with an estimated annual investment of $183 billion needed between 2015 and 2030 to meet North Africa's renewable energy targets and support green growth. Achieving this requires several key strategies: significant investments in renewable energy infrastructure to ensure long-term sustainability, enhancing agricultural practices through the adoption of green technologies and improved water management, developing environmentally friendly transport systems to support regional connectivity, and implementing effective waste management practices to minimise environmental impact and promote recycling.

North African countries, led by Morocco, are advancing their Nationally Determined Contributions under the Paris Agreement. These NDCs outline strategies for reducing emissions and adapting to climate change. Key elements of these plans include:

- Legal frameworks and policies to promote *renewable energy*, such as phasing out fossil fuel subsidies, establishing feed-in tariffs, setting renewable energy targets, and introducing green energy certificates. North African governments are employing fiscal policies such as tax incentives (e.g., VAT reductions), customs and import duty exemptions, and capital depreciation/allowances to support renewable energy. For example, Egypt's New Investment Law (2017) offers incentives for renewable energy projects, including a 30% deduction of net taxable profits for the first seven years and reduced customs duties on equipment and machinery from 5% to 2%.

- Programmes and strategies to invest in *waste and water treatment and reuse* to ensure water safety and upgrade aging infrastructure. Morocco and Algeria are heavily investing in large desalination plants and dams, with Morocco planning to tripple its number of desalination plants by 2050. The region is also focusing on smart irrigation systems, promoting drip irrigation, and other water-saving technologies in agriculture.

[2] The combined land and ocean temperature
[3] International Energy Agency, 2023



SAHARA, MOROCCO

MARKET OUTLOOK: MOROCCO

Morocco is Africa's fifth largest economy, with a population of around 37 million and a GDP of $138 billion. It has achieved political stability through reforms and actively addresses poverty, unemployment, and human rights concerns. The country's economy has diversified from agriculture to a mix of services, industry, and agriculture.

Morocco is highly dependent on natural resources and thus highly vulnerable to the impacts of climate change. The challenges around water scarcity, food insecurity, desertification, and shoreline erosion are accelerating. Climate-induced migration into densely populated urban areas further strains resources.

The country has committed to sustainable development and environmental protection since ratifying the Rio Conventions in 1995. It hosted COP22 in 2016 and has adopted ambitious strategies including the National Sustainable Development Strategy.

Morocco offers Swedish companies opportunities in sectors such as green energy, water management, sustainable transport, and healthcare. These sectors, all crucial for addressing Morocco's sustainable development goals. The Moroccan government's renewable energy goals create opportunities for collaboration in renewable energy generation, storage, and transmission infrastructure, aligning with Sweden's advancements in these areas.

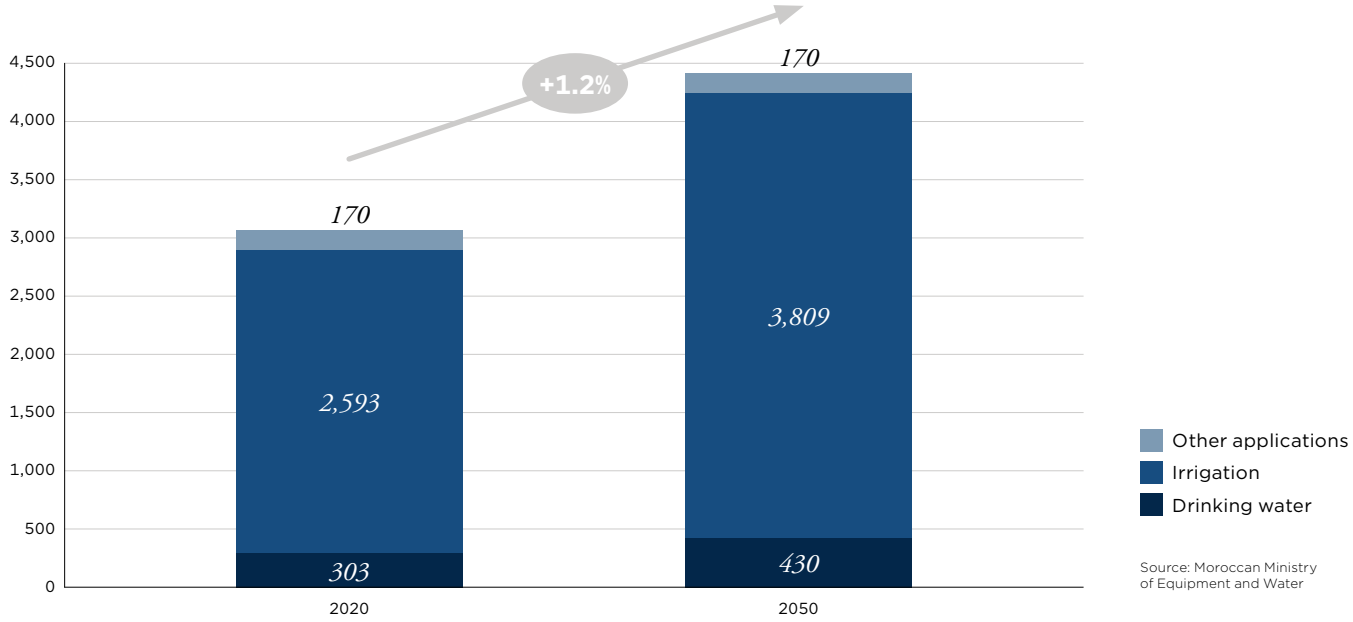
Swedish companies can also contribute to Morocco's water management initiatives by providing expertise in water technology and treatment to tackle water scarcity. Additionally, Morocco's health reform programme aims to extend medical coverage and upgrade facilities, which opens up opportunities for Swedish companies offering advanced medical technologies and solutions.

"Morocco is making significant strides in its green transition, particularly in the energy sector. The country's investments in renewable energy projects, like the Noor solar power plant and green hydrogen, are notable. The Noor solar power plant and green hydrogen initiatives are all interconnected points, part of the Moroccan King's vision."

Country Managing Director ABB Morocco, Tunisia, Ivory Coast and Cameroun

SUSTAINABLE STRATEGIES ARE KEY TO MEET RISING WATER DEMAND

Distribution of water demand in Morocco, million m³, per cent, 2021–2025



Source: Moroccan Ministry of Equipment and Water

In this report we dive into water management as one of the key sectors in Morocco.

MANAGING MOROCCO'S WATER CRISIS

Morocco is the 22nd most water-stressed country in the world. By 2050, the country will lose 30% of its water resources (Moroccan Ministry of Equipment and Water). Climate projections show that more frequent and severe droughts could occur in central and southern Morocco. Declining precipitation and more droughts are likely to interrupt hydropower and coal-fired power generation, which require a large amount of water for power generation and cooling. Morocco is already making efforts to shift towards less water-intensive technologies, such as pumped hydropower storage and natural gas combined-cycle power plants.

The significant demand for water, especially in the agriculture sector, is intensifying pressure on the already strained water resources, posing a serious threat to sustainability. The Moroccan government, acknowledging the severity of the water crisis, has implemented comprehensive strategies to tackle this issue, including:

- The National Water Management Plan 2020–2050 addresses Morocco's water scarcity by promoting Integrated Water Resources Management (IWRM), building and modernising dams, expanding desalination plants, and building reservoirs and waterways.
- The National Priority Programme for the Supply of Drinking and Irrigation Water 2020–2027 ensures reliable water supply for drinking and irrigation through infrastructure upgrades and efficiency improvements.

In Morocco, Swedish companies will compete in a total valued water market of more than $20 billion in the next three to four years. Local project owners are looking for companies that can contribute to prioritised projects, namely the building of dams, desalination plants, reservoirs, waterways, wastewater treatment facilities and drinking water supply in remote rural areas.

Key opportunities in Morocco's water sector

- Pumping and distribution systems
- Water and waste-water treatment technologies
- Desalination plants
- Energy Efficiency solutions
- Software and IT solutions


LAGOS, NIGERIA

WEST AFRICA

Intraregional trade dynamics are changing the economic landscape in West Africa. Growth in the region is projected to pick by 3.1% in 2023 to 4.4% in 2025[4]. Côte d'Ivoire has consistently achieved an average annual growth rate of around 7% since 2012, making it one of the fastest-growing economies in the world. Ghana, Senegal, and Burkina Faso are among the other countries that have demonstrated strong economic performance.

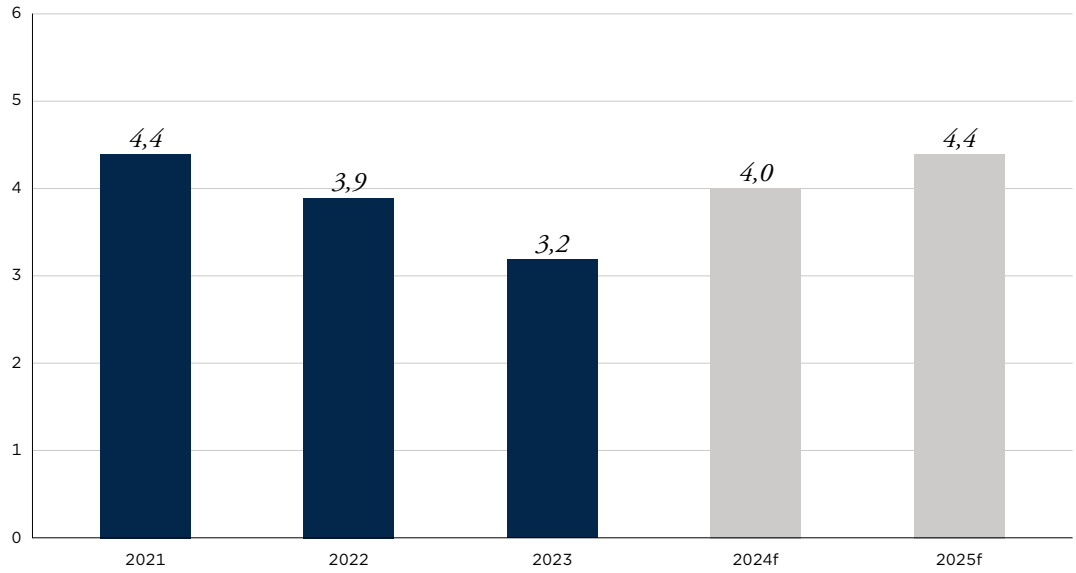
The region's economic growth is driven by various sectors including agriculture (70% of the global cocoa production), natural resources (oil, gas, minerals, and timber), and services (financial sector, ICT, and tourism). The Economic Community of West African States (ECOWAS) also encourages economic cooperation and integration among its member states.

This region presents many opportunities across the energy, transport, healthcare, and waste management sectors. Rising demand for renewable energy solutions, including solar and wind power, creates a window for contributing to the transition to sustainable energy sources. In the transport sector, there is a need for efficient and sustainable transport systems to support economic growth and regional integration.

Swedish companies can also play a role in improving healthcare infrastructure, medical equipment, and technology, as there is a growing demand for advanced medical devices, telemedicine solutions, and healthcare management systems. There are also promising prospects for upgrading waste-to-energy technologies, recycling systems, and waste treatment facilities to address West Africa's pressing waste management challenges and promote a circular economy.

ECONOMIC GROWTH IN WEST AFRICA

GDP growth, per cent, 2021–2025



Source: AfDB, 2023

[4] AfDB, 2023

AMBITIOUS PLANS UNDERWAY

West Africa's rapid economic development is facing severe threats brought on by climate change, with rising temperatures and changing rainfall patterns becoming more frequent and exacerbating food insecurity and economic instability. Crop yields are projected to decline by up to 20% by 2050.

Another challenge for the region lies in its exponential population growth and rapid urbanisation. The region's population is expected to reach 800 million by 2050, nearly doubling its current size, while the urban population is projected to also double by 2030. These trends put immense pressure on resources and public services.

To address these challenges, West African countries, with Nigeria in the lead, are developing their Nationally Determined Contributions (NDCs) under the Paris Agreement, outlining their plans to reduce greenhouse gas emissions and adapt to climate change. These plans include:

- Policies to promote the use of renewable energy sources such as solar, wind, hydroelectricity, and geothermal, to diversify the energy mix and reduce carbon emissions. Countries like Nigeria and Côte d'Ivoire include policies such as incentives, subsidies, feed-in tariffs, and regulatory frameworks to attract private sector investments in renewable energy infrastructure.

- Initiatives to implement sustainable transport solutions to reduce traffic congestion and air pollution. Major cities such as Lagos and Abidjan are investing in BRT systems and the expansion of bus networks to offer efficient and affordable public transport. Other cities are implementing stricter vehicle emissions standards to encourage the adoption of cleaner vehicles and promote the adoption of biofuels.

- Strategies focusing on waste and water management to tackle pollution and resource degradation. Countries such as Nigeria and Cameroon are prioritising the improvement of waste and water management infrastructure, recycling programmes, sanitation, wastewater treatment systems, and sustainable water use practices.

ACCRA, GHANA


ABUJA, NIGERIA

MARKET OUTLOOK: NIGERIA

Nigeria, the most populated and largest economy in Africa, is projected to experience a 3.1% increase in GDP by 2025, despite record high inflation of 32%. The country faces challenges due to its vulnerability to climate change, with rising sea levels and increasing heatwaves in the coming years. Its rapid population growth and urbanisation rate exacerbate this trend, with a population of 230 million projected to reach 411 million by 2050[5].

A Federal Republic of 36 semi-independent states, Nigeria has implemented reforms at both national and state levels to take climate action and foster sustainable growth:

- The *NDCs*, outlining the country's targets of reducing greenhouse gas emissions by 20% by 2030 and reaching net-zero emissions by 2060.
- A *Climate Change Act* and a *Climate Change Policy Framework* implemented to reduce emissions and promote low-carbon development.

Swedish companies will find opportunities in the Nigerian market in everything from green energy and sustainable transport to healthcare and waste management. The federal government has set a goal to achieve universal energy access by 2030 and is implementing policies and initiatives to improve access to clean and affordable energy. Similarly, the country passed a federal law, the National Policy on Solid Waste Management, in 2020 aimed at promoting the principles of circular economy and tackling the challenges of inadequate waste removal systems.

”Nigeria is in the process of switching from oil to natural gas and biogas for its energy mix. While natural gas is a key component, the future lies in solar energy as well.”

Managing Director Scania West Africa

[5] UNDP, 2023

Below is a deep-dive into Nigeria's efforts to promote sustainable transport solutions and how Swedish innovation can help to reduce the country's carbon footprint.

TACKLING THE MOBILITY CHALLENGE

More than half of Nigeria's 230 million inhabitants live in cities, 16 million of them concentrated in the country's economic capital Lagos. Public transport accounts for around 64% of all urban motorised trips, creating bottlenecks and exacerbating environmental challenges.

Under a new national agenda, the government is calling for private sector development and investment to address the long-neglected infrastructure and transport system.

- The *National Mass Transit Policy* (NMTP) promotes the use of buses, trams, and rail systems to improve urban mobility and reduce emissions. Initiatives such as the Lagos Rail Mass Transit and Bus Rapid Transit (BRT) systems have been implemented to enhance urban mobility.

- *Strategic Transport plans* in the country's main cities. In Lagos, a Bus Reform Initiative (BRI) aims to implement 5,000 medium and high-capacity buses over a three-year period – with 72% being high-capacity buses and 52% electric by 2032.

Swedish companies including SMEs with expertise in designing and implementing efficient and sustainable public transport systems such as buses, trams, and light rail, can contribute to improving urban mobility in the country.

INNOVATIVE SOLUTIONS IN HIGH DEMAND

The majority of fuel used for transport is gasoline or petrol, leading to increased air pollution and is responsible for 15% of the national GHG emissions. The country is exploring alternative greener fuel options such as biofuels and electric vehicles (EVs)[6]:

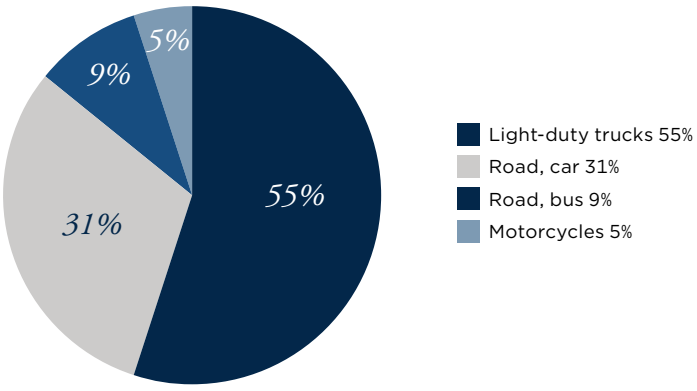
- Implementation of gas policies for transport. The Lagos government has introduced Bus Rapid Transit (BRT) systems that run on compressed natural gas (CNG), and is working to increase LPG utilisation from the current 5% to 90% in 10 years.

- National Biofuel Policy to promote the production and use of biofuels as an alternative to fossil fuels – tax exemptions, grants, and financing access to encourage investment in the bioenergy sector.

Swedish companies specialising in sustainable and innovative transport solutions can play a crucial role in integrating renewable energy sources into the transport sector. This includes implementing biofuel and biogas-powered public transport systems, installing solar panels for EV charging stations, and deploying energy-efficient solutions for infrastructure.

PASSENGER TRANSPORT IN LAGOS

Distribution of passengers by transport mode and km, per cent, 2023

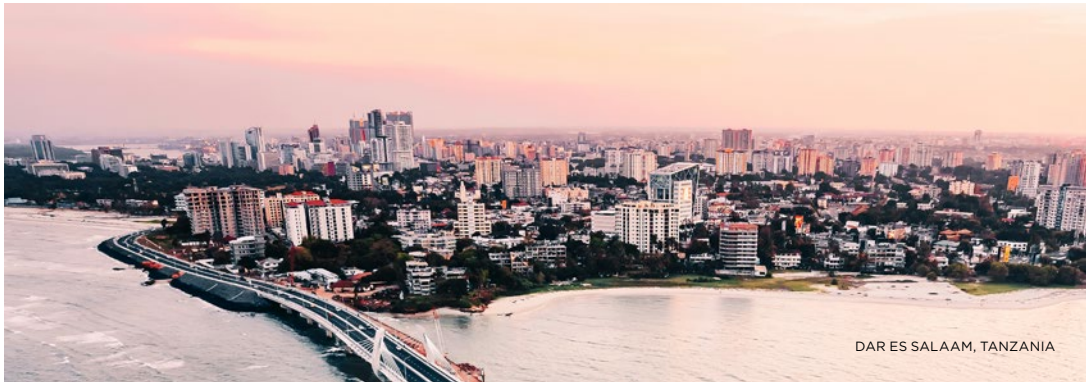


Source: Transformative Urban Mobility Initiative

[6] Federal Ministry of Transportation, Nigeria, 2022

Key opportunities in Nigeria's sustainable transport sector

- Energy efficient Infrastructure
- Public transport systems
- Biofuel and biogas
- E-Mobility
- Software and IT solutions



DAR ES SALAAM, TANZANIA

EAST AFRICA

The economies of East Africa are booming despite dire sustainability challenges.

The region leads Africa's economic growth, with a forecasted growth increase of 5.1% in 2024 and 5.7% in 2025. This is due to the projected strong economic performance (above 5% in 2024) of seven countries in the region – Burundi, Djibouti, Ethiopia, Kenya, Rwanda, Tanzania, and Uganda.

A confluence of factors is fueling the anticipated economic boom across the region – robust government spending, strategic investments in infrastructure that connect countries and facilitate regional trade, and initiatives to modernise agriculture and enhance the service sector's productivity.

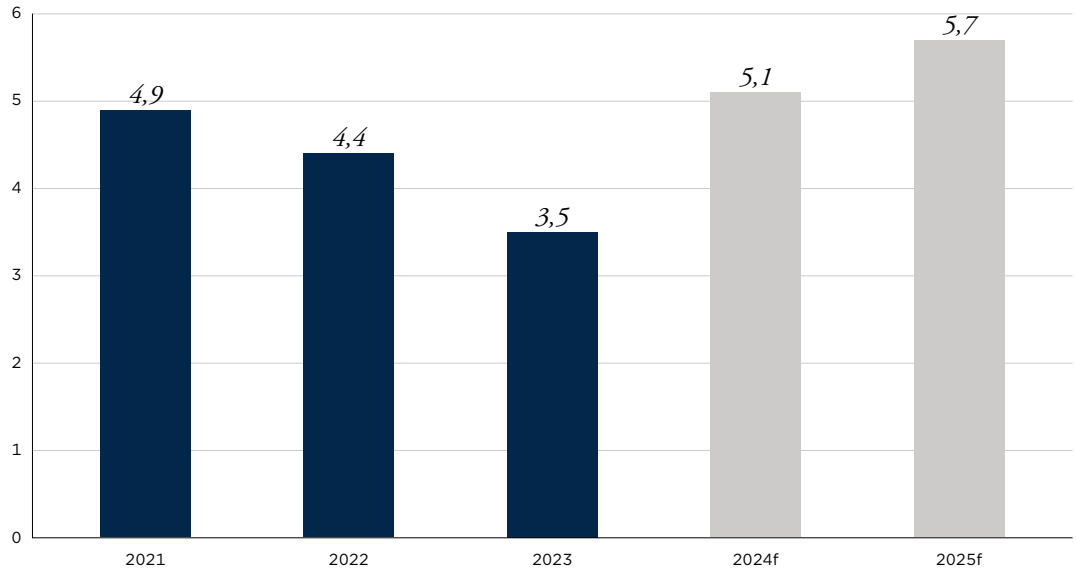
Swedish companies will find promising opportunities in East Africa in sectors such as agriculture, renewable energy and sustainable transport. The region's agricultural sector offers prospects for collaboration in modern farming techniques, agribusiness, and food processing. With abundant natural resources, East Africa is also a promising market for Swedish expertise in renewable energy generation and storage. Additionally, the region's rapid urbanisation and increasing demand for efficient transport systems create avenues for Swedish companies to contribute to sustainable transport solutions.

RESOURCE SCARCITY PROMPTS SUSTAINABILITY DRIVE

The region faces the following hurdles: dependence on agriculture for jobs, reliance on natural resources, energy scarcity, and water limitations. East Africa's reliance on rain-fed agriculture makes food security especially vulnerable in

ECONOMIC GROWTH IN EAST AFRICA

GDP growth, per cent, 2021–2025



Source: AfDB, 2023

the face of climate change. This is evident with the recent increase in extreme weather events, including heavy rainstorms and floods.

East Africa today is also facing accelerated deforestation. Estimates suggest a staggering loss of half the region's original forest cover, primarily driven by agricultural expansion. This loss of trees has severe consequences, including soil erosion, reduced water availability, and diminished biodiversity.

These challenges highlight the need for a robust and inclusive green transition strategy. This approach encourages countries in the region, Kenya leading the way, to embrace environmentally friendly practices in key sectors like renewable energy, sustainable agriculture and infrastructure development, and responsible forestry management. Key elements of these plans include:

- Strategic investments in solar, wind, hydro, and geothermal power. Despite the fact that renewable energy sources dominate in East Africa, the region has the highest number of unconnected households. This challenge is compounded by a projected 250%[7] increase in on-grid electricity demand by 2030. Governments are actively fostering the shift to renewables through policies like feed-in tariffs, tax breaks, and robust regulations.

- Green mobility initiatives. Governments across the region are launching strategies to curb greenhouse gas emissions, improve air quality, and create more liveable cities. Initiatives include promoting public transport, investing in cycling and pedestrian infrastructure, and seamlessly integrating low-carbon options like electric vehicles into urban planning and development.

”Climate change is already happening; the intensity of rains is a proof of it. Over the past 5 years, we have experienced great climate change including rainfall disruption distracting the agricultural sector in the region.”

Regional Sales Executive Roam

KIGALI, RWANDA

[7] International Renewable Energy Agency (IRENA), 2021

NAIROBI, KENYA

MARKET OUTLOOK: KENYA

Kenya, the largest and most advanced economy in East Africa, is poised for robust growth with a projected 5.6%[8] increase in GDP for 2025. This positive outlook is fuelled by a thriving services sector and rising household consumption. Besides this inflation is expected to fall and hit 5.5% in 2025, as both food and global inflation pressures ease.

The country's strategic location on the East African coast positions it as a key trade hub. This natural advantage, combined with prioritisation of trade agreements that benefit international companies, grants the country significant access to international markets.

Furthermore, Kenya has a skilled workforce of 25.5 million people, with a strong educational background in key sectors such as financial services, technology and healthcare. The well-educated population puts Kenya in a strong position to innovate and implement the solutions needed to achieve its climate goals.

In Kenya, Swedish companies have exciting opportunities in the fields of renewable energy, agriculture and waste management. With the country's commitment to renewable energy expansion, there is a growing demand for innovative solutions and project development. In agriculture, Swedish companies can can contribute with knowledge in sustainable farming practices, precision agriculture, and agrotechnology to enhance productivity and resource efficiency. Additionally, Swedish companies can offer expertise in waste management, recycling, and waste-to-energy conversion to help address Kenya's waste challenges and promote circular economy models.

"Transitioning to a 'greener' way of life requires significant investment in renewable energy sources, sustainable technologies, and infrastructure upgrades. Unfortunately, securing the necessary funding can be difficult."

Country Sales & Marketing Manager in Kenya Hitachi Energy

[8] AfDB, African Economic Outlook (AEO) 2024

Below is a deep dive into renewable energy as one of the most promising industries in Kenya.

RAMPING UP RENEWABLES

Kenya's NDC 2020 outlines a plan to reduce emissions by 32%[9] by 2030. This ambitious target will be tackled by increasing the use of renewable energy sources. The country is setting a strong example on the path to a sustainable future. Around 90%[10] of its electricity comes from renewable sources (mainly geothermal, hydro and wind), putting this nation of 50 million on track for a complete clean energy future by 2030.

However, achieving the final 10% will require innovation from policymakers. This means not only maximising Kenya's vast geothermal potential, which currently provides nearly half its power, but also unlocking the potential of wind and solar energy.

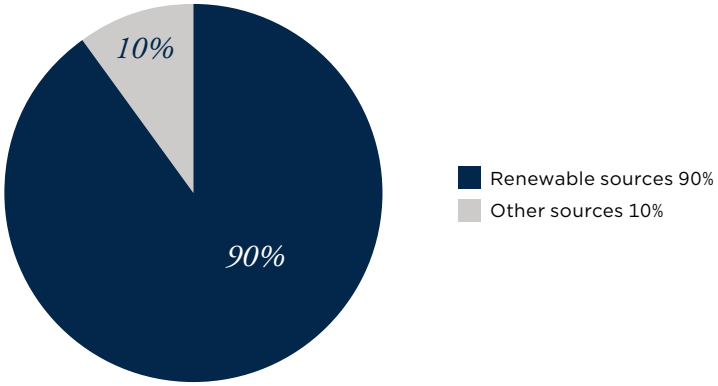
The government is implementing the following key policy initiatives to expand the use of renewable energy sources:

- The 2023 Energy Transition Implementation Plan (ETIP) charts a course towards a clean energy future and net zero emissions by 2050. The ETIP provides a clear pathway for the Energy Sector to contribute to the attainment of Kenya's climate ambition of Net Zero emissions by 2050.

- The 2018 National Electrification Strategy that prioritises the use of renewable energy sources for rural electrification. This strategy aims to increase access to clean and affordable energy in remote areas through the deployment of off-grid renewable energy solutions, such as solar home systems and mini-grids.

Swedish renewable energy companies are in a favourable position to support Kenya's clean energy transition. By partnering with local stakeholders, they can develop and implement renewable energy projects, including solar power plants, wind farms, and geothermal installations. Swedish specialists can also offer solutions for energy storage, grid integration, and energy management to optimise renewable energy utilisation.

RENEWABLE ENERGY DOMINATES IN KENYA
Energy sources, per cent, 2023



[9] United Nations Climate Change, Nationally Determined Contributions Registry, December 2020
[10] Capital FM Kenya, 2023

Key opportunities in Kenya's green energy sector

- Renewable energy generation
- Renewable energy infrastructure
- Energy efficiency technologies
- Capacity building
- Software and IT solutions

THE KARIBA DAM, ZIMBABWE AND ZAMBIA

SOUTHERN AFRICA

Sustainable practices have a notable impact on regional socio-economic growth across Southern Africa. The region is currently experiencing persistent low growth trend, with real GDP growth forecasted to rise from about 1.6% in 2023 to 2.2% in 2024, followed by a slight uptick to 2.6% in 2025. The slow growth in South Africa, the largest economy in the region, mirrors the continuous economic stagnation. Despite this, Mozambique, Mauritius, Eswatini, Zambia, Madagascar, and Botswana are expected to reach average growth of more than 4% in 2024.

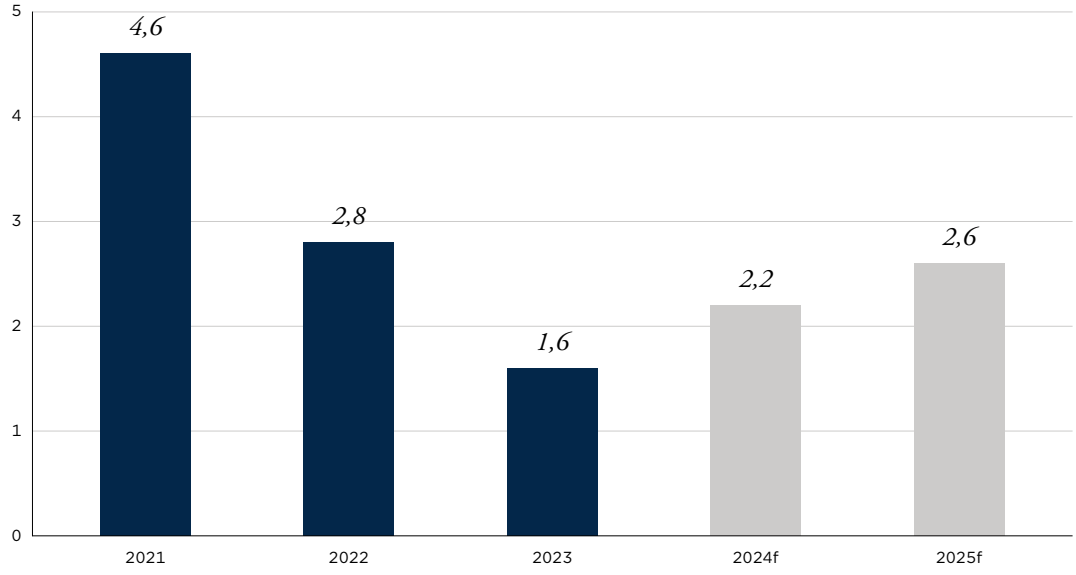
Southern Africa has diverse economic drivers. Agriculture plays a significant role, and the region is a major producer of commodities such as maize, sugar, tobacco and citrus fruits. Natural resources, including minerals like diamonds, gold, and platinum, as well as coal and uranium, contribute to the region's economic growth. The services sector is also a key contributor, with strong performance in financial services, information, and communication technology (ICT), and tourism.

Besides this, regional economic cooperation and integration are promoted through organisations such as the Southern African Development Community (SADC), which aims to enhance trade and investment among member states.

With the launch of major sustainability initiatives across Southern Africa, Swedish companies have promising prospects in the region. The largest opportunities can be found in renewable energy (energy generation and management systems), transport solutions (city transport, rail, and BEV), ICT (software development, cloud computing services, cybersecurity, mobile applications), sustainable mining (carbon emission reduction solutions, recycling applications, energy efficiency), and agriculture. Agricultural practices can be upgraded using sustainable farming techniques and improved water management – crucial for addressing food security challenges amidst climate variability.

ECONOMIC GROWTH IN SOUTHERN AFRICA

GDP growth, per cent, 2021–2025



Source: African Economic Outlook, 2024

MOBILISING FOR CLIMATE ACTION

The impacts of climate change are severe in the region. Rising temperatures, droughts, floods, and erratic weather patterns are expected to become the norm. Noticeable changes in the climate have been observed over the past sixty years. According to the UN, climate zones in the area are changing, while ecosystems and landscapes are deteriorating due to fires, droughts, and heat waves. This has led to natural disasters, disease spreading by vectors, and food and water insecurity, all of which pose a serious threat to liveability.

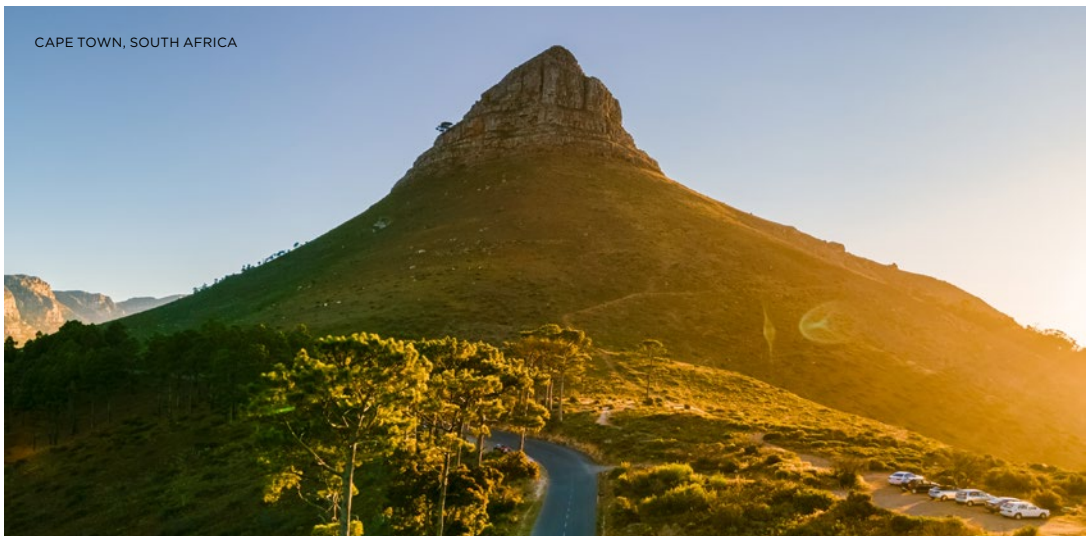
The governments of the region, with South Africa leading, have committed to green infrastructure development to safeguard sustainable energy and food security while enhancing sustainable mining practices and managing urban migration. These plans include:

- **Renewable energy drive**. South Africa has the continent's highest infiltration of renewable energy technologies and accounts for about 60% of total installed solar energy capacity, 40% of installed wind power and 33% of Africa's renewable hydropower capacity. In 2021, the total renewable electricity installed capacity in the region reached 21.4 gigawatts (GW), representing a 37% increase since 2017.

  South Africa is leading the region's energy transition with large investments in solar, wind and green hydrogen, which will help reduce the country's high reliance on coal. Mozambique and Zambia are boosting their hydropower capacity. Namibia is investing in the solar, wind and green hydrogen industries. Botswana and Angola are starting solar deployments. The International Renewable Energy Agency estimates technical installable capacities in the region of 908 GW for solar and 53 GW for wind, assuming a 1% land-utilisation factor. However, lack of supporting policies, regulations, and incentives have been the largest drawbacks to realising the region's renewable energy targets.

- **Sustainable mining**. Rising demand for renewable energy infrastructure has driven up demand for minerals such as copper, lithium, chromium, and rare earth minerals which are abundant in the region. To access these in a responsible manner, sustainable mining activities in Southern Africa aim to balance economic growth with environmental stewardship and social responsibility. To facilitate the transition to sustainable mining, there is universal recognition in both the public and private sectors of the importance of environmental management, energy efficiency, emissions reduction, community engagement, health and safety, and ethical and transparent practices.

MINING, SOUTH AFRICA


CAPE TOWN, SOUTH AFRICA

MARKET OUTLOOK: SOUTH AFRICA

South Africa's $347 billion GDP performance in 2023 singles out the country as a key market with well-developed infrastructure, sophisticated financial markets, and strategic location at the crossroads of major trade routes. Despite failing to reach an estimated 2.7% growth in 2023, instead recording just 0.6%, the country's large middle-income population and stable regulatory system offer a conducive environment for investment and business expansion. Inflation has remained at around 6% over the last few years.

Renewable energy, sustainable mining and waste management are three key sectors where Swedish companies can make an impact and capture growth opportunities. Demand for clean and sustainable energy sources is rapidly growing, creating opportunities in solar, wind, and biomass energy solutions.

The government issued an updated Integrated Resource Plan in 2023, promoting renewable energy sources while reducing greenhouse gas emissions. The IRP 2023 has repercussions for the mining sector as it forbids any upstart of new coal projects, while accelerating the use of solar and wind power in mining operations. Finally, South Africa's increasing awareness of the importance of waste management and the need for sustainable solutions creates opportunities for companies to collaborate and contribute to a circular economy.

"Our purpose is to decarbonize hard to abate sectors, and this is only possible with strong partnerships along the value chain with a true commitment to reducing scope 1, 2 and 3 emissions."

Chief Procurement Officer, H2 Green Steel

Below is an in-depth study of South Africa's path towards further implementation of sustainable mining solutions.

MAKING SUSTAINABLE MINING A TOP PRIORITY

South Africa is known for its vast mineral resources, including precious minerals (gold, platinum, and diamonds), as well as coal (providing the majority of South Africa's energy), iron ore, manganese, and chrome. More recently, the country has emerged as the world's leading producer of platinum group metals (PGMs).

The mining sector is an economic engine in South Africa and employs nearly half a million people, generating more than $ 45 billion in revenues in 2022 and contributing over 6% of the country's GDP.

Global demand for the multitude of minerals and metals available in South Africa is accelerating, as are the opportunities. However, investments are being redirected from perceived risky choices due to global uncertainty and fluctuating commodity prices, potentially jeopardising South Africa's ability to capitalise on its mineral resources.

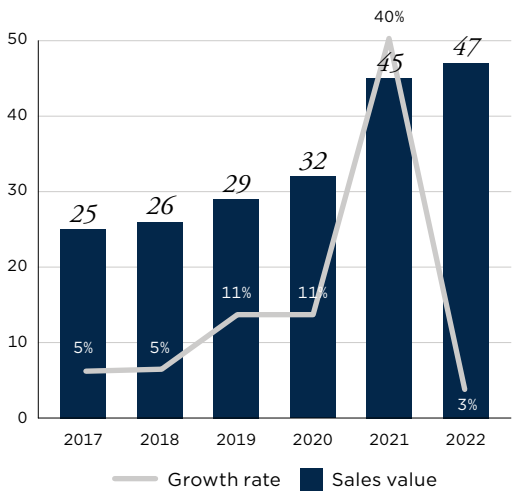
To attract more investment and promote sustainable mining, to mitigate environmental degradation beyond the lifespan of a mining project, the South African government has developed strict regulations and policies:

- The 2024 National Biodiversity Economy Strategy promotes sustainable mining practices by recognising the importance of biodiversity conservation and the sustainable use of natural resources in the mining sector. Some key aspects include ecological infrastructure and sustainable land use planning.
- The 2021 National Climate Change Response Policy encourages the mining sector to adopt cleaner and more energy-efficient technologies, promote renewable energy use, and implement measures to reduce carbon emissions associated with mining operations.

Given the dire need to reduce emissions in South Africa's mining industry, Swedish experts have a strong opportunity to collaborate with large mining conglomerates and develop mineral value chains that are less harmful to the environment. A good example is the partnership between H2 Green Steel and Anglo-American, who signed a memorandum of understanding to collaborate on value chains for low carbon steelmaking. The companies will study and trial the use of premium-quality iron ore products from Anglo American's Kumba mines in South Africa and Minas-Rio in Brazil, as feedstock for H2 Green Steel's direct reduced iron (DRI) production process at its plant in Boden in northern Sweden.

SOARING MINERAL SALES IN SOUTH AFRICA

Mineral sales, USD billion and growth, per cent, 2017–2022



Source: Statistics South Africa Report on Mineral Production

Key opportunities in South Africa's transition to sustainable mining

- Green mining technologies
- Renewable Energy integration
- Water Management
- Waste Management
- Software and IT solutions

UNLOCKING CHANGE: HOW SWEDISH COMPANIES CAN CAPTURE AFRICA'S GREEN MOMENTUM

Innovative Swedish solutions have a key role to play in Africa's decarbonisation agenda. Looking at the current global macro-economic trends and geopolitical order, Africa is also emerging as one of the key regions with positive growth outlook in the years ahead. These are two reasons why it is imperative that Swedish companies explore African markets as they plan their international growth.

Africa reveals vast opportunities to make considerable impact and supporting the global green transition. Across the continent, the potential is rising for Swedish equipment manufacturers, suppliers and technology experts in large sectors such as energy, transport, mining and water management. Below is an outline of why Swedish companies should look into our four focus markets for their next investment.

MOROCCO

LEADING THE GREEN ENERGY IN NORTH AFRICA

Morocco leads North Africa in sustainable development, with a strong emphasis on renewable energy to meet ambitious 2030 targets, including the expansion of wind farms and the Noor Ouarzazate solar complex. Morocco is also advancing its ambitions in green hydrogen production while addressing challenges such as water scarcity exacerbated by climate change.

The Moroccan government has implemented comprehensive strategies including infrastructure upgrades, desalination projects, and sustainable water management initiatives nationwide. The country also prioritises sustainable agriculture, green building practices, and effective waste management to protect biodiversity. Morocco's proactive policies and investments underscore its commitment to foster a sustainable and resilient economy, positioning the nation as a pivotal partner for Swedish companies and institutions dedicated to advancing sustainable practices and technologies in Africa.

Swedish innovators can make a major contribution by offering expertise in renewable energy, water management solutions, sustainable agriculture, and waste management technologies. Collaborative efforts between Swedish and Moroccan entities have the potential to further enhance Morocco's journey towards sustainability, fostering mutually beneficial partnerships in the region.

NIGERIA

WEST AFRICA'S POWERHOUSE

Nigeria is Africa's largest economy and has significant growth potential. With a population exceeding 200 million, it offers a substantial consumer base. The country has recognised the need to diversify its energy mix and is actively seeking investments in renewable energy sources such as solar, wind, and hydroelectric power, while pursuing the decarbonisation of its electricity grid. In the transport sector, the country has recognised the importance of efficient transport infrastructure to support economic growth and improve connectivity.

Swedish companies can bring expertise in energy-efficient technologies, renewable energy solutions, sustainable transport systems, and advanced engineering to address Nigeria's evolving needs. Moreover, the country's commitment to attracting foreign investment is evident as the government has implemented measures to enhance transparency, streamline regulatory processes, and provide incentives for foreign investors. Swedish companies can leverage these favorable conditions to establish partnerships, joint ventures, or direct investments in Nigeria's energy and transport sectors.

KENYA
EAST AFRICA'S LARGEST AND MOST ADVANCED ECONOMY

Kenya, as the economic powerhouse of East Africa, has an optimistic outlook driven by increased household spending among Kenya's population of 50 million. The country's shrinking resources due to climate change is forcing decision makers to shift to greener and more sustainable practices. Kenya is on the path towards a 100% clean energy future as the vast majority of electricity is sourced from renewables like geothermal, hydro, and wind. Transport, currently heavily reliant on fossil fuels, presents a key challenge in achieving Kenya's climate goals. But the government is tackling this issue with a national push for electric vehicles.

Swedish companies can offer expertise and solutions in renewable energy, e-mobility, technology, and capacity building. Besides this, Kenya's prime location on the East African coast makes it a natural trade hub. This strategic advantage, coupled with the country's focus on securing trade agreements that benefit international companies, positions Kenya as a powerful gateway to vast international markets.

SOUTH AFRICA
SOUTHERN AFRICA'S SUSTAINABILITY CHAMPION

South Africa's sustainability focus and growth are driven by a commitment to balancing economic development with environmental protection. The country has embraced renewable energy, particularly solar and wind, to reduce reliance on coal and decrease carbon emissions. Additionally, as a mining nation, there is a focus on sustainable mining practices largely driven by the private sector. Water conservation initiatives are also critical due to periodic droughts, with efforts to improve water use efficiency and management.

South Africa also promotes sustainable agriculture, emphasising soil health, biodiversity, and reducing chemical inputs. Waste management strategies aim to increase recycling and reduce landfill use. Meanwhile, the government supports green building practices to enhance energy efficiency in construction. Community-based conservation projects help protect wildlife and natural habitats. Education and awareness campaigns are helping to foster a culture of sustainability. Technological innovation and research are encouraged to develop sustainable solutions.

Overall, South Africa's growth strategy is weighted towards creating a sustainable and resilient economy. This vision correlates well with most Swedish companies and public agencies that are dedicated to facilitate an environment that paves the way for sustainable practices.

4 STEPS TO CREATE A TAILOR-MADE STRATEGY

1

DO YOUR HOMEWORK

Target markets based on growth needs, capital requirements, and time horizon. Be aware of regional variations and conduct due diligence with the support of local expertise.

2

DEFINE AND DEVELOP YOUR STRATEGY

Be asset light in order to maintain responsiveness to fast-paced changes in market conditions. Iterate a go-to-market approach as your position evolves and plan to scale long term.

3

ADAPT YOUR BUSINESS MODEL

Turn the rapid pace of change into a competitive advantage by adapting existing products and services to meet specific needs. Go beyond 'quality' as a unique selling point and focus on relationships and knowledge exchanges.

4

ENSURE LOCAL INTEGRATION

Collaboration with local stakeholders is key to unlocking the full potential of opportunities. In Africa, personal relations are often key for business. Invest in your local presence via greenfield, alliances or partnerships, and hire locally whenever possible.

BUSINESS SWEDEN CAN SUPPORT YOU

Want to capture opportunities in Africa's green transition? We can help you navigate your way to success. Business Sweden offers local market knowledge, deep industry expertise and local contacts across the continent.

Our advisors are based at offices in Morocco, Kenya and South Africa where we help Swedish companies tap into green investments and initiatives, avoid risk and build a local presence. We are also represented in Nigeria since more than a decade.

With a unique mandate from the Swedish government and the business sector, our global team offers strategic advice and practical support in more than 40 markets worldwide.

TRADE TO AID

Business Sweden has been given a new government assignment to promote the synergies between trade and aid. This initiative builds on Sweden's long tradition of development cooperation – recognising trade as a catalyst for creating better living conditions worldwide.

For more information, please contact Robin Pettersson, Head of International Trade Development, robin.pettersson@business-sweden.se.

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Uncover more opportunities for Swedish companies in the global green transition. Explore our previous EGI reports *Inside the Green Policy Landscape*, *Unlocking the Global Green Transition* and *Green Growth in the Middle East*.

Team Sweden

Team Sweden delivers impact in Africa

Team Sweden is a network of public agencies and organisations in Sweden who coordinate support for Swedish companies together with Business Sweden and Sweden's local embassies and consulates abroad. Swedish financiers, private companies and government agencies have a strong tradition of cooperation, not least in Africa where dedicated support to facilitate market entry is a key prerequisite for success.

Business Sweden collaborates closely with the following Team Sweden partners:

Embassy of Sweden

The Embassy of Sweden is the official diplomatic representation of Sweden abroad. Sweden has diplomatic relations with almost all States in the world. It has embassies and consulates in around half of these. Sweden's foreign representation consists of approximately 100 missions abroad and 350 honorary consulates. The Embassy can support companies with the overall engagement with ministries and government entities when these are the targeted stakeholders.

SEK

SEK, the Swedish Export Credit Corporation, is owned by the Swedish Government. Their mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. SEK offers long-term funding for export-related operations within Sweden, leveraging its strong credit rating to provide advantageous loans for supporting export transactions.

NIR International Council of Swedish Industry
NÄRINGSLIVETS INTERNATIONELLA RÅD

NIR, the International Council of Swedish Industry, is a member-based non-profit organization promoting the conduct of economically, socially and environmentally sustainable business in complex markets. Our members represent some of Sweden's largest export companies and the financial sector. NIR creates enabling environments as needed for a sustainable development of mobility solutions i.e., institutional capacity building, training of drivers and mechanics etc.

Swedfund

Swedfund is the Development Finance Institution of the Swedish state. Their mission is to combat poverty by investing in and developing sustainable business in the most challenging markets around the world. Via its Project Accelerator grant, Swedfund can finance pre-studies, feasibility studies and ESIA studies to make projects bankable and pave the way for Swedish exports.

ekn

EKN, the Swedish Export Credit Agency, is a government agency that promotes Swedish exports by insuring the risk of non-payment in export transactions. It also insures export companies' and their buyers' bank loans. EKN offers guarantees for payment and financing in export transactions, providing attractive financing terms for international buyers while mitigating risks for Swedish exporters and commercial banks.

Swedish Energy Agency

The Swedish Energy Agency (Energimyndigheten) is leading the energy transition into a modern and sustainable, fossil-free welfare society. They support business development that allows commercialisation of energy related innovations and ensure that promising cleantech solutions can be exported. Furthermore, they participate in international collaboration with the aim of attaining Swedish energy and climate objectives and develop and disseminate knowledge for a more efficient energy use to households, industry, and the public sector.

By harnessing the power of relevant Team Sweden members to position innovative technologies and solutions, companies can maximise their potential for capturing opportunities in Africa.

Team Sweden focuses on:

- Exchanging promotion experiences
- Identifying Swedish solutions and systems that can be marketed internationally
- Recommending and coordinating special initiatives
- Conducting an ongoing dialogue with the business sector

We help Swedish companies grow global sales and international companies invest and expand in Sweden.

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