Op-Ed

South Africa investing in the ICT sector is a no-brainer
By Daryl Swanepoel

Unlike most other sectors across the globe, the ICT sector has flourished during the Covid-19 crisis. The pandemic has completely upended the way people function in the world, with an acceleration in the uptake of digital platforms and services. In South Africa, the total sector revenue (telecommunications, broadcasting and postal) increased by 2% from R238 billion in 2019 to R243 billion in 2020. E-commerce alone grew by 66% in 2020, from R14 billion in 2018 to R30 billion. Although this trend seems to have taken a foothold in emerging markets, post-pandemic growth rates are expected to be more subdued.

The sudden massive transition from largely in-person meetings and transactions to the current trend of online engagement has unleashed a tsunami of Covid-19-fuelled digitalisation. Government, business and individuals have scrambled to implement and streamline digital processes, moving towards a "blended" approach including both in-person and online operating methods. We have been forced to rapidly speed up the pace of technology growth and regulation.

These trends have brought with them many benefits such as economic growth and improved health care systems, opportunities for investment and public-private collaboration. In fact, the South African e-commerce market is set to reach US$7.9 billion by 2027 from US$4.5 billion in 2021. The digital economy represents 15.5% of global GDP, growing two and a half times faster than global GDP over the past 15 years. A 10% increase in mobile broadband penetration in Africa would result in an increase of 2.5% of GDP per capita. Looking at these figures, South Africa investing in digital development becomes a no-brainer.

However, most developing countries, including South Africa, lack the infrastructure and tools to reach those numbers. The exploding demand for data has also shone a spotlight on the many limitations and gaps within the existing information technology framework – key among them being slow-paced infrastructure development, over-regulation, human capital and skills shortages, and digital exclusion. Unlike most metropolitan middle-class homes in the country, more than 10 million households falling within the low disposable income bracket of under R12 000 per month still require access to high-quality Internet fibre. South Africa will have to really look at how it extends the reach of infrastructure beyond just the urban metropolitan areas, to the peri-urban and rural communities. It needs to look at demand-driven supply chain models, technology models, and the vehicles – whether it is subsidisation or investment – that will attract a bigger marketplace, which means higher volume and more revenue.

But for this to work, government needs to streamline currently prohibitive regulations to permit a shorter time to market. As it stands, there is a massive mismatch between what the country needs to do to deliver increased broadband connectivity for all, and what the government requirements are. There is also a plethora of old policies, developed more than a decade ago, which either need review or, the ones that are acceptable, still need to be executed.

A good example is the spectrum debacle. As a crucial part of President Ramaphosa's structural reform programme, ICASA will be auctioning spectrum – the lifeblood of wireless networks – for 4G and 5G broadband services. However, this has been on the cards for years. And while government and business continue to delay industry momentum, more developed nations such as the United States and China are already charging off in the direction of high-speed data services such as 6G.

The State's incapacity and disinclination to move with speed and urgency in a sector with rapidly changing technologies is one of the biggest impediments to growth. Alarming levels of corruption, politically based hiring, insufficient education around best practice, and skills deficiencies in government results in infrastructure not being maintained, and slow, or stalled, service delivery, creating a domino effect of massive revenue and business losses.

There needs to be a conversation about the fundamentals. It is important to have the right people in government in the right positions and with the right skills, and they must be held accountable for delivery. Furthermore, there need to be timeline specific service level agreements, especially from government institutions, to ensure that the operators can effectively deploy the networks in the most profitable and most efficient ways.

Particularly the digital skills shortage in South Africa is a real concern, considering technology touches on every aspect of the economy. If South Africa wants to compete in the global digital economy, it will need to make education a primary concern and beef up the digital skills of its workforce. In other words, it will need to invest in people.

Education trajectories need to move towards teaching technical ability – not only about how to use the devices, but also about what to do with the content that lives on those devices. To teach more market-related skills which can quickly be monetised and allow people to enter and exit the system at multiple points.

But without connectivity, people are excluded from participating in the economic and social networks that are necessary for human development in contemporary society, which is a human right. If the country wants to see a broader economic impact, it will have to drive an inclusive agenda. Government urgently needs to clarify how it will deliver affordable connectivity and devices, and how platforms for local content can be developed to stimulate demand. A digital industrial policy must therefore ensure that benefits are distributed across different types of businesses, their employees, and broader society.

South Africa is part of a global digital community and government would do well to acknowledge that the country is indeed plugged into the rest of the world and needs to conform to universal, acceptable standards in order to keep up with global progress.

There are few low-hanging fruits that can be seized to quickly catapult South Africa into a new growth trajectory. But even though South Africa's structural constraints have limited the development and diffusion of skills and capabilities, the country does have the potential to fast track into the new digital era. With the expected massive growth in the ICT industry, it is safe to say that automation is leading the way on the global stage and is destined to become king in South Africa's digital and economic revolution.

Daryl Swanepoel is Chief Executive Officer of the Inclusive Society Institute. This article draws on the institute's ICT sector dialogue. It forms part of the institute's broader research into the development of a blueprint for the rejuvenation of the South African economy.

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