

POLICYBRIEF

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Internationalising German Businesses in Sub-Saharan Africa: Their Contribution in Advancing the Resource Nexus Approach

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Highlights

1. Enhancing collaboration between German businesses and their Sub-Saharan African partners offers significant opportunities.
2. Barriers for cooperation between German and African businesses exist along four categories: political barriers, lack of knowledge, cultural differences and financial issues.
3. The barriers of internationalizing German Businesses operating in Africa develop depending on the context of each individual country; however, the barriers themselves exist in some form across all or most cases.
4. Prioritising Africa in Germany's agenda, supporting cross-cultural training, business exchange, market research, and strengthening the African Continental Free Trade Agreement are crucial for the success of international business partnerships.

Introduction

Globally, natural resources are used at an alarming rate, considerably faster than they can regenerate at. Similarly, human-induced climate change has reached such an extent that scientists speak of the “Anthropocene”, the climatic age determined by humans (Lewis and Maslin 2015). This also implies that human activity can have a positive influence on the global climate and improve conditions for all. One increasingly important perspective that supports this field of human activity is the “Resource Nexus”, a perspective that considers the interlinkages between resources to achieve the systemically best outcome. While this concept is well developed, scientists have failed to adequately address the relevant factors required to implement solutions derived from the Resource Nexus perspective in new settings. Perhaps the most glaring oversight is the lack of understanding relating to the role of businesses and the related transfer of relevant technology.

Germany has the largest economy in Europe and is also the continent's most innovative country (c.f.: Schneider 2024), while the countries in Sub-Saharan Africa are the least innovative, while being most at risk of the adverse effects of climate change and have the lowest capacity to deal with these effects (c.f.: Schneider et al. 2024). It is therefore

important to transfer the German innovations into novel situations in which these innovations have the greatest potential to support the implementation of the Resource Nexus perspective.

“On the German side, all too often policymakers are indifferent towards Africa and the opportunities available there.”

To better understand and address the barriers that systematically prevent this transfer, the adoption of a resource nexus perspective can be valuable. This approach highlights the interconnections, synergies, and trade-offs among essential environmental resources (Brouwer et al. 2024), which form the foundation of economic activity. This perspective helps uncover strategic pathways for overcoming obstacles to sustainable business development (Hülsmann and Ardakanian 2018).

The German Chambers of Commerce Abroad (Außenhandelskammern - AHK) play a crucial role in supporting German businesses in Sub-Saharan Africa by providing services for firms entering foreign markets, including market analysis, local partner contacts, and support for delegation visits (Schneider 2024). They facilitate connections in areas where local relationships can be challenging to establish independently.

A study conducted in 2023-2024 gathered interviews with AHK representatives to explore the barriers faced by German businesses in establishing operations in Sub-Saharan Africa. This policy brief outlines these challenges and suggests recommendations for policymakers to consider.

Political Barriers

“The role of politics in the context of supporting and hindering the expansion of German businesses into African markets can hardly be overstated” (Schneider 2024: 6). At various stages in the process of building sustainable partnerships, governments in both Germany and Sub-Saharan African countries have an important role to play. On the African side, the full implementation of the African Continental Free Trade Agreement would greatly expand the market size and thereby increase the economic incentives for German businesses to invest. Trustworthy behaviour and

reliability were also identified as important aspects that the recipient country governments must display (Schneider 2023).

On the German side, all too often policymakers are indifferent towards Africa and the opportunities available there. Generally, more engagement would open doors for businesses and foster a climate of cooperation and engagement that is currently not always evident (c.f.: Bollow 2023: 195).

Lack of Knowledge

The study confirms that German businesses face substantial knowledge gaps regarding African markets and potential partners, which poses a key barrier to successful engagement. Respondents report that some companies, buoyed by experience in other regions, underestimate the unique socio-economic and cultural contexts of African nations. Others are overly cautious, lacking confidence due to unfamiliarity with local dynamics. This knowledge deficiency extends to critical areas like language, particularly in Lusophone countries, and affects

Resource Nexus Technology: The Case of WaterKiosk

WaterKiosk is an organization using German-made machines to use solar energy to desalinate sea water for human consumption. As a by-product, WaterKiosk thereby also impacts waste aspects, and local environmental health. With two project-level exceptions (in Senegal and Botswana, respectively), WaterKiosk only operates in East Africa. Systemic barriers such as a lack of knowledge, financial capacity, and political issues hinder the use of this promising Nexus-solution in other drought-prone areas of the continent.

“Cultural differences require a lot of effort in terms of flexibility and willingness to adapt”

relationship-building with local partners. Furthermore, a perception persists within German industry that partnerships with Africa are akin to development assistance rather than equal business collaborations. This view limits the potential for sustainable and balanced partnerships, reinforcing stereotypes and hampering German companies' market entry and long-term success in Africa.

Cultural Differences

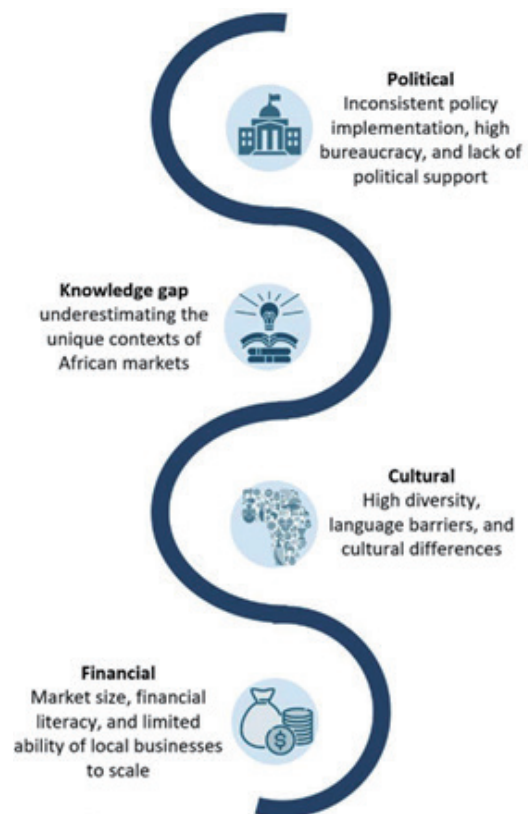
The extensive cultural diversity in Sub-Saharan Africa poses a unique challenge for German businesses seeking to business cooperation. Due to this diversity, it is evident that adaptability and cultural sensitivity are essential. As clearly highlighted in the paper, Cultural differences require a lot of effort in terms of flexibility and willingness to adapt to ensure a successful cooperation. Effective partnerships require ongoing intercultural engagement and networks that provide localized knowledge and cultural understanding. Without such networks, misunderstandings rooted in cultural ignorance can hinder cooperation.

Financial Issues

Financial challenges are a significant barrier to Germano-African business partnerships, primarily due to Africa's lower GDP per capita and limited financial capacity. German businesses often struggle with the high costs and inflexibility of their products, which are poorly suited to the smaller-scale demands of African markets, particularly in sectors like e-mobility, where competitors from China

and India are more adaptable. Additionally, the study suggests that financial literacy in many African countries is low, and a lack of trust in local banks leads to a preference for cash transactions, limiting access to credit and hindering economic growth. Financial issues remain a

central obstacle despite ongoing improvements and efforts to address these challenges.



Policy Recommendations to Overcome the Barriers

1. **German politicians should embrace Africa as a diverse and equal partner to overcome the political barriers.** The main aspect is that German politicians must show a greater engagement towards Africa and African affairs. For instance, more high-level delegation trips to the continent would be very helpful. Furthermore, the perspective must change whereby Africa

“A perception persists within German industry that partnerships with Africa are akin to development assistance.”

is no longer seen as the passive recipient of German aid and assistance, but rather as a diverse continent with a multitude of actors, situations, and opportunities! Visiting delegations with and without political participants must receive the same level of attention and respect as from any other continent.

“German businesses often struggle with the high costs and inflexibility of their products, which are poorly suited to the smaller-scale demands of African markets.”

2. **Policymakers can boost German business in Africa through training, exchanges, and market research support to overcome the lack of knowledge in Germany.**

Policymakers can support by incentivising cross-cultural training programmes, facilitating business exchange initiatives, and funding market research grants focused on African regions. These measures would equip businesses with the insights and skills needed to navigate local contexts effectively and establish balanced partnerships.

3. **Cultural differences in business can be beneficial if approached with open communication and mutual respect.**

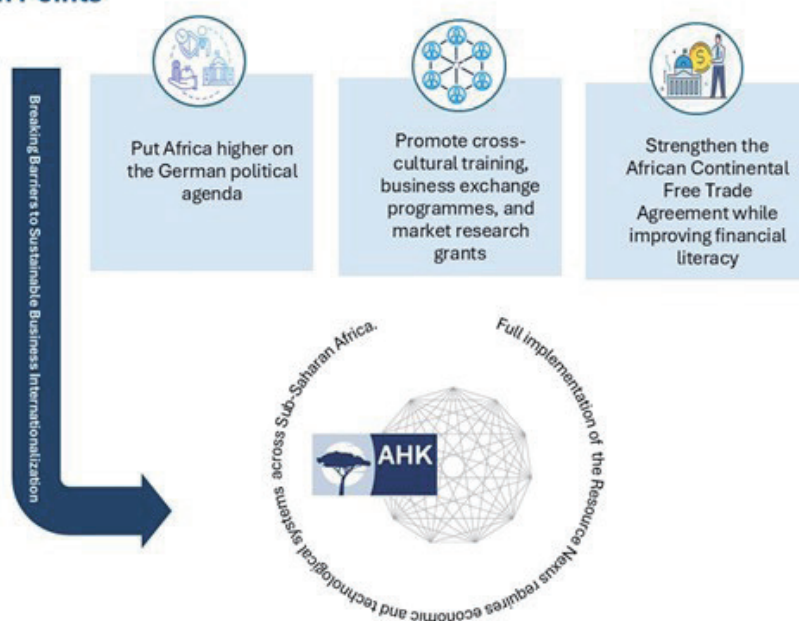
Differences between cultures are not a problem as such. However, in order to avoid a conflict originating in the field of business collaboration, greater exchange and an equal acceptance of cultural ideas, traditions

and understandings must be ensured by all sides. This understanding of cultural differences can be of great benefit to both sides, as it opens a new understanding and shows new areas for collaboration, otherwise unknown.

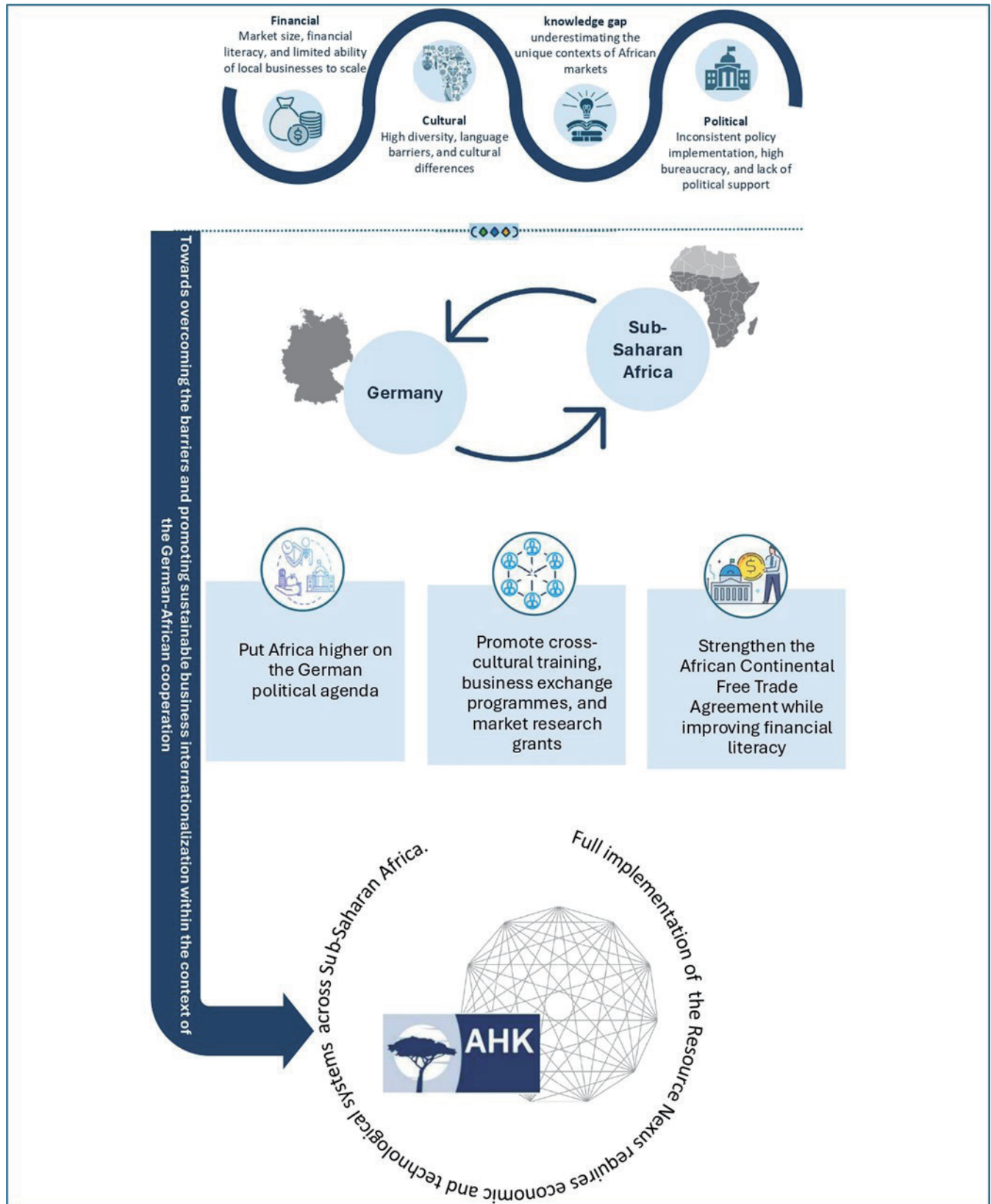
5. **Strengthening regional free trade areas and financial systems can boost**

Germano-African business partnerships. Enhancing the implementation of the African Continental Free Trade Agreement (AfCFTA) is encouraged to address financial barriers in Germano-African business partnerships. This would facilitate trade by reducing bureaucratic hurdles, harmonizing standards, and expanding market access across the continent. Efforts should also be made to strengthen local banking systems, build financial literacy, and increase trust in financial institutions, enabling better access to credit for businesses.

Action Points



Graphical Summary



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