
Digital Opportunities

in African Businesses

JUNE 2024



Why is **digitalization** so important?

Firm digitalization is associated with

Productivity



31%

of firm-level differences in productivity are explained by technology adoption

Jobs and Wages



16%

more employment

8%

increase in average wages

Growth Performance



14%

increase in revenues

How do we **measure** digital adoption by firms?

1. Access



Mobile



Computer



Internet

2. Productive Use

Business functions:

▶ Administration

example

▶ Planning

▶ Procurement

▶ Sales

▶ Marketing

▶ Payments

Sophistication and intensity of use:

MANUAL

▶ Handwritten processes

BASIC DIGITAL

▶ Standard software (Spreadsheet, text)

ADVANCED DIGITAL

▶ ERP systems
▶ Specialized software
▶ Mobile apps

Is digital tech **adopted**?

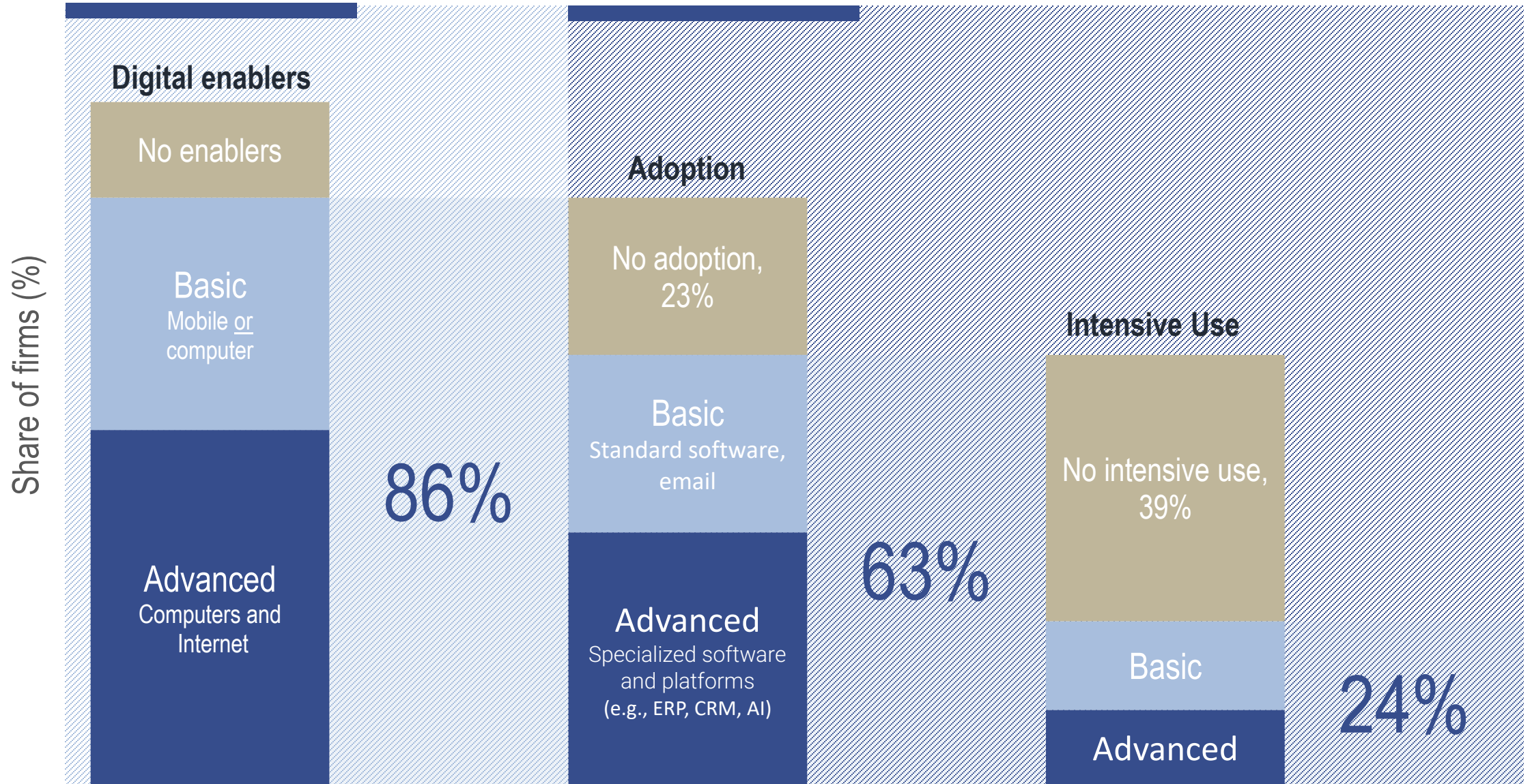
Yes

No

Is digital tech **intensively used**?

Access

Productive use of digital technologies in business functions




Source: World Bank's Firm Adoption of Technology Survey.

Countries: Burkina Faso, Ethiopia, Ghana, Kenya, Malawi, and Senegal. Over 6,000 establishments, representing a universe of 330 thousand firms.

Barriers to digital adoption in Africa

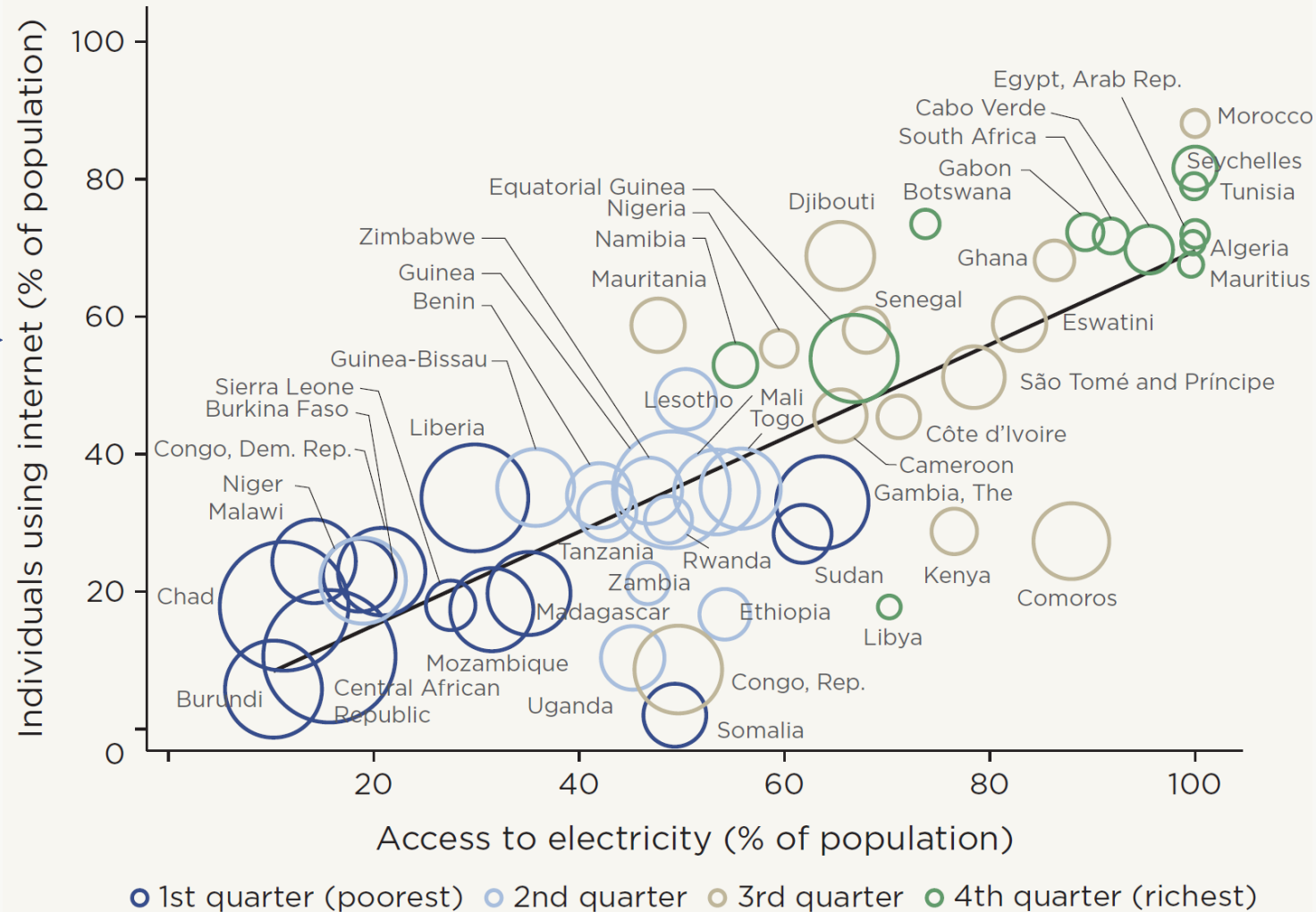
Common factors across the globe:

 **Infrastructure**

 **Human capital and firm capabilities**

 **Access to finance**

Internet Use is associated with Access to Electricity



Sources: International Finance Corporation calculations based on data from the World Bank and ITU (2022).

Note: Larger circles indicates higher broadband prices as a share of GNP per capita. The four circle colors represent four groups of African countries ranked by per capita gross national income.

Barriers to digital adoption in Africa

Common factors across the globe:



▶ **Infrastructure**



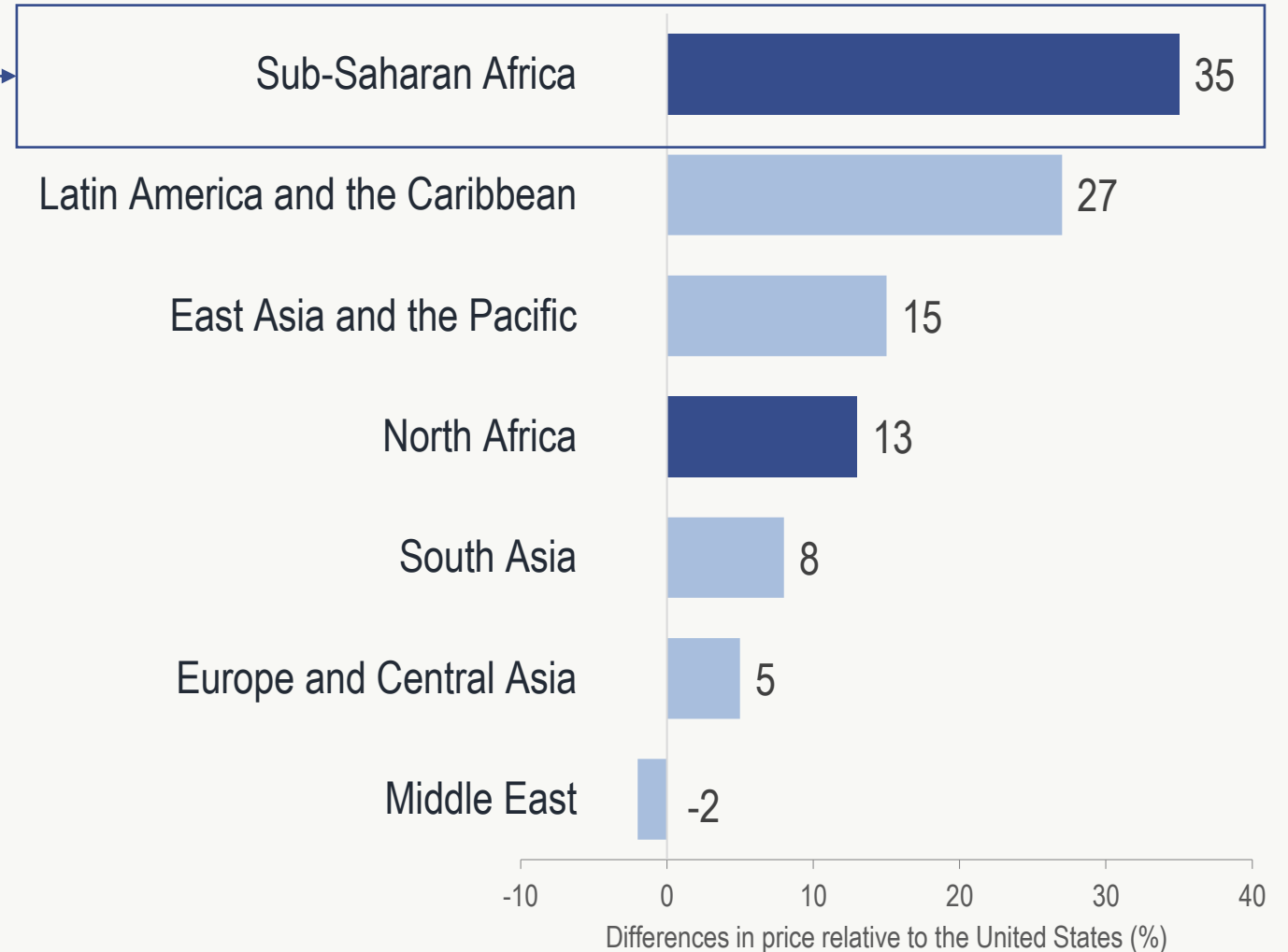
▶ **Human capital and firm capabilities**



▶ **Access to finance**

But in Africa, technology is more expensive than anywhere else in the world.

Prices of Digital Equipment and Software by Region Relative to the United States

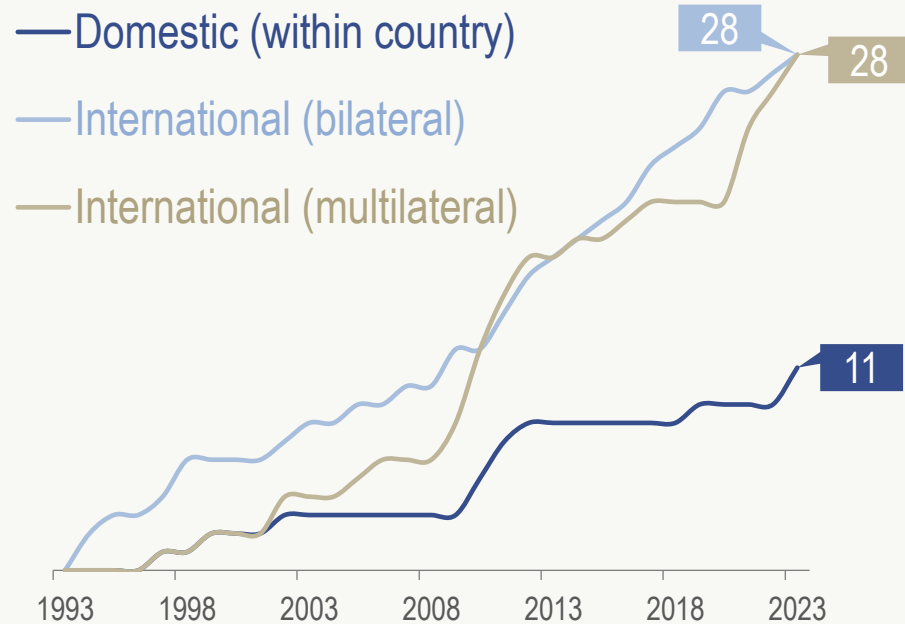


Where to invest? Infrastructure

Digital Infrastructure

Africa has experienced fastest expansion in digital infrastructure over the past few years. It is expected to increase its capacity by **sixfold between 2022 and 2027.**

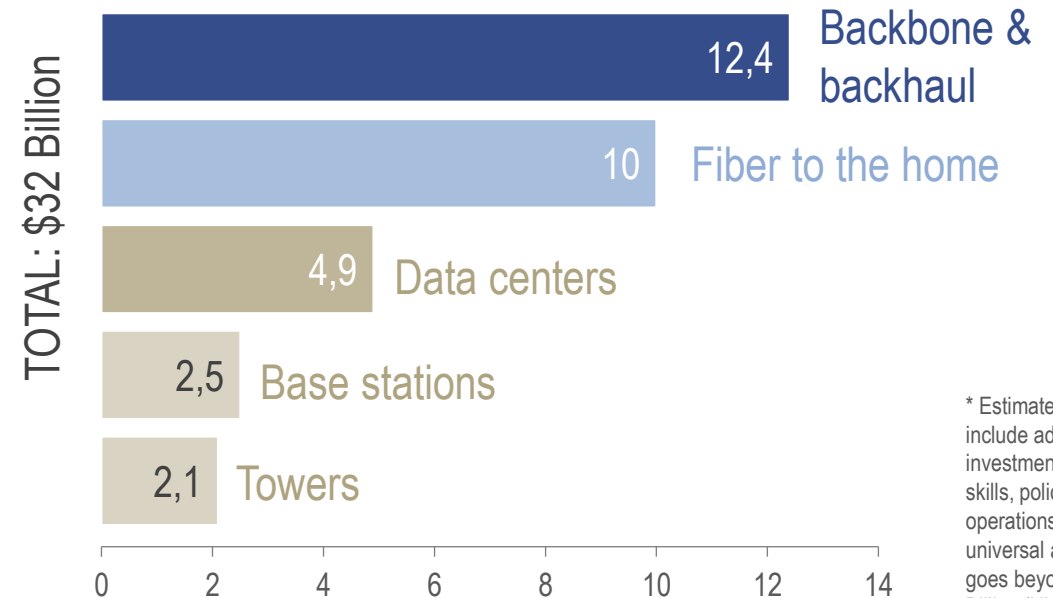
Cumulative number of submarine cables



Investment opportunities

Up to \$32 billion investment needs in **middle- and last-mile** digital infrastructure. These investment are twice the historical average, driven by the expansion of submarine cables by 2027.

Capital expenditure needs*, 2022, \$Billion



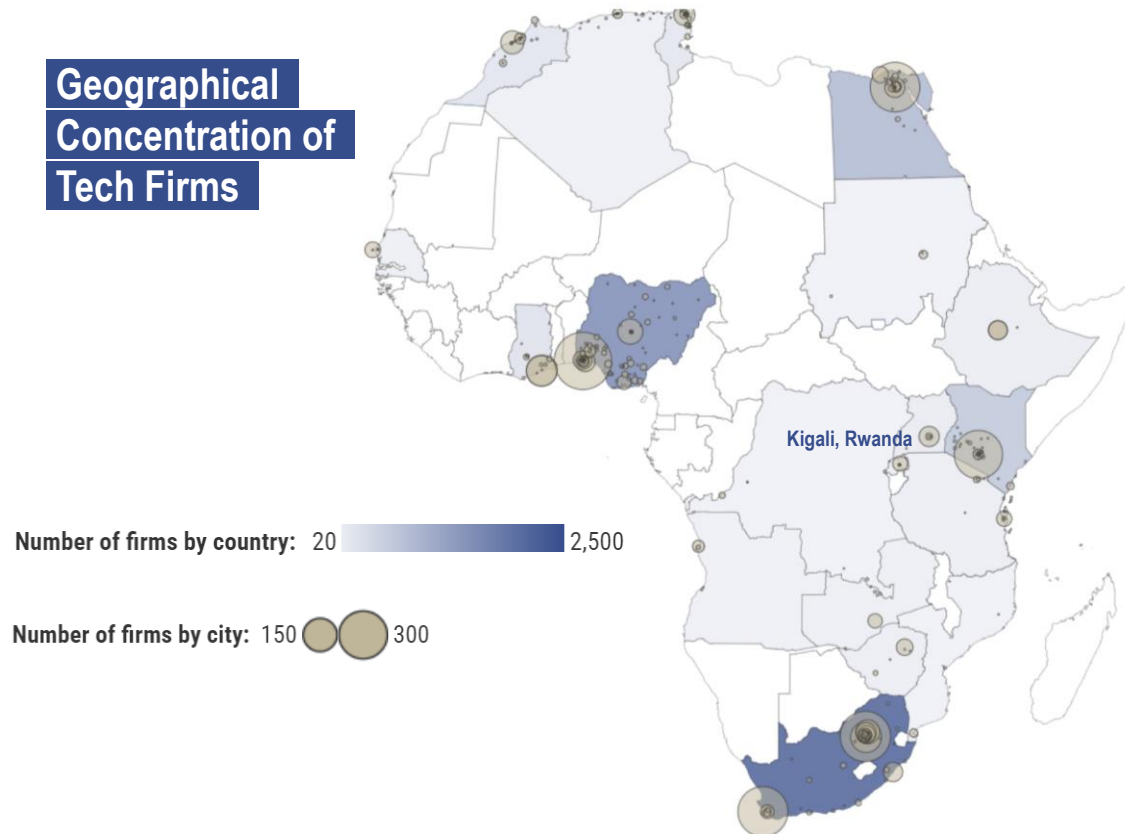
* Estimates do not include additional investment needs in skills, policy, and operations to achieve universal access, which goes beyond \$ 100 Billion (UN Broadband Commission).

Where to invest? Startups

Tech Startups

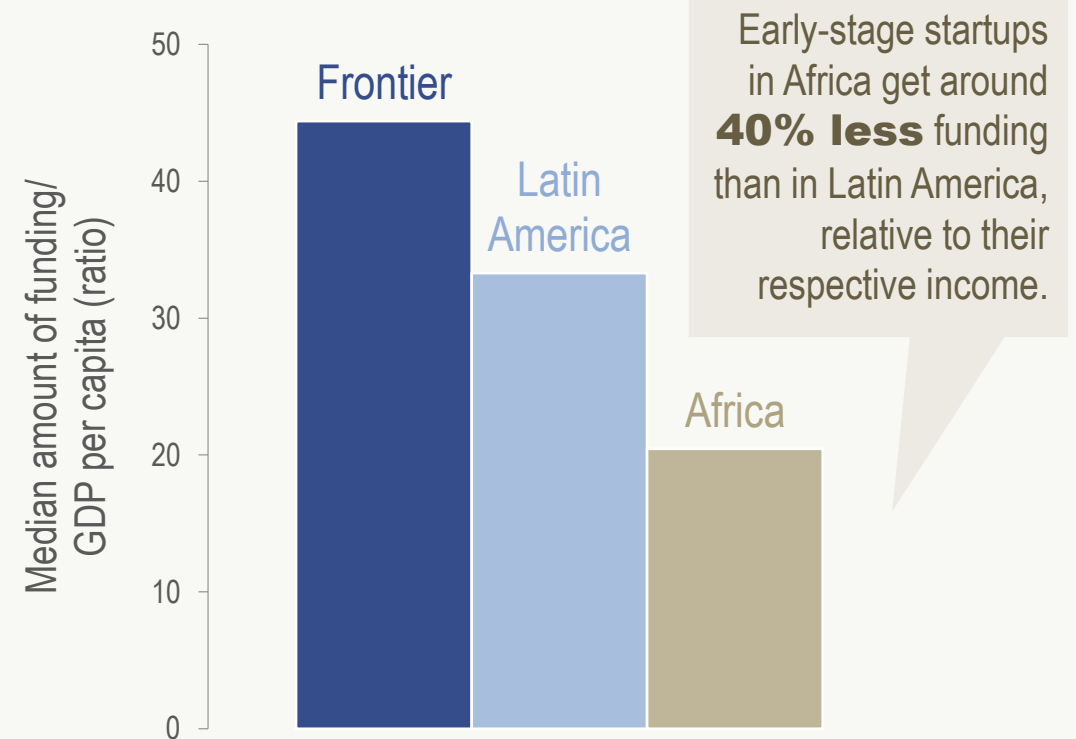
The Tech Start-Up Ecosystem in Africa is booming in a few hubs and is picking up elsewhere. It is among the fastest growing in the world with **\$3 billion VC investments in 2022.**

Geographical Concentration of Tech Firms



Investment opportunities

Innovative tech startups in Africa do better than their peers. But early-stage startups still struggle to obtain funding, compared to other regions.



*Start-ups defined as firms less than 5 years old.

Digital Opportunities in African Businesses

Over **600,000 formal firms** and **40 million microbusinesses** in Africa potentially ready to benefit from digital upgrades



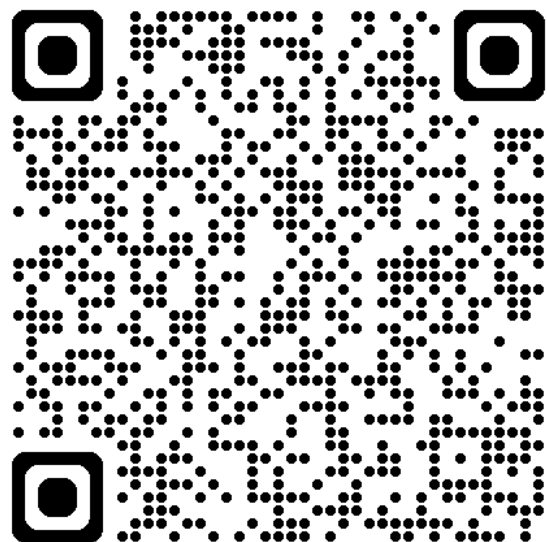
Investment opportunities:

- ▶ Digital Infrastructure (middle- and –last-mile)
- ▶ Tech startups (digital solutions)
- ▶ Financing digital adoption by firms

Policies to unlock private investments:

- ▶ African Continental Free Trade Area:
 - ▶ **2.3 million formal firms**
(5 or more workers)
 - ▶ **240 million microbusinesses**
(less than 5 workers)
 - ▶ Reduce tariffs on digital goods
 - ▶ Integrate market for digital solutions
- ▶ Regulatory reforms to enable:
 - ▶ Infrastructure sharing and data protection
 - ▶ Foreign investment
 - ▶ Competition

Download ▶



DIGITAL OPPORTUNITIES in African Businesses



**Thank
you**