



# Connectivity in Africa: reaping the benefits of digital globalization

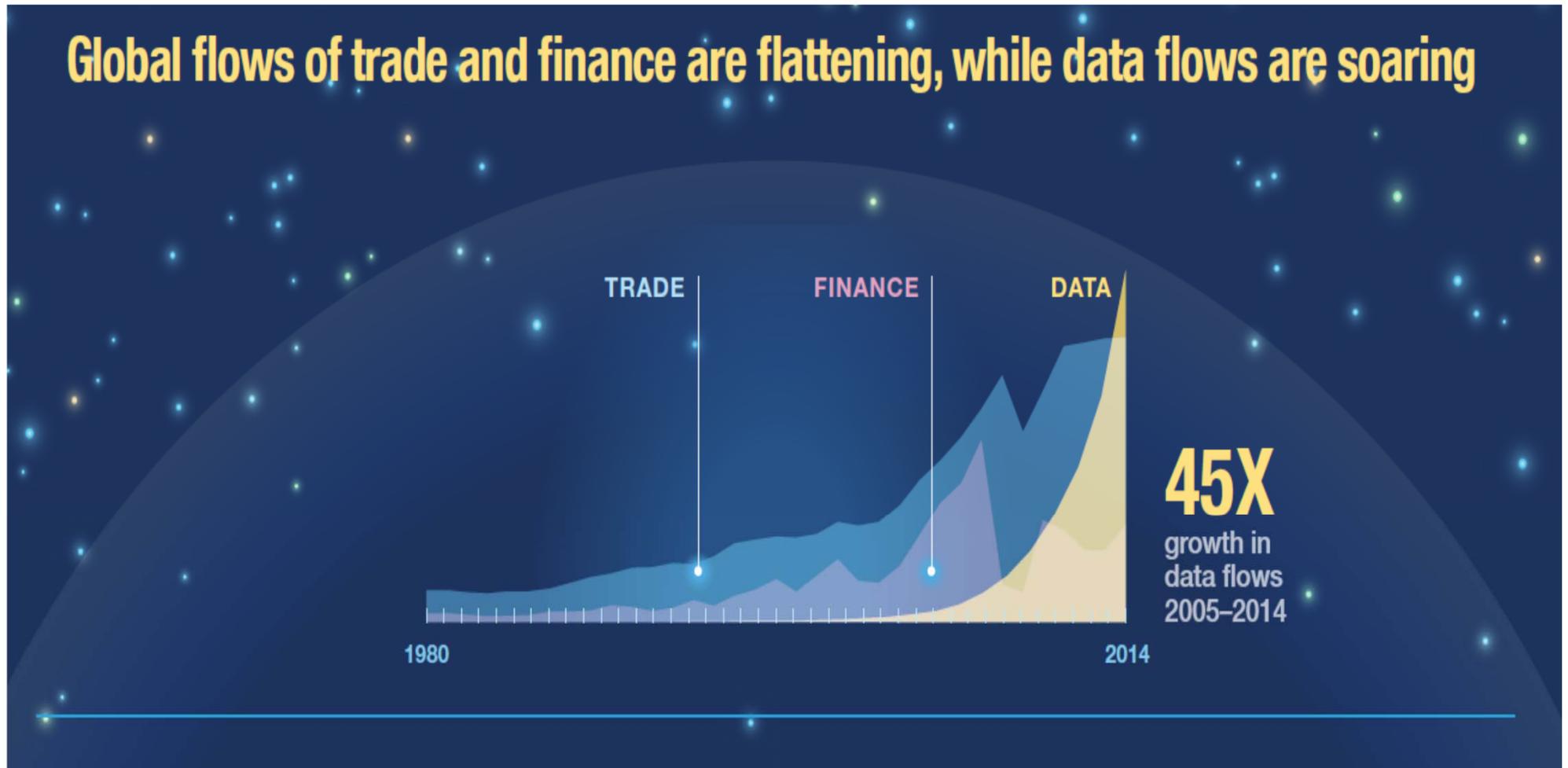
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# THE RISE OF DIGITAL GLOBALIZATION

Global flows of trade and finance are flattening, while data flows are soaring



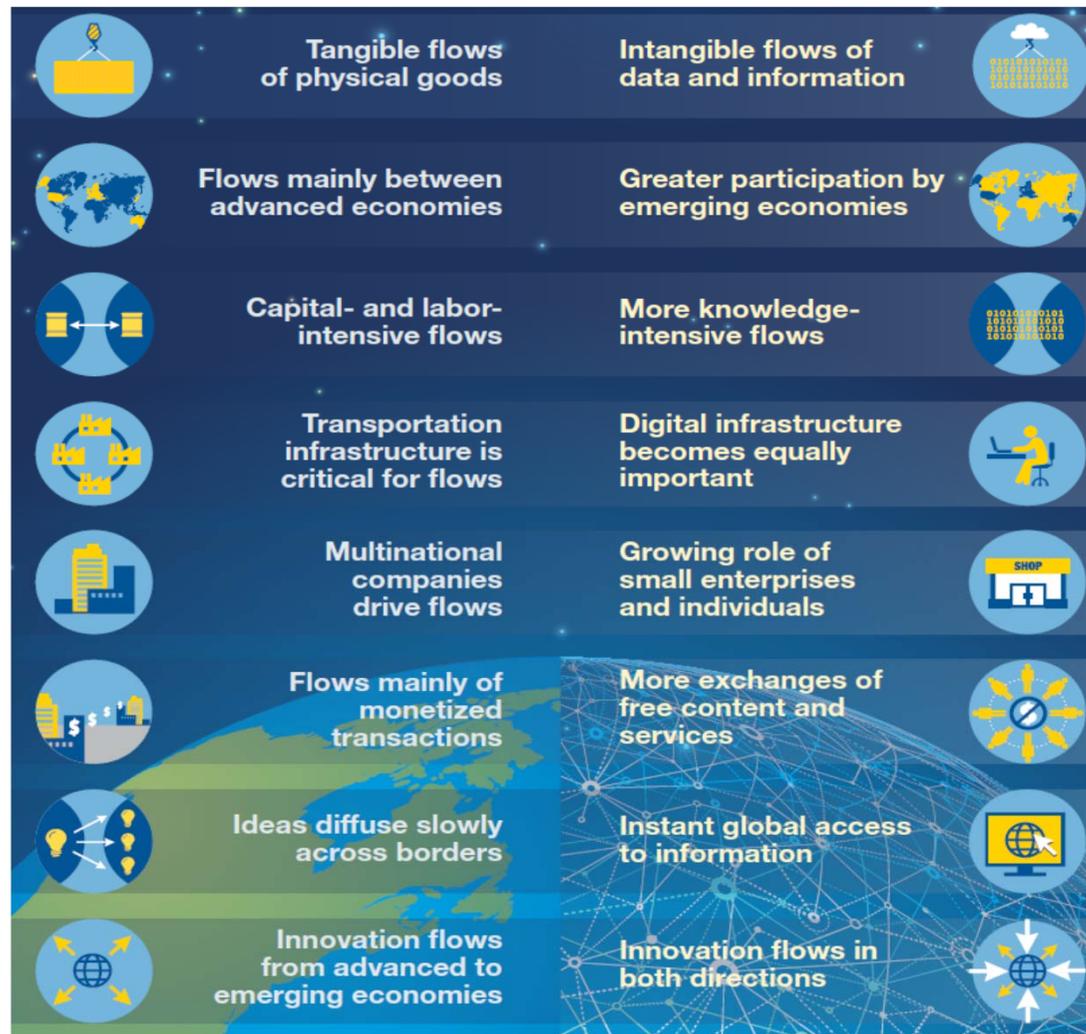
Source: McKinsey Global Institute

# THE RISE OF DIGITAL GLOBALIZATION

## HIGHLIGHTS:

- **Globalization has transformed.** Goods trade and finance have flattened but instead digital flows are soaring—transmitting information, ideas, and innovation around the world and broadening participation in the global economy;
- Digital platforms (Facebook, E-bay, Alibaba) **bring down the cost of international transactions.** They create markets and user communities with global scale, providing businesses with a huge base of potential customers and effective ways to reach them;
- **Small businesses worldwide are becoming “micro-multinationals”** by using digital platforms such as eBay, Amazon, Facebook, and Alibaba to connect with customers and suppliers in other countries. Even the smallest enterprises can be born global.
- **Individuals are participating** in globalization directly, using digital platforms to learn, find work, showcase their talent and build personal networks.

# THE RISE OF DIGITAL GLOBALIZATION



# CONNECTIVITY IN AFRICA TODAY

16% internet  
penetration

167 million Users  
>50% of Users are  
urban residents

51.6 million  
Facebook Users

67 million  
smartphones

Source: McKinsey Global Institute

# ICT IN ACTION

## **e-Soko, leader in agricultural informatics (Kenya, Tanzania and Ghana)**

- **Focus:** e-Soko has developed a web-based technology to gather and disseminate market data—such as produce and meat prices—through mobile devices among farmers and traders in Africa. automatic and personalized price alerts, buy and sell offers, bulk SMS messaging, stock counts and SMS polling.

## **Jumia & Konga (14 countries)**

- Two major marketplaces connecting buyers and sellers of goods;

## **InstaHealth (Uganda)**

- Ugandan health information app InstaHealth uses geo-location and an interactive voice response (IVR) system to connect users to health centres, specialists, ambulances and consultation services, while also providing an instant first aid guide, doctor consultations and health awareness information.

# THE AFDB'S STRATEGIC FOCUS

## Regional/National ICT Infrastructure

Infrastructure & RI

Low Income Countries &  
Fragile States

## Policy & Regulatory Frameworks

Reforms &  
Harmonization

Low Income Countries,  
RECs

## ICT Applications

Governance  
Agriculture  
Health  
Trade

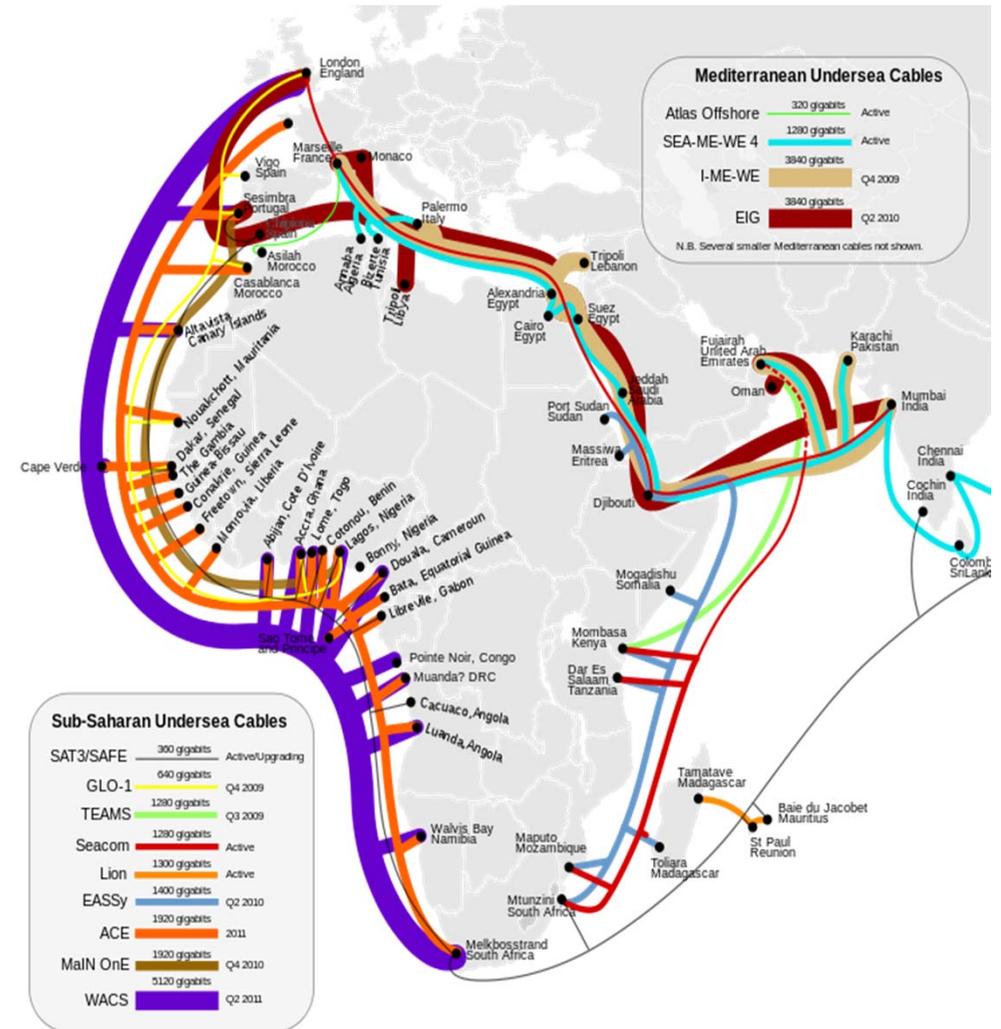
LICs; MICs.

# EXAMPLES...

In the next two years, our investments will reach nearly **3 million people**.

## Key ICT investments:

- **East African Submarine Cable System** along the east and south coasts of Africa, connecting 21 African countries to each other and the rest of the world.
- **MainOne** submarine fiber-optic cable from Portugal to South Africa, with many landings along the route. Project will lay 7,000 kilometers of submarine fiber optic cable between Seixal (a suburb of Lisbon) in Portugal, Accra in Ghana, and Lagos in Nigeria.
- These investments will provide Africa with huge bandwidth and help meet the growing demands of governments, traders, businesses and private users for more efficient and less costly data services.



# CONNECT AFRICA & PIDA'S OBJECTIVES

**Goal 1: Interconnect all African capitals** and major cities with ICT broadband infrastructure and strengthen connectivity to the rest of the world by 2012

**Goal 2: Connect African villages to broadband ICT services by 2012** and implement initiatives such as community telecentres and villages phones

**Goal 3: Adopt key regulatory measures** that promote affordable, widespread access to a full range of broadband ICT services

**Goal 4: Support the development of a critical mass of ICT skills** required by the knowledge economy through the establishment of ICT centers of excellence and ICT-capacity building and training centers

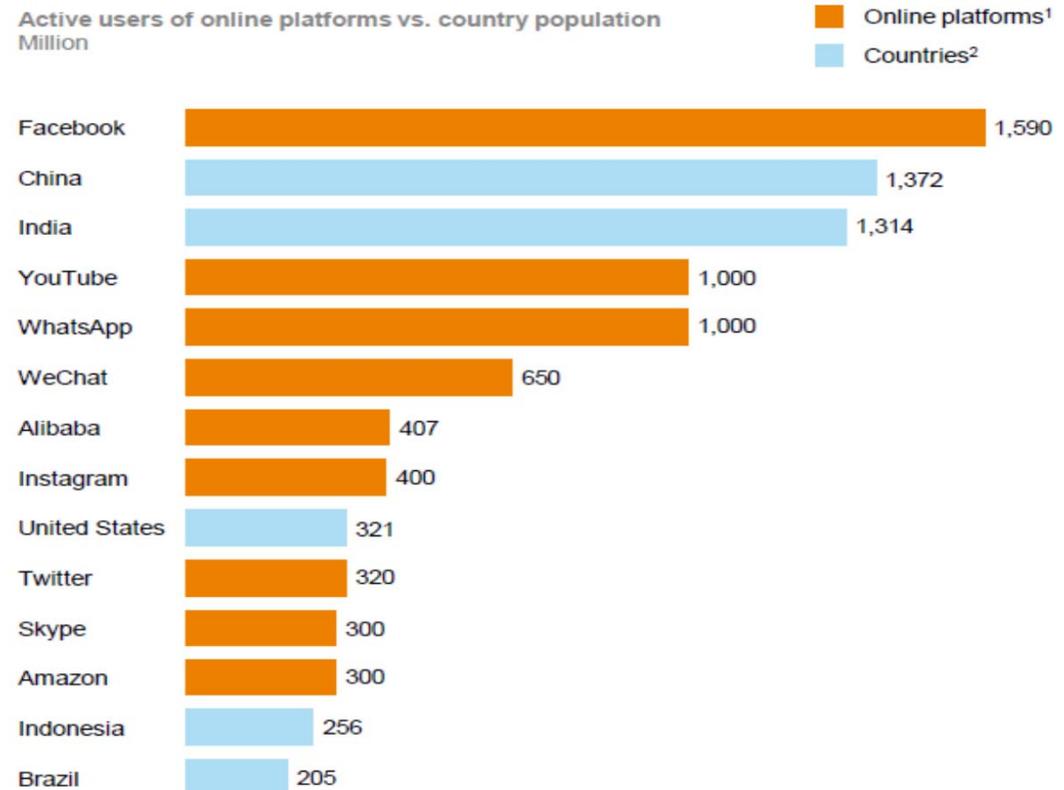
**Goal 5: Adopt a national e-strategy**, including a cyber security framework, and deploy at least one flagship e-government service as well as e-education and e-health services using accessible technologies in each country in Africa by 2012, with the aim of making multiple e-government and other e-services widely available by 2015.

# POTENTIAL FOR SMES TO TRADE

- **SMEs can be micro-multinationals** by using “plug-and-play” infrastructure of Internet platforms to put themselves in front of an enormous global customer base and become exporters;
- **Amazon, for instance, now hosts some two million third-party sellers.** PayPal enables crossborder transactions by acting as an intermediary for SMEs and their customers. Participants from emerging economies are senders or receivers in 68 percent of cross-border PayPal transactions.
- **Facebook estimates that 50 million SMEs are on its platform, up from 25 million in 2013;** on average 30 percent of their fans are from other countries. To put this number in perspective, consider that the World Bank estimated there were 125 million SMEs worldwide in 2010.

**For small businesses in the developing world, digital platforms are a way to overcome constraints in their local markets.**

**The biggest online platforms have user bases on par with the populations of the world's biggest countries**

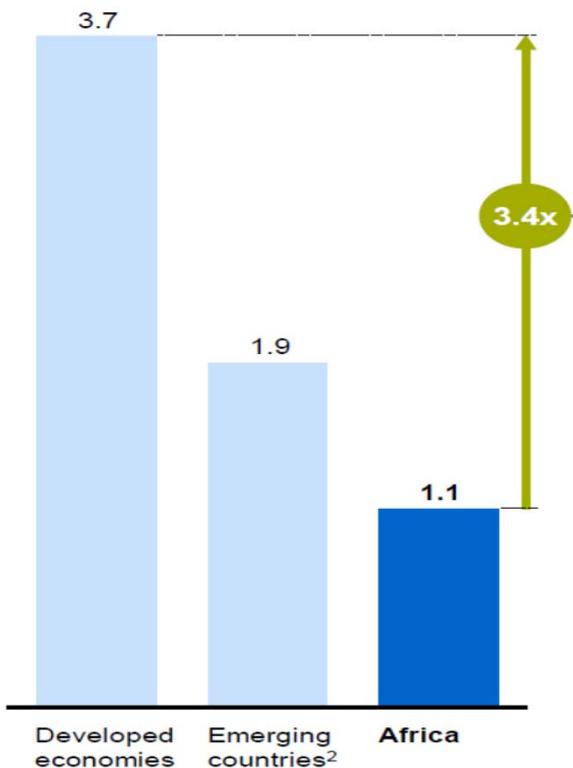


1 4Q15 or latest available.  
2 2015 population.

SOURCE: Facebook; Twitter; Alibaba; *Fortune*; Statista; Population Reference Bureau; McKinsey Global Institute analysis

# CLOSING THE DIGITAL DIVIDE

The Internet's contribution to GDP (iGDP) is much lower in Africa  
iGDP, 2012  
% of GDP<sup>1</sup>

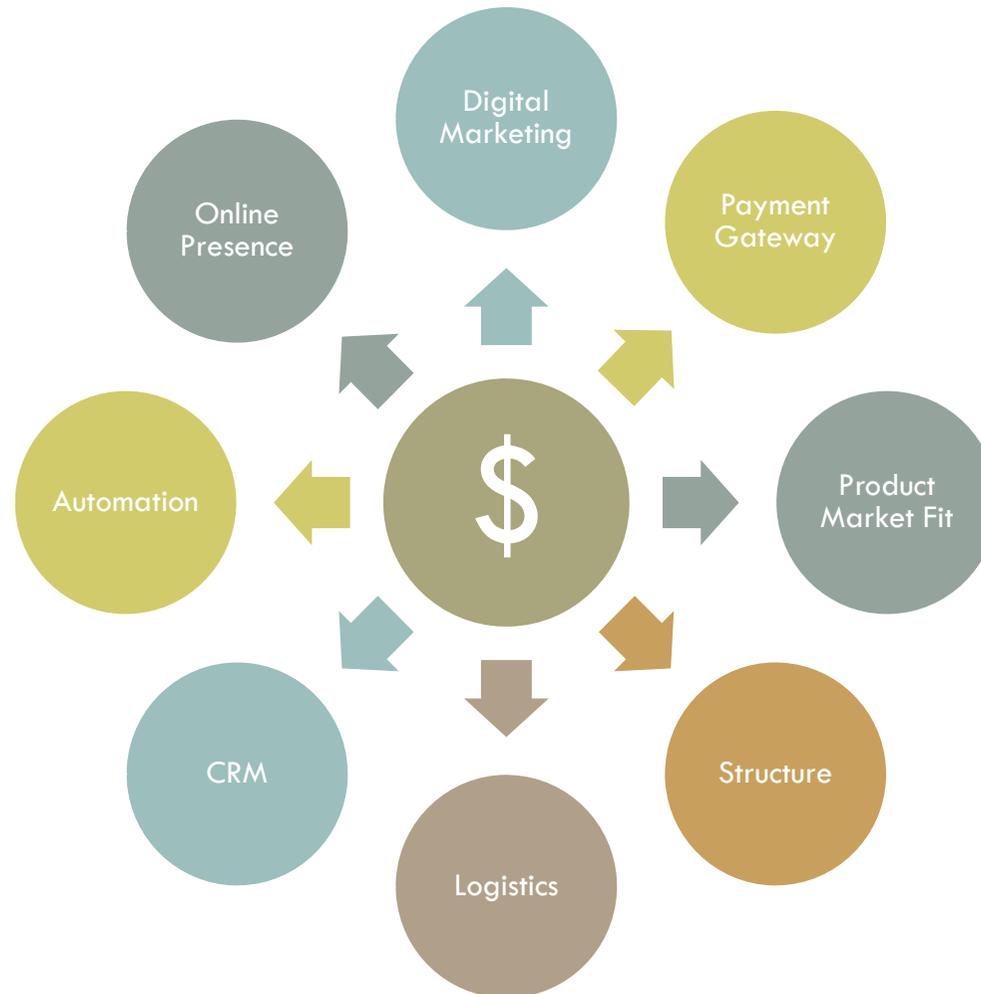


From an SME perspective, the digital divide can be classified into three main areas: **access** (having access to ICTs in the first instance); **usage** (the ability and interest to use them); and **useful usage** (the capacity to take advantage of e-commerce in order to reap the full benefits of the information society).

**Education and access** to the tools of the digital age in developing and least developed countries (LDCs) remain a challenge, despite better connectivity.

**Awareness:** Apparent when one compares small business owners in Africa with their developed country counterparts: experience shows that African entrepreneurs are well aware of the difficulties but less so of the opportunities for reducing the barriers and breaking into new marketplaces online;

# SUCCESS FACTORS FOR SMES TO TRADE



# THE INTERNET IN AFRICA TOMORROW

50% internet  
penetration

600 million users

\$75B in Annual e-  
Commerce Sales

\$300B contribution  
of Internet to GDP

Source: McKinsey Global Institute

# RECOMMENDED ACTIONS

- Thinking strategically about the role your country can play and experiment with new business models;
- How could digitization or e-Commerce improve your business? Look for weaknesses in the following areas: distribution; marketing; inventory management; business processes; accounting.
- Addressing policy and administrative barriers that hinder the development and adoption of ICTs;
- Investing in human capital.
- Building the necessary infrastructure and closing the digital divide.
- Creating a strong business and institutional environment.
- Protecting data privacy while maintaining an open Internet.



# Thank You

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