

Future of Institutions

DIALOGUE SUMMARY

Title/topic:

Managing Africa's Digital Economy: What Institutions Are Needed?

Organizers:

The African Capacity Building Foundation (ACBF)

Key takeaways:

The digital economy is crucial to Africa's growth and development. In 2020, The World Economic Forum Report estimated that, by 2030, 70% of the wealth created in the world will be through digital platforms. This digital economy could be the key to Africa lifting its population out of poverty. However, Africa's journey to a digital economy that can serve the needs of its people is constrained. This is in part due to the widely independent rules governing different national markets. Consequently, Africa lacks continent-wide identity systems, a high-level economy, e-commerce platforms, and continent-wide interoperability systems. Nonetheless, there is room for hope -- the highest level of African leadership is committed to driving Africa's digital economy. This commitment is captured in the aspirations of Agenda 2063 and the African Continental Free-Trade Area (AfCFTA). Furthermore, there is a concerted effort among Africa's multilateral institutions to attract investment into the sector. Africa's plans to advance the growth of its digital economy and bridge the digital divide will have to consider the following prerequisites:

- Providing a continent-wide inclusive electronic identification system.
- Securing and sustaining leadership buy-in and commitment at the highest political level.
- Creating awareness among citizens in terms of the ability to access digital services that are easy to use and affordable.
- Creating a legal regulating framework and standards to attract investments.
- Ensuring effective coordination given the multiplicity of actors and systems.
- Creating the right business environment for the investors.
- Promoting public-private partnership since government alone cannot command the requisite resources and technological know-how to drive Africa's digital economy.

The challenge(s):

Emerging digital technologies present immense opportunities for an inclusive and rapid socioeconomic transformation across the globe. Societies that quickly embraced these technologies have enjoyed a new source of economic growth, streamlined and efficient public services, and inherent capacity to continue their human, institutional, and national developments. Although digital technology offers equally unparalleled opportunity to Africa to outstrip the digital divide and alleviate lingering social and economic challenges, the continent still has low-level digital capacity and development. Several factors contribute to the shortcoming of digital development in Africa, but chief among them is the absence of capable institutions for digital governance. There is a dire need for transformed and institutionalized leadership and decision-making processes. These processes must create a conducive environment for and prerequisites of a digital economy (e.g., digital infrastructure, digital skills, research and development, cross-

sectorial diffusion of digital applications, cultivation of digital culture). For digital technologies to unlock new pathways for rapid economic growth, innovation, job creation, and access to services, Africa also needs more effective ways to address its increasing cyber risks. What institutions can help effectively drive Africa's digital transformation, and what attributes and capacities should these institutions have?

Insights for the Future of Institutions:

The problem was conceptualized in terms of technology and logistical gaps that defined Africa's economy. As the Dialogue progressed, there was a marked shift from the initial concern with Africa's technological, logistical, and investment deficits, to the specific conditions needed to create a conducive environment. Dialogue participants suggested that African institutions can help drive the needed change by improving the business environment, addressing tax regimes for the digital business, and building public-private partnerships. These institutions must also regulate, coordinate, and harmonize functions. Women-led micro- and small businesses within the emerging digital space must also be nurtured by these institutions. The Dialogue underscored the age-long truth that institutions matter, whether at the national, regional, or continental level. Institutions should be an essential part of the broader conversation. Not just any institution that can assist in bridging Africa's digital divide. The needed institutions should be versatile, technologically well-equipped, and inclusive, especially of female entrepreneurs. Again, there should be institutions that engage in healthy, but not unnecessary and duplicative, competitions such that they can collaborate effectively with state and supra-national institutions.

Solutions:

- *Challenge unhealthy competition and duplication among stakeholders in the digital space.* Together with the Global Forum and the ACBF, the Cyber Capacity Building Project commission by the African Union (AU) seeks to convene all stakeholders or organizations within the cyber capacity-building space, to provide a platform to: exchange ideas about who is doing what, when, and how; better leverage in terms of being able to mobilize, organize, or convene around specific issues; and have a unified view of what is going on in the cyber capacity building space.
- *Promote instant inclusive payment systems in Africa.* This aims to create a level playing field for both internal and external financial institutions to expand payment systems and especially foster payments and transactions for micro-small enterprises headed by women.
- *Define appropriate models.* For example, the digital resources designed by the Togolese government to identify the most vulnerable people during the pandemic is a game-changer idea, which can guide the development of future African institutions for digital transformation.
- *Implement taxation procedures for digital business and economies.* The current taxation architecture does not encourage innovation and growth within the digital space. Therefore, the taxation of digital businesses both startups as well as international global businesses operating in Africa would be a major game changer.
- *Set clear standards* for institutions intervening in the African digital space.

Participants:

- Hemant Adarkar, Artha Global
- Hanae Bezaad, CEO and Entrepreneur
- Ibrahim Mamma Hussein, Economic Commission for Africa
- Bakary Kone, African Capacity Development Foundation
- Daniel Makokera, Moderator
- Carl Manlan, Visa
- Towela Nyirenda-Jere, New Partnership for Africa's Development

- Kevin O'Neil, The Rockefeller Foundation
- Mike Ogbalu III, Afreximbank
- Ify Ogo, United Nations Development Programme
- Daniel Schaer, Estonian Ambassador at Large for Economic Cooperation with Africa
- Landry Signé, Stanford University
- Moctar Yedaly, African Union