

What role for the private sector in developing a digital Africa?

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The spread of digital technology has been one of the most striking African success stories over the past 15 years and although the public sector has made an important contribution (e.g., funding of underwater cables by financial backers, development of e-government services), the role of the private sector has clearly been crucial to the whole process. However, the story is by no means complete...

To set up a digital business, you first need a functioning telecoms network and the boom in mobile phone networks in the late 1990s was a massive game changer. Now that over two-thirds of Africans have a phone connection¹ and access to Internet from their mobile phones, people are far less cut off than before.

This success has largely been driven by telecoms service providers, and in particular the private operators who dominate the African market (MTN, Vodafone, Orange, etc.). Maroc Télécom, with the backing of its UAE-based shareholder Etisalat, is the only operator to have enjoyed sustained Pan-African success. By building a massive indirect distribution network and offering prepaid services, operators have enabled the African telecommunications sector to boom as never before.

The African mobile payment revolution

The emergence of mobile payment (or m-payment) systems heralds one of the other great digital revolutions and here again it was private sector operators that first marketed the offering - Safaricom in Kenya with M-Pesa, MTN in Côte d'Ivoire, or Orange in Western Africa - together with banks who rolled out similar-type solutions.

A big chunk of the growth in the African digital economy has also been driven by a few major international groups that began providing services in North America and Europe before moving into Africa: Uber the iconic car transporter does business in around 15 African countries; Facebook is also providing services in Africa, sometimes in "light mode" (using texting for example). Up to now, one sector appeared to have bucked this trend, namely online retailing. While the Amazon behemoth is still finding its feet on the Continent, the arrival of local players like Jumia or Afrimarket has given a big boost to African-style e-commerce.

On a smaller scale, digital start-ups are just as common. Along with energy and FinTechs, digital business is the key focus of African start-ups and some have even emerged in the large-scale production of handsets (tablets, smartphones, etc.) where they have been a breath of fresh air for the Continent.

The key role of public-private partnerships

These are perfect examples of the key role that the private sector plays in growing digital African businesses. Nevertheless, we shouldn't think that this happens without the help of the public sector,

usually in the regulatory phase or, more rarely, to pave the way for service interoperability (in Tanzania or Morocco, for example). If we return to the example of our start-ups, government bodies may also be stakeholders in this transformation by helping to establish business incubators (in Dakar or Brazzaville, etc.) or by assisting specific sectors such as education or healthcare. Public investment in e-government (or e-administration) is a striking example of what the public sector can do to grow the digital economy.

Digital Africa also has its own PPPs (public-private partnerships). They represent a key project funding mechanism and major projects to overhaul national governance practices often avail of them. Using digital and biometric technologies for personal and administrative documents (national identity cards, passports, etc.) is a good example of this. In the digital arena, this often means deploying a platform-based approach if we apply the definition used in Platform Revolution² : *“A platform is a business based on enabling value-creating interactions between external producers and consumers. The platform provides an open, participative infrastructure for these interactions and sets governance conditions for them.”*

A necessary joint effort

African economic development, which requires the public and private sectors to work hand in hand, is generally very well-suited to just such a platform-based approach where different components need to be brought together from public and private stakeholders and start-up-type structures in order to develop services for different customers/users/citizens. Models currently being developed for smart cities that position various different public or private sector operators around new services (transport, energy, water, technology, health services, security, public services, etc.) lie at the heart of these examples of platform-based approaches. Therefore, the next phase in African digital development will involve a concerted joint effort by these different stakeholders around digital platforms.

The resulting applications will be many and varied. In particular they will involve the key issue of data monetization and, to develop sustainable business models, the ability of both public and private operators to monetize these new services and the data collected will be absolutely crucial. Here again, coordination between the public and private sectors will be key. Sustainability will be contingent on ability to monetize data (in a defined regulatory framework) and thence to deploy platforms that make it possible to juggle between public sector-type services and others more suited to the private sphere. Digital technology can now make both types of service compatible and easily modifiable based on degree of maturity and development.

Footnotes:

1 We need to beware of official figures and certain mobile phone penetration rates in excess of 100% that disregard the fact that some people have several telephones.

2 Geoffrey G. Parker, Marshall W. Van Alstyne, Sangeet Paul Choudary, Platform Revolution: How Networked Markets Are Transforming the Economy–And How to Make Them Work for You, New York, W.W.Norton & company, 336 pages, 2016.