

# Gains to be made from rapid growth of African digital economy

By [Brett Parker](#)

8 Sep 2016

The potential gains to be made from the rapid growth of the African digital economy cannot be overstated. An estimated 360 million mobile devices, \$75 billion in annual e-commerce sales and a \$300 billion internet-driven boost to GDP is forecast by 2025.



Brett Parker

Yet conventional wisdom would dictate that the current lack of legacy Information and Communication Technology (ICT) infrastructure in Africa is a barrier to realising this enormous digital growth. While mobile internet access on the continent has been increasing rapidly, a recent report stated that fixed internet connections account for only about 10% of all internet connections in most African nations.

And although recent years have seen advances in internet accessibility (such as undersea cabling connecting Africa to the rest of the world), there are still many parts of the continent that have no internet access whatsoever.

However, instead of a barrier, IT providers entering African markets should instead see this as a significant opportunity. Many governments are recognising the important role that ICT infrastructure plays in economic growth and are explicitly promising to harness the power of modern technologies, such as high-speed internet access, to empower their citizens and boost their economies.

Nigeria, Rwanda, South Africa and Kenya, to name but a few, have developed ambitious ICT strategies and policies to achieve these high-level goals.

There is certainly scope to gain project funding for expansive ICT projects across a multitude of countries and many foreign investors remain committed in the longer term. Furthermore, businesses that invest now to lay the groundwork for ICT infrastructure will undoubtedly reap the rewards as these markets reach maturity. Just think about those who invested in mobile infrastructure in Africa 10 or even 20 years ago and consider the massive returns they are seeing now.

## **Innovative tech solutions**

In a sense, a lack of existing infrastructure can be seen as beneficial in so far as there is no need for ICT solutions to be constrained by old-fashioned ways of thinking about, and engaging with, technology. Without the burden of these embedded 'old school' approaches that plague many more mature markets, there is the opportunity for innovative technology providers to start with a clean slate and provide leading-edge solutions that directly address the communication needs and day-to-day realities of many Africans.

The most well documented example of this willingness to "leapfrog" technologies is, of course, Kenya-based Safaricom's M-PESA mobile money solution. In a market with high mobile device penetration, but very little retail banking infrastructure, M-PESA gave millions of Africans their first bank accounts by turning virtually any mobile phone into a money transfer device.

Since then, fuelled by burgeoning start-up hubs in Nigeria and Kenya, there has been a surge of African start-ups, covering everything from [fashion](#) to [shipping](#) and [employment](#) solutions. And, because these solutions specifically cater to markets that are encountering technology for the first time through a mobile device, they can bypass many of the intermediary technological steps and unlock true innovation more quickly.

This means that many home-grown tech solutions are developing to tackle local issues, such as the video-on-demand platform [iROKOTv](#), which was created to address piracy problems arising in relation to Nigerian films, or the [BRCK](#) portable Wi-fi hotspot and battery extender device used to address wireless internet dead zones.

## **Seize the day**

There are two ways to look at the future of IT in the African continent. Either as a difficult and onerous job, because of a lack of legacy infrastructure and building block tech systems, or as a blank page, rich with opportunity in a set of nations intent on economic prosperity, digital expansion and citizen-empowerment.

Providers that take the latter viewpoint stand to take advantage of huge financial rewards and significant growth. But perhaps the bigger incentive is extraordinary technological innovation, which will positively impact the lives of millions of Africans throughout the continent.

## **ABOUT THE AUTHOR**

Brett Parker is the Managing director of SAP Africa.

For more, visit: <https://www.bizcommunity.com>