

# Africa's Path to Prosperity

New technologies raise hope in African countries for economic growth, but the digital revolution will hardly do the trick alone.



The corporAID Multilogue „Africa's Path to Prosperity“ which took place on the 27<sup>th</sup> of November 2018 in cooperation with the 10<sup>th</sup> Global Peter Drucker Forum in Vienna, discussed the digital hype with regards to social and economic development in African countries, how they can best capitalize on these new opportunities, what other reforms and strategies will be needed in order to create prosperity and finally: What role Europe and European businesses can play in African markets.

How increasing digitalisation can have an impact on social and economic development with regards to African countries, was introduced by corporAID moderator, **Sophie Langer-Hansel**: Throughout the continent tech hubs have been emerging – in Nairobi or Lagos for instance –, where a new generation of entrepreneurs is developing innovative solutions based on digital technologies that are already improving the lives of many. The most famous example is M-PESA, a mobile payment system developed by Safaricom, that today provides millions of poor people with access to communication, information and financial services. This is fuelling widespread entrepreneurial activity. As one example of many, it is proof of the vast opportunities that digital technologies are offering. And there is no doubt that they will accelerate development, but in order to achieve inclusive economic growth across Africa, it will also need formal and productive jobs for a working age population that is growing by 20 million a year, or overcoming significant infrastructure deficits and sluggish economic growth. When looking back in history, at countries that have successfully emerged poverty, building a solid industrial base always played a huge role.

Key for Africa's path to prosperity are market-creating innovations “that make products more accessible and affordable to a broader range of people and thereby induce the creation of industries and institutions naturally” explained **Efosa Ojomo**, an Innovation Expert from the Clayton Christensen Institute, in his keynote. This would spark economic and social development simultaneously, as such innovations break the barriers between a growing middle class and a prevailing population living in poverty on the African continent. He showcased the phenomena with the dynamics of the automotive sector: “Originally cars weren't affordable to many people, Henry Ford managed to make them accessible and affordable and along came the necessary infrastructure like roads and bridges, as well as new institutions that took care of traffic regulations and enforcement.” Essentially, not all innovations are creating markets, but those that take into account the needs of the population will create much broader impact and pull in additional services for society.

An example of an innovation based on digital technologies and facilitated by the existence of M-PESA, that was built on market needs is Lynk Kenya. “Fact is that in Africa, handymen barely exist in a formal setting, so these professionals have no qualifications, CVs or ways to market their skills to a broader audience, than their neighbours and friends” stated **Christopher Maclay**, Head of Growth of Lynk Kenya in his Keynote. Lynk is an online platform that links handymen to potential clients that need services from the informal sector. A rating system helps clients to identify reliable workers with the right skills and provide the handymen with the needed marketing. The ultimate goal is a systemic change of the informal sector: where skills and trust is awarded and competition is sparked, so that up scaling of business is made possible. Up to today, Lynk managed to arrange over 22.000 jobs with a total of 1.9 Mio. USD in platform sales, that went directly to professionals in the informal sector in Kenya.

In the subsequent panel, Efosa Ojomo and Christopher Maclay discussed the relevance of digitalisation for the African continent on the path to prosperity with **Jesus Crespo-Cuaresma**, Vienna University of Business and Economics and **Hans Stoisser**, Peter Drucker Society Europe and Expert on African Innovation Systems. “No economy has ever reached a good level of economic development without going through the industrialization stage. In South Korea for example growth was mainly accounted for by a combination of skills and technology adoption, the latter having acted as a catalyst of those skills. Digitalization will not be able to surpass these stages; it will actually create pressure to achieve those stages quicker” stated Crespo-Cuaresma in the beginning of the panel. “Industrialization is already going on in Africa - companies moved from China to Africa and started to manufacture there” added Stoisser, as he is convinced that innovation in parallel with the digital transformation is empowering people and that in Africa it provides conditions that are closer to human needs. To be able to capitalize on digitalization, education is a precondition and even more so education policies have to take into account market needs, Ofomo mentioned “push education is the right thing to do and pull education is what is actually needed on the market”. Being asked about the leapfrogging argument, the panelists saw it as a side effect of the digital transformation and a promising benefit for Africa, but not as the solution to the core challenges on the path to prosperity. All Nations that have managed to move from poverty to prosperity had a similar path in common: skills, institutions and the rule of law – the digital transformation will not be able to leapfrog all these necessary preconditions.

On the final panel, the keynote speakers discussed the new dynamics on the African continent from a European business perspective with **Judith Helfmann-Hundack**, Afrika Verein der deutschen Wirtschaft, **Nella Hengstler**, Aussenwirtschaft Austria, and **Martin Treml**, Vamed. When asked about milestones on the African continent, Helfmann-Hundack didn't agree that the situation had dramatically changed in the last years, but that Europe finally started to pay attention to the continent, which allowed for a broader picture of what is actually going on in Africa. Hengstler on the other side said: “When I arrived in Nigeria e-commerce was called absurd and now after just 2 years it is completely normal and emerged from cash on delivery to credit card payments”. Treml saw a dynamic shift in companies being interested in the market, “Our projects have spill-over effects that do indeed spark the economy in these countries” said Treml on the topic of local value added in these markets. He

observed that digital technology- in combination with know-how transfer started to induce competition and hence a growing sophistication of skills.

Being asked about the role of European businesses in this transformation: "Companies should not go to Africa to develop it, that's not their job. They should go there because they can build a business and thereby create jobs." insisted Helfmann-Hundack. Facilitating more business engagement on the continent needs personal relationships, therefore outgoing and incoming missions between the two continents and matchmaking activities support growing business activities. "Without investments, Lynk wouldn't be where it is now" investments from European companies can drive change if they are willing to also invest in riskier projects like Lynk, added Maclay. When asked about new paths of collaboration in the context of the G20 Compact with Africa, Helfmann-Hundack said, "I would like the private sector to be more engaged on both sides when creating strategies of engagement."

In his final statement Ofomo emphasized that Africa is not on another path of development, but in another phase of it. While Europe and the US have had their messy development process already, Africa is facing it right now. The conclusion from the panel discussions: Without the investment in skills, digital transformation will not solve prevailing challenges on the African continent and industrialization – with its pulled in institutions, obeying the rule of law – will have to take place. For European companies, the continent does offer a vast amount of business opportunities, because lagging behind does provide potential for growth, especially in niche branches in the industrial and energy sector, as there will be growing demand in the near future.



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