



## How technology could underpin growth in Africa

[John Félicité](#), Director, [Ocorian Mauritius](#), explains how Africa remains the continent with the largest opportunity for growth, but much work is yet to be done on ensuring the infrastructure needed to achieve this is in place.

As the world emerges from the shadow of Covid-19, the big question for many economists, politicians and investors is exactly what global growth will look like in the years ahead.

Africa is often the last continent to be mentioned in this conversation. This is unsurprising, considering that Africa accounts for [around 2.8%](#) of global GDP, while Asia accounts for 38.7% and North America 28.2%.

Africa as a continent should not be ignored, however. Home to [1.37bn people](#), with half under the age of 25, its population is expected to reach [nearly 2.5bn by 2050](#). This presents vast human capital with a range of skills and an eagerness to learn.

The continent also offers an abundance of natural resources and is home to the African Continental Free Trade Area (AfCFTA), the world's largest free trade bloc. The International Monetary Fund (IMF) [estimates Africa's GDP](#) growth will rise steadily from 3.9% in 2022 to 4.3% in 2026. That said, Twenty-one nations are on the World Bank's list of [fragile or conflict-affected countries](#).

So, if Africa really is the 'new frontier' for global growth as many observers claim, exactly where is that going to come from?

The future is now

To start with, future growth will have to be as sustainable as possible. Broad reforms to energy, telecommunications and transport will help deliver reliable electricity that can power the manufacturing sector and digital economy. Yet, only in December 2021, the IMF warned South Africa that it wasn't implementing reforms fast enough.

Some countries have focused on reforms that specifically address digital infrastructure gaps and make the digital economy more inclusive, thus ensuring affordability. And it is in the digital and technology space that Africa may be able to make giant strides.

Much has been made of the uptake of mobile phones in the continent which has led to a surge in mobile banking and payments, with certain countries bypassing traditional landline telecommunications.



How African nations decide on which technologies to focus on should not be based solely on how easy it is to execute and produce output, but on their potential to meaningfully transform Africa's development – scalability is key.

#### Building strong foundations

While it might be the easy option to focus on technology, it's important to reiterate how important infrastructure is for Africa's growth. Education, energy and financial infrastructure require foreign direct investment (FDI) and government investment to provide the strong foundation for growth.

The former does create something of a chicken-and-egg scenario. "What really attracts FDI are large and stable markets with growing middle classes that have disposable income," said Matthew Stephenson, Policy and Community Lead for International Trade and Investment for the World Economic Forum [in a recent EY report](#). Something many African nations can't lay claim to.

To deliver growth, African nations will have to ensure that public investment prioritises skill acquisition over a drive for return on investment (ROI). Indeed, growth measured by ROI and GDP alone will not suffice. Africa needs to create sustainable jobs to reduce the long-term levels of unemployment that persist in a continent where access to education isn't equal.

And not all future employees will be engineers, doctors or scientists, either. So, labour productivity must increase too.

Regional and global integration will also be critical to future success. The over reliance of importation into the continent needs to be reduced. Building industrial linkages and developing local capacity will go a long way in making this a reality. This is something that AfCFTA may well help facilitate.

Investment in infrastructure is important and essential for sustainability but for integration in the global economy to be meaningful and sustainable, there should be a focus on sharing revenue strategies. This can only happen when the African governments collaborate to redefine what African growth should look like.

#### The road ahead

While Covid-19 has undoubtedly been problematic for the continent, the optimism on the ground is unshakable.

Its [demographics are very attractive](#). In 2020, the median age for the continent was 18, which is 14 years younger than any other. This creates a significant pool of talent all of whom can develop the required skills should appropriate education be in place.

That said, the pandemic has made debt burdens a big concern, especially for those with large repayment schedules due in the next several years.



The talk about Africa's potential has been around for decades, and things clearly have to change to make that a reality.

This provides a complex picture for organisations in Africa looking to grow and expand, or for those looking to invest in the continent. Each nation has its own idiosyncrasies and challenges which need to be navigated – something that can be particularly challenging for those without local expertise.

At Ocorian, we specialise in assisting the C-suite in making decisions that will add real value to their businesses while mitigating risk. Our global footprint also means that we understand the interconnected nature of doing business around the world. This distinct perspective can play a key role in helping businesses grow, or indeed launch, their presence in Africa.