

Technology in Africa: Growth Drivers

Increased public and private investment in Africa's Technology sector in recent years has catapulted the continent into a digital revolution. Technology has developed into one of the highest-interest emerging sectors for private investment in Africa. In 2020, investments in technology enabled companies accounted for 55% of the total deal volume recorded in Africa, according to AVCA's 2020 Annual African Private Equity Data Tracker. Sub-Saharan Africa's digital transformation is visible in the rapid growth of internet penetration in the region, which has grown tenfold since the start of the new millennium, compared with only a threefold increase in the same timeframe globally¹. Data from the International Telecommunication Union found there were 106 new internet users every second in sub-Saharan Africa between 2012 and 2017², and the breadth and depth of digital connectivity on the continent is only growing.

In recognition of the catalytic role technology can play in implementing and achieving the African Union's Africa Agenda 2063, various national governments have introduced policy change to enable technological innovation. For example, digital transformation of the economy has become a major objective for the Senegalese government, that launched the "Digital Senegal 2025" strategy in 2016. Other countries such as Kenya (that launched the eCitizen Portal in 2014) and Côte d'Ivoire (that launched their ePassport service in 2008) are harnessing new technologies to maintain public services. These strides towards digitalisation across the continent are gaining international recognition: 8 of the 25 economies identified as outperformers (namely countries with high Global Innovation Index scores relative to their level of economic development) in the 2020 edition of the Global Innovation Index were from sub-Saharan Africa³. The number of tech hubs in Africa has also grown exponentially: rising from 442 active tech hubs in 2018, to 618 in 2019 and reaching a peak of 643 in 2020⁴.

Accompanying this expansion of technology ecosystems across Africa is the potential for digital dividends across several other industries. For example, Information Technology has disrupted and transformed the Agribusiness sector in Africa, which is actively harnessing modern farming technologies such as temperature and moisture sensors, drones and artificial intelligence to enhance farming productivity. Tech-enabling solutions in the consumer discretionary spending space has also facilitated a thriving e-commerce industry in Africa: the IMF report that e-commerce revenues grew by 24% percent in sub-Saharan Africa in 2019⁵. Digital tools also supported many national response efforts to the Covid-19 pandemic. For example, Rwanda monitored patients and delivered essential medical services using anti-epidemic robots, while Nigeria piloted a free e-consultation service enabling citizens to self-assess their symptoms and access local testing services⁶.

Although Africa's digital infrastructure is not as developed as other emerging economies, these infrastructural deficits can present numerous commercial opportunities for investors. For example, African Infrastructure Investment Managers' investment in MetroFibre Network, a South African open access fibre network operator, will help with the company's plans to densify its network in existing areas and expand its offering to an additional 300,000 residential homes across cities and towns nationwide over the next three years. Both the public and the private sectors have a crucial role to play in removing digital growth barriers and modernising policies to encourage investment and innovation throughout the digital infrastructure ecosystem in Africa. The transformative effects of Africa's digital revolution will only benefit the economies that invest in the required infrastructure, introduce commensurate regulatory technology and work to eliminate the cross-regional disparities in the depth and connectivity of digital services across the continent.

Technology was selected by the **2nd** and **3rd** largest proportion of GPs and LPs respectively as an attractive sector for PE investment in Africa over the next three years.

AVCA 2021 African Private Equity Industry Survey

PE & VC fund investments in Technology* in Africa

572

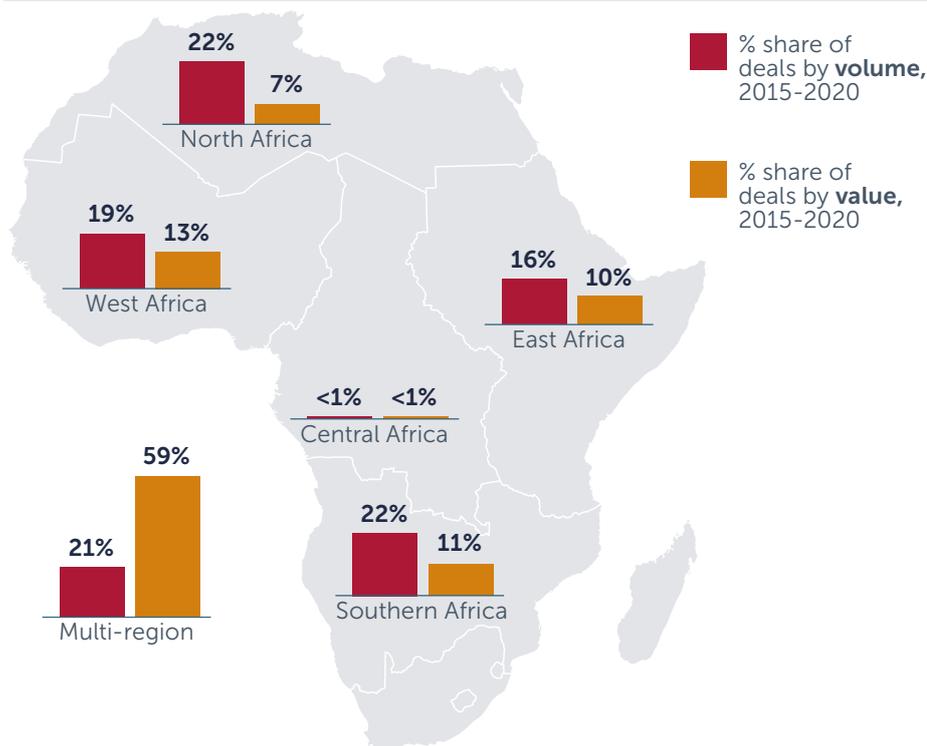
Number of reported PE & VC fund investments in technology in Africa, 2015-2020

US\$6.5bn

Total value of reported PE & VC investments in technology in Africa, 2015-2020

* The technology sector is defined as the category of companies relating to the research, development and/or distribution of technology-based goods and services. It also includes businesses that use existing tools, platforms, libraries, and frameworks to either make a company and/or a solution they provide more efficient or to provide a new service.

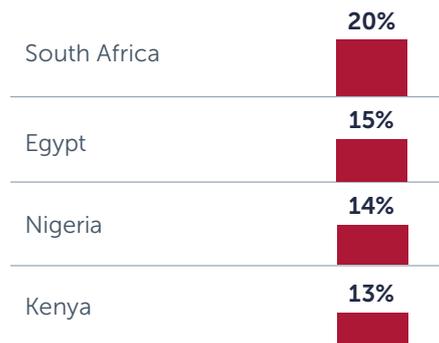
Share of volume and value of PE & VC fund investments in technology in Africa, by region, 2015-2020



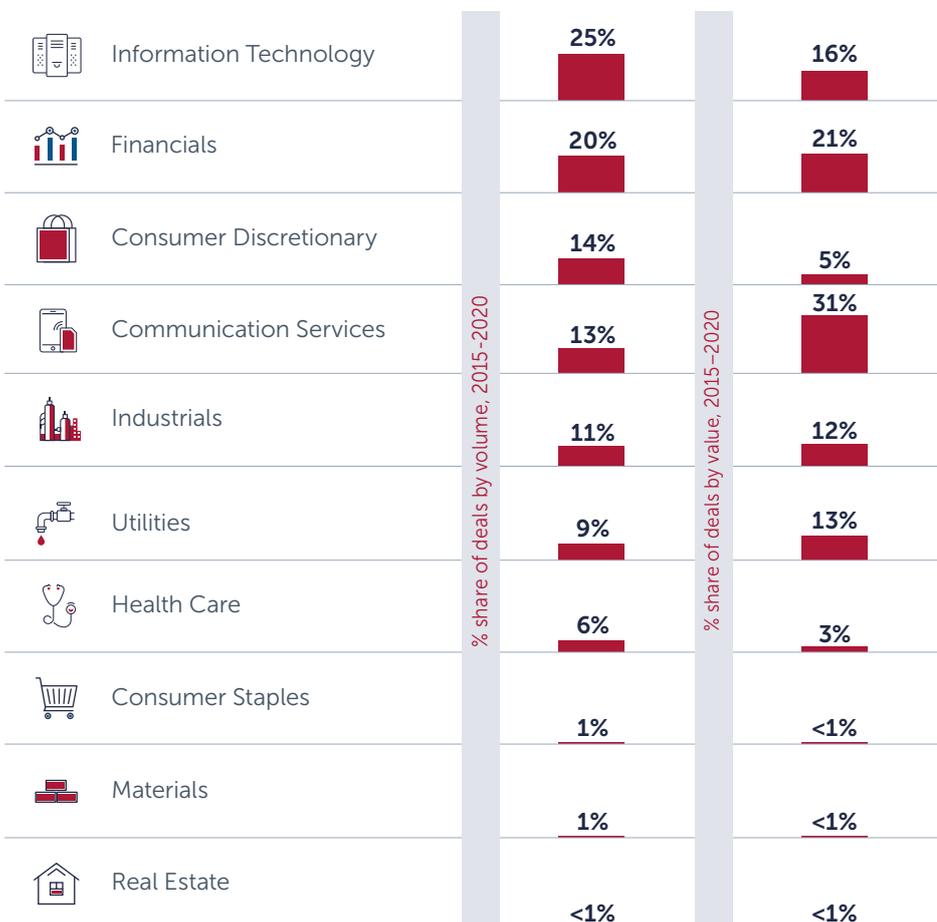
Share of volume of PE & VC fund investments in technology in Africa, by year band



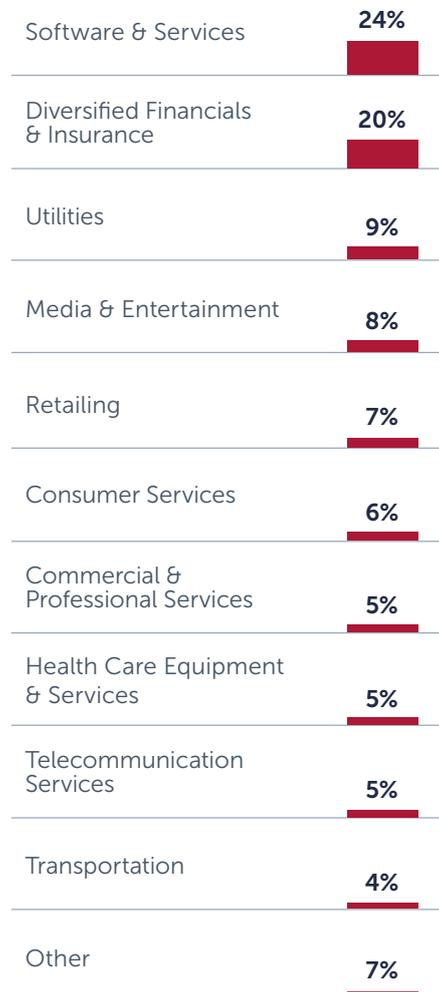
Top investment destinations by PE & VC fund investments in technology in Africa, 2015-2020



Share of number of PE & VC investments in technology in Africa, by sector, 2015-2020



Industry segments of investments made by PE & VC funds in technology in Africa, by share of deal volume, 2015-2020



Selection of PE & VC investments in technology, 2015-2020

| Portfolio company | Sector | Investor(s) | Region | Year of Investment |
|------------------------------|------------------------|--|-----------------|--------------------|
| Buzzkito | Communication Services | AfricInvest | North Africa | 2017 |
| e4 | Information technology | Convergence Partners | Southern Africa | 2016 |
| Global Accelerex | Financials | African Capital Alliance | West Africa | 2019 |
| Inter Africa Transport Forex | Financials | Emerging Capital Partners | Multi-region | 2019 |
| Jumo | Financials | LeapFrog Investments & other investors | Multi-region | 2020 |
| Rack Centre | Information technology | Actis & Convergence Partners | West Africa | 2020 |
| SparkMeter | Utilities | Alitheia Capital & other investors | East Africa | 2020 |
| Thunes | Financials | Helios Investment Partners & other investors | Multi-region | 2020 |
| Wakanow.com | Consumer Discretionary | Alterra Capital Partners | Multi-region | 2018 |
| Zipline International | Industrials | TPG Growth & other investors | Multi-region | 2019 |

Funds

US \$18.1bn

Total value of final closed PE & VC funds in Africa, 2015-2020

Between 2015-2017, technology focused funds represented **2%** of the total value of final closed PE & VC funds in Africa, whereas between 2018-2020 this percentage rose to **7%**

Selection of PE & VC Funds targeting investments in technology in Africa

| Fund Manager | Fund Name | Current Status | Fund Target/ Reported Amount of Final or Interim Close (mn) | Regional Focus |
|--|--|----------------|---|--------------------|
| Argentil Capital Management | Argentil SME Investment Fund | Fundraising | US\$95 | West Africa |
| Cathay AfricInvest Innovation Limited (AfricInvest & Cathay) | Cathay AfricInvest Innovation Fund LLC | Second Close | EUR57 | Pan-African |
| Convergence Partners | Convergence Partners Digital Fund III | Fundraising | US\$250 | Sub-Saharan Africa |
| Goodwell Investments, Alitheia Capital | uMunthu | Final Close | US\$80 | Sub-Saharan Africa |
| TLcom Capital | TIDE Africa Fund | Final Close | US\$71 | Sub-Saharan Africa |

Endnotes

- 1 IMF, 2020. [Digitalizing Sub-Saharan Africa: Hopes and Hurdles.](#)
- 2 IMF, 2020. [Digitalization in Sub-Saharan Africa.](#)
- 3 World Intellectual Property Organisation, 2020. [Global Innovation Index 2020: Who Will Finance Innovation?](#)
- 4 The Africa Report, 2020. [Tech Hubs Across Africa to Incubate the Next Generation.](#)
- 5 IMF, 2020. [Digitalization in Sub-Saharan Africa.](#)
- 6 Ibid.

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Championing Private Investment in Africa

The African Private Equity and Venture Capital Association is the pan-African industry body which promotes and enables private investment in Africa.

AVCA plays an important role as a champion and effective change agent for the industry, educating, equipping and connecting members and stakeholders with independent industry research, best practice training programmes and exceptional networking opportunities.

With a global and growing member base, AVCA members span private equity and venture capital firms, institutional investors, foundations and endowments, pension funds, international development finance institutions, professional service firms, academia, and other associations.

This diverse membership is united by a common purpose: to be part of the Africa growth story.