Africa in the Digital Economy: Update

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Annual Conference
18 & 19 May 2023

"A Practical and Realistic Agenda for the AfCFTA"

- **The magnitude of the challenge**: A 2019 WB report estimated that it would cost $100bn to bridge Africa's digital divide by 2030.
  - In SSA, 33% of the population is outside of 3G connectivity, compared with 2% in North Africa

- **Two major undersea cables have landed!**
  - Equiano (Google/Alphabet): landed in Melkbosstrand, SA in August 2022. Connects Portugal/Europe to Togo, Nigeria, Namibia and St Helena. Equiano estimated to increase SA's GDP by USD 5.8 B and create 180,000 indirect jobs come 2025
  - 2Africa: multi-country consortium project (China Mobile, Meta etc) landed in Gqeberha, SA in early 2023. Two more landings coming in SA, 2 in Nigeria, Kenya, Egypt, Mozambique and Somalia

- Digital 2023 Report says Southern Africa most connected, with 70% of population connected in some way. Most users utilize social media

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B2B e-commerce is exploding

- **McKinsey report (2023) estimates B2B e-commerce growth of 40% pa for next 5 years**. Notable stars:
  - Tradedepot: Nigerian-based startup TradeDepot connects small retailers with suppliers across the continent, helping to boost their purchasing power and driving economic growth
  - M-Kopa: Kenyan-based startup operates in the energy sector, providing solar energy solutions to businesses across the continent - with a pay-as-you-go model
  - AFEX - a commodities exchange originating in Nigeria. Powered by a Google App, there is a separate App for logistics. Africa's fastest growing tech-powered firm
  - Moniepoint - Lagos-based fintech for MSMEs
  - Wasoko (Kenya): logistics firm servicing MSMEs, delivery can be arranged via a Google App for businesses as small as Spazas and Tuckshops. Available in Uganda, Tanzania, Kenya, Cote d'Ivoire, Rwanda, Senegal

5G has already landed

- **Meanwhile, 5G is being rolled out in some urban areas**: Kagan report: "Unlike other regions, Africa has been lagging in 5G deployment due to poor existing infrastructure, late 4G adoption, ambiguous regulatory oversight, and a variety of economic factors that have precluded companies from investing in the new technology"
  - "The African markets that have already launched commercial 5G services have done so with strong government support, especially in the release of the spectrum and fostering a clear, forward-looking regulatory environment"

- **Airtel, MTN and Vodacom are main 5G players**: countries of focus are Nigeria, Kenya, Tanzania and Zambia

- **Why 5G exactly?** 5G opens up the internet of things (IOT), where data from sensors in electronic devices is integrated to provide rapid and powerful feedback. Adding AI means you can have driverless cars, drones for human transport and delivery, robotic workers doing dangerous jobs etc

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To crypto or not to crypto in Africa?

- **Why crypto?** Cryptocurrencies can enable financial inclusion; provide a hedge against currency volatility (provided they are not even more volatile!), foster cross-border digital trade where payments systems have not caught up and put (beneficial) pressure on formal banking margins

- **Drawbacks**: Volatility, criminal element and money-laundering (in African context potentially huge, with resource rent incentive), undermining of official currency, undermining of tax base

- **Crypto and Africa**: Africa is the world's 2nd largest crypto market
  ▪ Only a quarter of SSA countries regulate crypto, but this is changing. Two thirds have now placed 'ad hoc' restrictions on crypto. Six have outright bans and two have effective bans
  ▪ Nigeria 'banned' crypto in Feb 2021 but trade continued. Kenya is taxing crypto exchanges
  ▪ Nine African countries are looking at CBDCs a substitute. CAR has adopted crypto as legal tender!

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Platform wars and generative AI

- **Ride-hailing platforms: trouble in paradise:** Ride hailing as a platform has been widely adapted in Africa, as a development of an existing MSME public transport system. However, certain African countries limit multinational platforms to encourage domestic alternatives
  - Other countries (SA, Nigeria, Tanzania, Cameroon) regulate Bolt and Uber to protect drivers and passengers. Driver strikes and protests are among the other headwinds to platforms. Cameroon has banned Yango (Russian), due to noncompliance, in favour of domestic operators Regulatory consistency is still a long way off
  - Even African ride-hailing platforms have similar pushback, eg Moove in Nigeria. However, Moove is also innovating by partnering with Total to provide fleet management services, fuel discounts etc to drivers and owners

- **Generative AI**: The whole is greater than the sum of the parts! Gen AI is a quantum shift in technology but requires careful regulation due to risks. For Africa, can solve engineering, education and agricultural problems

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End – Thank You

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