KRESTON PEDABO

Using Enterprise Risk Management to Advance Africa's Growth Potential

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Foreword

Africa stands at the cusp of an economic transformation unlike any in its history. The projections are not just promising; they are electrifying. With an estimated annual GDP growth of 4-5%, six of the world's ten fastest-growing economies, and a burgeoning population set to reach 2.5 billion by 2050, our continent is undeniably the next frontier of global growth. This momentum, driven by digital innovation, the African Continental Free Trade Area (AfCFTA), and vast investments in infrastructure and green energy, paints a picture of a prosperous, self-reliant Africa.

Yet, this promising future is not pre-ordained. It is a potential that sits precariously alongside significant and complex challenges. Soaring debt burdens that consume precious government revenues, the relentless impacts of climate change, political fragility, and the breakneck pace of digital adoption outpacing cybersecurity controls—these are not minor obstacles. They are existential threats that can erode investor confidence, disrupt development, and tragically undermine the very progress we are working so hard to achieve.

This is why this white paper is so critical. It moves beyond simply diagnosing Africa's growth potential and its accompanying risks. It provides a clear, actionable, and proven framework for navigation: Enterprise Risk Management (ERM). The central argument we present is that Africa's growth story will not be written by opportunity alone, but by how effectively we manage the risks that accompany it. ERM is not a bureaucratic compliance exercise; it is the strategic discipline that enables governments, businesses, and institutions to build resilience, make informed decisions, and turn potential vulnerabilities into competitive advantages.

Within these pages, you will find a compelling case for embedding ERM into the fabric of Africa's development. We analyse the top economies driving growth, detail the most pressing risks by likelihood and impact, and, most importantly, showcase tangible success stories. From a telecom giant securing its digital payments ecosystem to a national government building contingency reserves against commodity price shocks, the evidence is clear: a proactive approach to risk management is not a cost, it is an investment in sustainable and inclusive growth.

Our hope is that this document serves as both a wake-up call and a roadmap. For business leaders, it is a guide to protecting assets and unlocking value. For policymakers, it is a blueprint for fostering macroeconomic stability and attracting long-term investment. For all stakeholders, it is a call to action to collectively build a more resilient Africa. The future is bright, but it is not without its storms. Let us build the ships strong enough to sail through them and reach the promised horizon.

Albert Folorunsho
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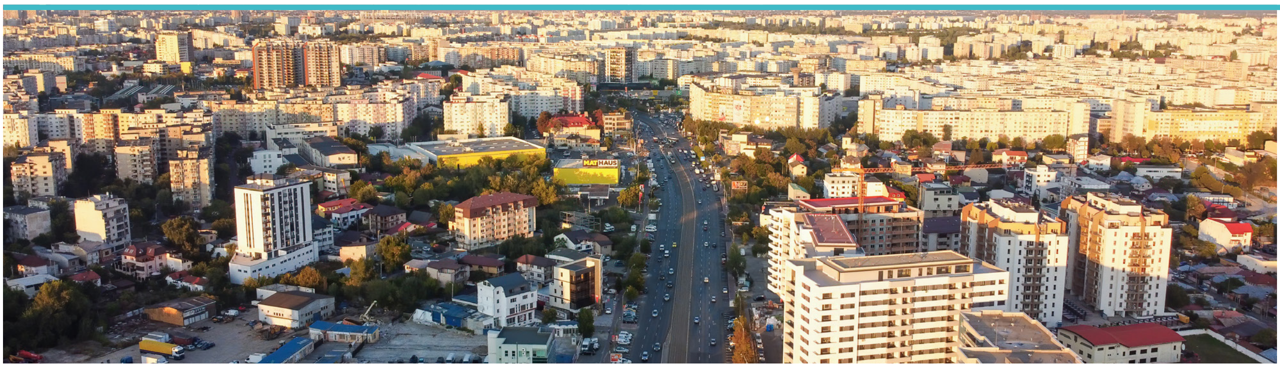
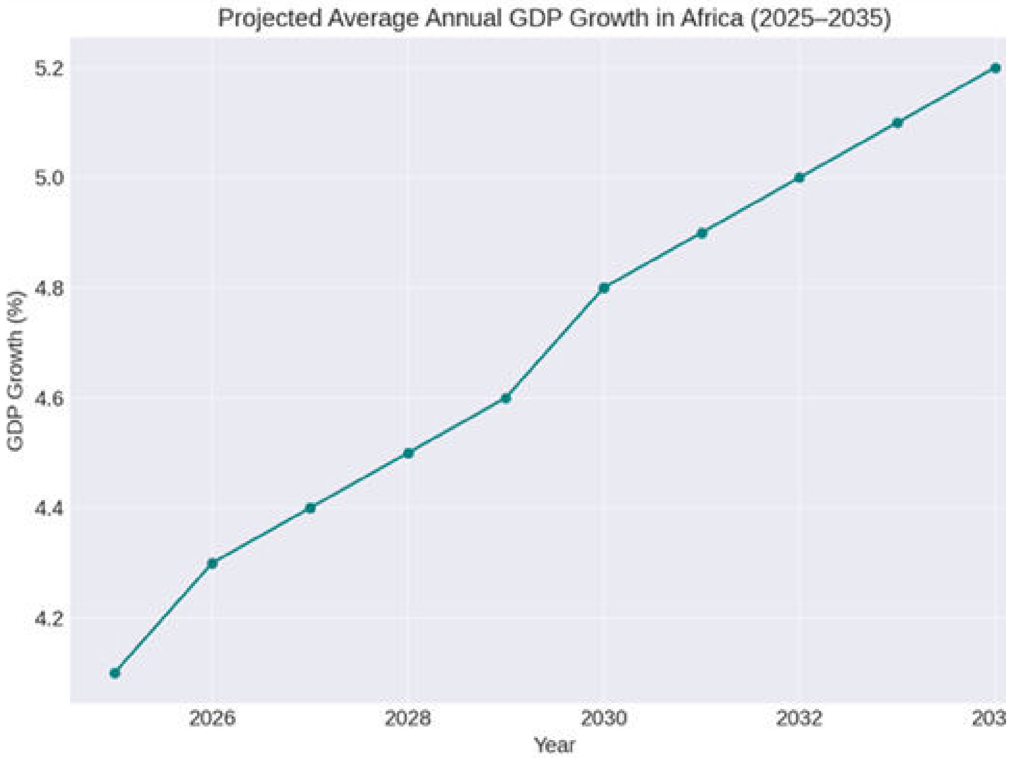
Executive Summary



Africa is not just a frontier, it is the next empire of global growth, where risk meets unrivalled opportunity.

According to the International Monetary Fund (IMF), the continent is projected to be one of the fastest-growing regions globally over the next decade, with an average GDP growth rate of 4% to 5% annually[1].

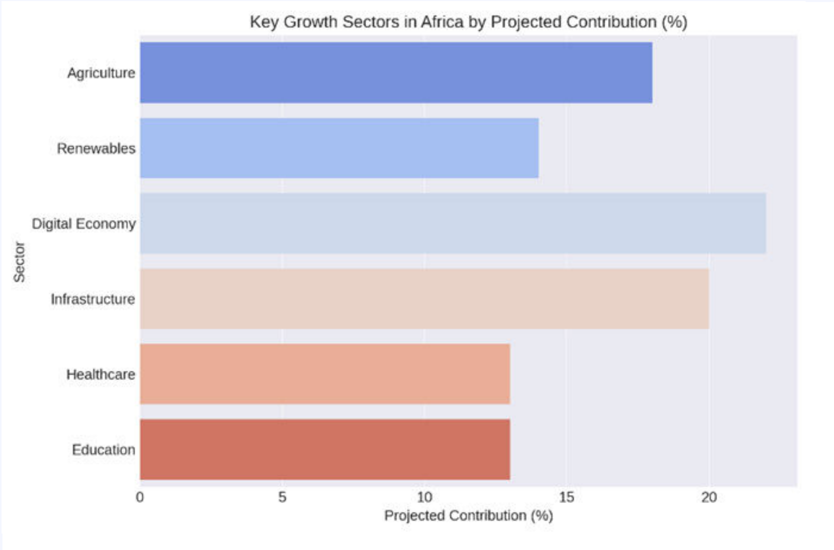
This growth is being driven by a combination of rapid urbanisation, demographic advantage, digital innovation, and increased investments in infrastructure, green energy, and intra-African trade under the African Continental Free Trade Area (AfCFTA), amongst others.



[1] IMF: SSA economy to grow 3.8% in 2025, 4.2% in 2026 - CNBC Africa

Key Growth Sectors poised to catalyse this momentum include:

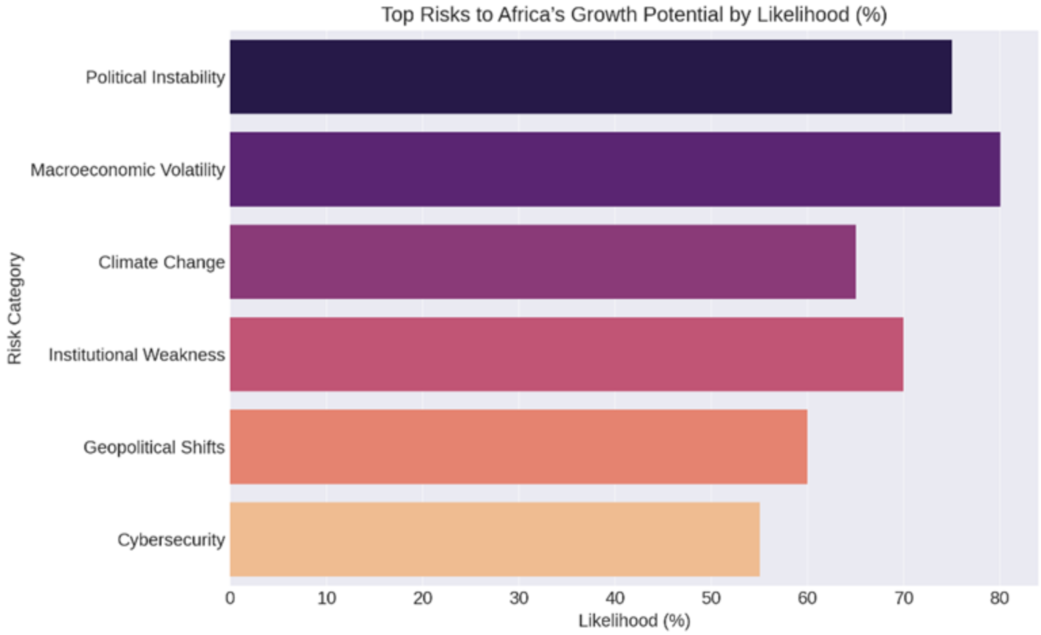
- Agriculture and Agri-processing, leveraging Africa's vast arable land.
- Renewable Energy, particularly solar and hydro, supporting energy access and climate goals.
- Digital Economy, fueled by fintech, e-commerce, and mobile penetration.
- Infrastructure Development, including transport and housing.
- Healthcare and Pharmaceuticals, accelerated by post-COVID investment trends.
- Education and Human Capital Development, essential for leveraging the continent's youthful population.



However, Africa's growth potential is not without its challenges. Inflation remains in double digits in nearly a third of the region, with rising debt-service costs squeezing out development funds as reported by the IMF , and more specifically, the continent continues to face significant risks, including :

» Political instability and governance risks in some regions.
» Macroeconomic volatility, exacerbated by debt vulnerabilities and inflation.
» Climate change impacts, such as droughts and floods affect agriculture and livelihoods.
» Weak institutional capacity and regulatory uncertainty.
» Geopolitical tensions and global economic shifts affect trade and investment.
» Cybersecurity threats, as digital adoption outpace controls.

[2] Regional Economic Outlook for Sub-Saharan Africa, April 2024 | A Tepid and Pricey Recovery
[3] https://www.imf.org/en/Publications/REO/SSA/Issues/2025/04/25/regional-economic-outlook-for-sub-saharan-africa-april-2025



Unmitigated, these risks could erode investor confidence, disrupt development, and worsen inequality. Integrating Enterprise Risk Management (ERM) into national and sectoral strategies is urgently needed.

ERM provides a proactive framework to identify, assess, and manage risks in line with strategic goals. It builds resilience, improves decision-making, and sustains growth. For African governments, businesses, and institutions, embedding ERM into policies and operations can mitigate risks and unlock the continent's potential. This whitepaper argues that Africa's growth depends on robust risk governance—requiring stronger ERM culture, capacity building, and continent-wide collaboration.

Introduction

Africa's Economic Growth Outlook

Africa's economic future is brighter than ever. According to the International Monetary Fund (IMF), Sub Saharan Africa's GDP growth is set to pick up from 3.6% in 2024 to 4.2% in 2025, the highest level since 2021, outpacing the global average of circa 3.2%. With the World Bank and IMF having estimated that the continent's total nominal GDP would reach between USD 2.8 and 2.9 trillion by 2024 which it did, as well as achieving a real GDP growth of 3.8%–4.2% across 2024–26.

This upward momentum is fueled by a youthful population—projected to reach 2.5 billion by 2050—rapid urbanisation, digital innovation, and expanding trade frameworks like the AfCFTA. Africa's "lion economies" demonstrate strong promise with six of the world's ten fastest-growing nations as of 2025 being on the continent.

A Look at the Top Five Leading Markets in the Region

These five countries together account for more than half of Africa's GDP, making them critical actors in the continent's growth story:

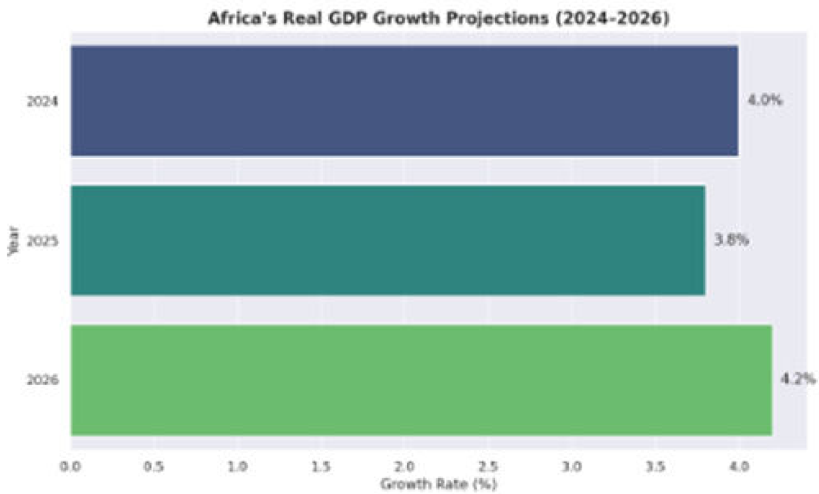
Country	Nominal GDP ('24/'25, US$B)	Population ('23)	Key Growth Drivers & Potential	
South Africa	≈ 373	60 M	Industrialised economy, mining, finance, tech manufacturing; strongest in SSA	
Egypt	≈ 347	113 M	Suez Canal revenues, petrochemicals, electronics, automotive, tourism	
Algeria	≈ 267	46 M	Natural gas exports; undergoing diversification reforms	
Nigeria	≈ 253	224 M	Oil & gas backbone, expanding telecoms and agriculture; largest consumer base	
Ethiopia	≈ 205	127 M	Fastest-growing major economy, strong in agriculture, manufacturing, and infrastructure	

[4] Africa Overview: Development news, research, data | World Bank

Why These Markets Matter

Collectively home to nearly 570 million people and driving over USD 1.45 trillion in output, these five diverse markets—leveraging South Africa's industry, Egypt's trade location, Nigeria's resources, Ethiopia's demographics, and Algeria's energy—hint at immense untapped potential, with Ethiopia projected for 6–7% and Nigeria for 7.1% growth through 2030.

Africa's largest economies - Nigeria, South Africa, Egypt, Ethiopia, and Algeria, are not just growth leaders in their own right; they are powerful anchors within a wider, interconnected regional network. Their size, resources, and market dynamism create natural opportunities for trade, investment, and knowledge exchange that can benefit neighbours and partners alike. Evidence shows that stronger intra-regional trade and collaborative frameworks like the AfCFTA amplify these benefits, delivering measurable growth spillovers within sub-regional blocs. Similarly, financial inclusion, when supported by openness and sound governance has proven to boost prosperity across borders. Urban corridors such as the Abidjan–Lagos Corridor demonstrate that when economies connect physically and commercially, the result is shared resilience and expansion.



The chart portrays Africa's projected real Gross Domestic Product (GDP) growth rates from 2024 to 2026, based on the International Monetary Fund's April 2025 Regional Economic Outlook for sub-Saharan Africa.

Key Insights:

2024

Growth was relatively strong at 4.0%, reflecting better-than-expected recovery from recent economic shocks.

2025

A slight dip to 3.8% is expected, largely due to continued global uncertainties, including tighter financial conditions and commodity price fluctuations.

2026

Growth is projected to rebound to 4.2%, suggesting renewed momentum driven by gradual improvements in investment, trade, and policy stability.

Africa's Growth Path

Trends consistently highlighted by the IMF, World Bank, and African Development Bank (AfDB) reveal that Africa's growth trajectory is being reshaped by a prevailing mix of structural reforms, targeted investments, and diversification across high-impact sectors. The AfDB forecasts an acceleration of real GDP growth from 3.3% in 2024 to 3.9% in 2025, reaching 4.0% in 2026, driven by macroeconomic resilience and steering reforms.[5] Similarly, the IMF expects Sub-Saharan Africa to rebound to 4.2% growth in 2026, with non-resource intensive nations like Senegal and Rwanda outperforming via robust performance in agriculture, manufacturing, and services.[6]

Across the continent, energy, infrastructure, agriculture, digital services, and manufacturing are emerging as key engines of growth to be monitored intensely:

The AfDB highlights domestic reforms that strengthen infrastructure investment and drive sustained momentum in tourism and economic diversification[7].

The World Bank's Africa's Pulse projects Sub-Saharan growth of 3.5% in 2025, rising to 4.3% by 2026–27, with private consumption, investment, and improved governance underpinning growth—while emphasising that conflict, climate, and trade uncertainties remain tangible risks[8].

The IMF underscores Africa's increasing integration into global value chains across manufacturing, agriculture, and services, along with the continent's youth demographic dividend, green tech investments, and digitalisation as vital long-term growth contributors[9].

Together, these international agency perspectives offer a cohesive narrative: Africa is no longer just a resource-centric growth story but a wave of structured reforms—bolstering power grids, enabling interconnected markets, upgrading digital infrastructure, and scaling agricultural positions.

[5] AfDB – African Development Outlook 2025
[6] howwemadeitinafrica.com
[7] AfDB - Africa's Development Context
[8] World Bank Group Africa's Pulse – Improving Governance & Delivering for People in Africa
[9] https://emergingbrandafrica.com/

Potential Challenges to Africa's Growth Potential (Risks)

Africa's path to sustained growth is burdened with persistent macroeconomic volatility, governance fragility, soaring debt burdens, and climate vulnerability dynamics that require strategic Enterprise Risk Management (ERM integration. The World Bank warns that "weak growth combined with debt vulnerabilities and dismal investment growth risks a lost decade in poverty reduction"[10]. Sequencing these risks: the IMF notes that about half of African countries face "high macroeconomic imbalances"—characterised by inflation exceeding 50%, budget deficits, and debt-servicing consuming over 20% of government revenues[11].

Debt is particularly perilous; The IMF's Kristalina Georgieva, echoing the African Development Bank (AfDB), cautioned that "natural resource-backed loans… will be a disaster for Africa," due to their opacity and vulnerability[12]. Meanwhile, the AfDB's 2025 outlook reports that interest payments now swallow up to 27.5% of government revenue, up from 19% in 2019, eroding fiscal space for essential investment[13].

Climate shocks and political instability compound these pressures. The AfDB states that Africa remains "one of the most climate-vulnerable regions," with recent events (droughts, floods, cyclones) dampening infrastructure gains[14]. Furthermore, the IMF highlights that nearly 40% of African states are fragile or conflict-affected, with the Sahel alone having seen "11 coups or attempted coups since 2020"[15]. The weak institutions and social cohesion, governance failures, and economic instability in these States trap millions in poverty. Whilst many countries have transitioned out of extreme fragility by executing sound macroeconomic policies, strengthening institutions, and diversifying the economy, sustaining these reforms, however, remains challenging vis-à-vis erratic growth, political instability, exposure to adverse climate outcomes, and heavy resource dependency—all of which tend to heighten vulnerability to price volatility and governance challenges.[16] In the same vein, weak domestic revenue mobilisation and declining aid further hinder development. Without reforms and continued international support, fragility risks tanking progress made, worsening regional instability, and catalysing economic disruptions with global implications.

[10] https://www.worldbank.org/en/news/press-release/2023/04/05/africas-growth-remains-low-region-looks-to-tap-resource-wealth-for-sustainable-development-and-transition-to-low-carbon
[11] https://www.elibrary.imf.org/downloadpdf/display/book/9798400254772/9798400254772.pdf
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Practical Application and Benefits of ERM

Implementing ERM in a Leading African Telecom Organisation

- Implemented an ERM framework to monitor risks across operations, compliance, and IT infrastructure.
- Detected early vulnerabilities in its digital payment systems and addressed them proactively.
- Strengthened customer retention, brand trust, and operational agility during economic slowdowns.

Outcome:

ERM supported value creation and strategic agility, helping the company stay ahead of competitors.[19]

National ERM: Government of a Resource-Dependent Country

- Integrated ERM into its national budgeting and planning framework.
- Identified risks from oil price shocks, climate change, and political unrest.
- Built contingency reserves, diversified revenue sources, and strengthened cross-sector coordination.

Outcome:

Established macroeconomic stability and attracted long-term investment in infrastructure and human capital[20].

[19] https://www2.deloitte.com/global/en/pages/risk/articles/enterprise-risk-management.html
[20] https://documents.worldbank.org/en/publication/documents-reports/documentdetail/964251547315323332

Setting up an ERM Programme of an Organisation

- Designing an ERM policy and procedural framework.
- Development and implementation of ERM oversight structure to govern the risk management function.
- Development and implementation of ERM organisational structure to carry out the risk management mandate.
- Development and implementation of risk management tools and metrics to effectively and efficiently identify, monitor, mitigate, and report risks.

Outcome:

The successful implementation of the ERM programme:

» Led to significant annual operational cost reductions (17% reduction).
» Led to the elimination of certain programmes that hindered revenue increases (revenue increased by about 9%).
» Provided the board of directors with more insight into the top risks of the organisation.
» Prompted the organisation to retain us to conduct annual reviews of the programme to ensure that it continues to meet best practices and yield effective results.

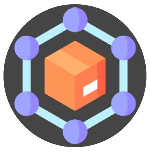
Strategic Risk Management Implementation in an Oil and Gas Organisation

- Incorporate strategic risk management into the strategy process.

Outcome:

» We realised, not only the risks of deteriorating critical equipment, but also the opportunity to forge strong vendor relationships that could readily supply critical equipment when needed, and the opportunity to divert much-needed resources to improve the business.
» Several millions of dollars (that could have been tied up in critical equipment purchases that were not going to be used right away) were reallocated to other strategic and operational endeavours, such as forging strategic partnerships, targeting new geographic regions, repairs and maintenance of existing equipment, and training and development of employees.
» Reduction in insurance premiums.

ERM in Supply Chain Risk Management



- Gap assessment of the supply chain and supply chain risk management programme

Outcome:

» Reduction in grain losses to about 4% annually.

Regulatory Risk Management

Identify regulatory risks relating to regulatory requirements.

The Result:

- Effective and efficient mapping of regulatory risks to business processes.
- Effective monitoring and resolution of risk issues.
- Limited to no audit deficiencies.
- Limited to no regulatory fines or penalties.

ERM in FinTech Consumer Credit and Compliance

Leveraging ERM to Navigate Lending Risk and Regulatory Scrutiny

Challenge: A rapidly growing African FinTech company offering digital loans and savings products faced mounting credit losses from its automated scoring model and increasing regulatory scrutiny over its consumer data practices and lending compliance.

Implementation

- **Integrated Risk & Opportunity Assessment:** Embedded ERM into the product development and credit decisioning process. This moved beyond simple compliance to actively model the risk of new customer segments and the opportunity of underserved markets.

- **Holistic Data Governance Framework:** Established a structured programme to map all data flows, identify vulnerabilities in customer data handling, and ensure adherence to regional data protection regulations.

Outcome

- **Enhanced Predictive Power & Financial Performance:** By analysing default correlations beyond the initial scoring model, the company refined its algorithms. This led to a **15% reduction in portfolio credit losses** within one year while safely expanding credit to a new, creditworthy customer segment previously classified as "high-risk."

- **Proactive Regulatory Alignment:** The data governance framework allowed for clear demonstration of compliance to regulators. This resulted in a **successful licensing application** in a new market and **avoided potential fines** estimated at over US$2 million for data privacy non-compliance.

- **Strengthened Investor Confidence:** The demonstrable, structured approach to managing its core financial and regulatory risks made the company a more attractive investment opportunity, facilitating a successful Series B funding round.

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