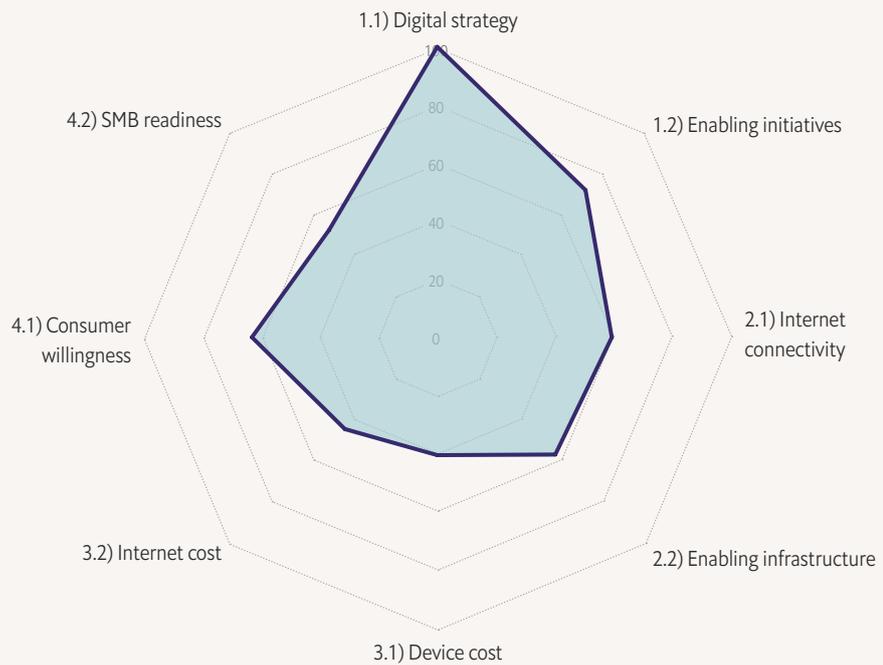


# Kenya

- Kenya receives the highest score for its digital strategy due to a comprehensive plan with budgets earmarked for specific projects.
- Increasing smartphone penetration, with a focus on women and girls, can improve inclusivity.
- Attracting foreign investment can help SMBs overcome obstacles in acquiring funding locally.

**Figure 1: Category-level scores for Kenya**



### The digital Kenyan ‘hustle’

Kenya is one of sub-Saharan Africa’s most diverse economies, with vibrant agricultural and services sectors.<sup>1</sup> Over the past decade, the country has made significant political and economic reforms that have contributed to

sustained economic growth, social development and gains in political stability.

Kenya’s digital economy is the foundation for an empowered society. Known as the *Silicon Savannah*, Kenya’s ICT sector accounts for 7% of the country’s total GDP, becoming a

<sup>1</sup>EIU, Kenya Country Report 2022. Available at: <https://store.eiu.com/product/country-report/kenya>

significant source of economic development and job creation, with spillover effects in many sectors of the economy.<sup>2</sup> Digital platforms can give SMBs (which make up 98% of all businesses in Kenya) the opportunity to enter new markets: “I’ve seen a good number of informal traders who leveraged digital resources to really expand their business”, says Wambura Kimunyu, CEO at Eneza Education. She adds that among other benefits, digitalisation and easy access to information has transformed the lives of Kenyan farmers, while e-commerce has diversified the country’s export markets and ICT has improved the delivery of health services. According to forecasts from The Economist Intelligence Unit, the expansion of broadband internet, e-commerce platforms and financial inclusion fuelled by mobile money platforms will continue to create opportunities in the coming year.<sup>3</sup>

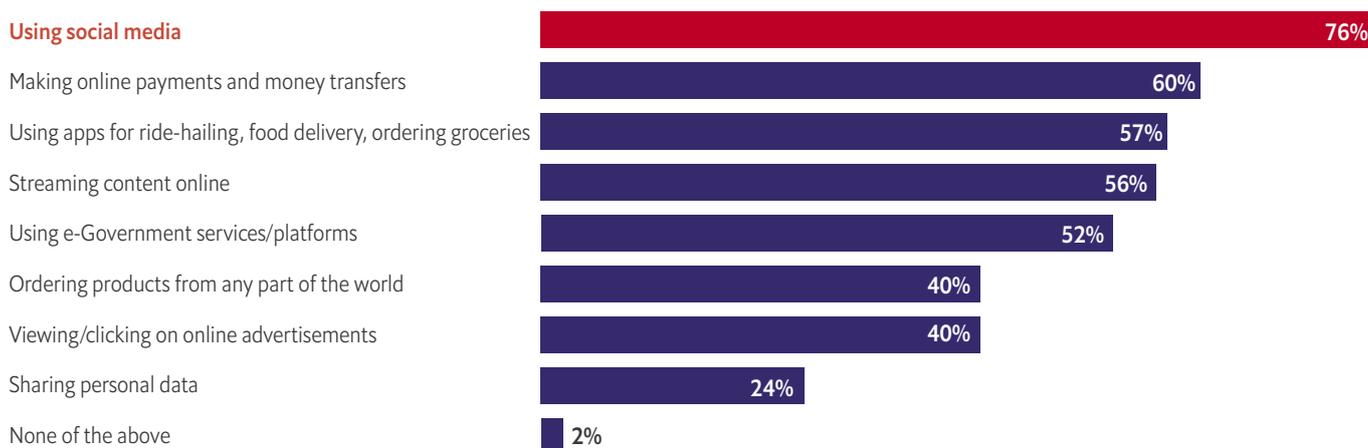
In our assessment framework, Kenya scores well on policy and regulation (85.8 out of 100). The government’s policy support to the digital

economy is evident through tangible plans and investments, and positive outcomes. However, our research shows that much is still to be done in the spheres of consumer and SMB upskilling and protection, with consumer and SMB readiness collectively scoring 57.5 out of 100. In the infrastructure and affordability pillars, Kenya’s scores are weaker at 58.6 and 42.2 out of 100, respectively. These scores suggest that the current state of Kenya’s digital economy is middling, making Kenya ripe with opportunities for further digital progress.

**A growing digital economy needs a skilled workforce**

Gaps in digital skills can limit the use of tools and inhibit business development.<sup>4</sup> Around 40% of surveyed executives point to an overall scarcity of the necessary digital skills in the local workforce as the biggest challenge in participating in the digital economy. A high share of the Kenyan population is already using

**Figure 2: Level of consumer trust in conducting online activities in Kenya**



Source: Economist Impact executive survey, July-August 2022

<sup>2</sup> The World Bank, Kenya Economic Update: Accelerating Kenya’s Digital Economy, 2019. Available at: <https://www.worldbank.org/en/country/kenya/publication/kenya-economic-update-accelerating-kenyas-digital-economy>  
<sup>3</sup> EIU, Kenya Country Report 2022. Available at: <https://store.eiu.com/product/country-report/kenya>  
<sup>4</sup> Dalberg, Kenya’s Digital Economy: A People’s Perspective, 2021, Available at: <https://dalberg.com/our-ideas/kenyas-digital-economy-a-peoples-perspective/#:~:text=A%20Dalberg%20study%20into%20how,digital%20engagement%20for%20all%20Kenyans.>

digital tools for financial inclusion—almost 70% of individuals have a mobile money account—however smartphone penetration is low (35%) suggesting an overreliance on low-functionality feature phones.

Despite having comprehensive government-led plans to address digital skills gaps at all levels, and for teachers, these efforts have not yet translated into a workforce with the skills necessary to capitalise on this infrastructure. Only 33% of executives surveyed in Kenya say that their workforce is completely ready, while about 46% say they are moderately ready. Training initiatives are deemed insufficient and the government is unable to keep pace with rapid evolution in the digital space.<sup>5</sup> To fully benefit from Kenya's digital economy, existing gaps need to be bridged through greater investments aimed at developing human capital.<sup>6</sup> Experts interviewed for this research believe that the private sector should be engaged to deliver on this, and that people can also learn from community needs.

### **Instilling trust to promote participation**

Trust is also essential for an inclusive digital economy. According to Shikoh Gitau, CEO at Qhala, there is a degree of consumer and SMB ignorance regarding the risks involved in the digital economy, such as identity fraud. While Kenya has the second highest score relative to other countries in this report regarding levels of trust in conducting different online activities, over 70% of consumers recognise the risk of identity theft as a leading concern when participating in the digital economy. Indeed, consumers in Kenya felt least secure sharing

personal data (only 24% feel secure doing so compared with 76% who feel secure using social media). Combined with low levels of digital skills, this leads to general distrust, which hampers deeper engagement with the digital economy. Around 34% of consumers surveyed feel restricted by the risk of cyberattacks and fraud, considering this a main challenge to accessing the digital economy.

These issues (including online harassment) impact internet safety and play on consumers' vulnerabilities which, according to Shikoh Gitau, form the basis of the digital divide. Despite the presence of data protection legislations in Kenya (e.g. Data Protection Act, 2019), there is room for improvement.

### **Funding challenges are holding back the digital economy**

In its National Digital Master Plan 2022-2032, Kenya's government covers innovation, entrepreneurship and businesses. However, regulations are not equally spread across sectors and conflicting priorities hold the government back from properly supporting digital businesses: "It is a divided government. One arm of the government actually supports entrepreneurship, but on the other they tax everything", explains Ms Kimunyu. She states that different sectors are at different levels of digital expansion: telecommunications, retail and creative industries are considered quite successful, while education and insurance lag behind.

The main challenges are related to access to funding: about half of SMBs surveyed find funding applications too complex or lengthy

<sup>5</sup> Economist Impact interviews with Shikoh Gitau, Qhala and Wambura Kimunyu, Eneza Education.

<sup>6</sup> Dalberg, Kenya's Digital Economy: A People's Perspective, 2021, Available at: <https://dalberg.com/our-ideas/kenyas-digital-economy-a-peoples-perspective/#:~:text=A%20Dalberg%20study%20into%20how,digital%20engagement%20for%20all%20Kenyans.>

while interviewees said that SMBs within the digital economy find it difficult to access funding.<sup>7</sup> They suggest that, if local financing institutions, such as banks, considered digitalisation a priority, they would be more likely to cater to SMBs with funding for digital activities. “We need to design the right instruments and facilitate the right context to grow local funding for digital businesses”, says Ms Kimunyu.

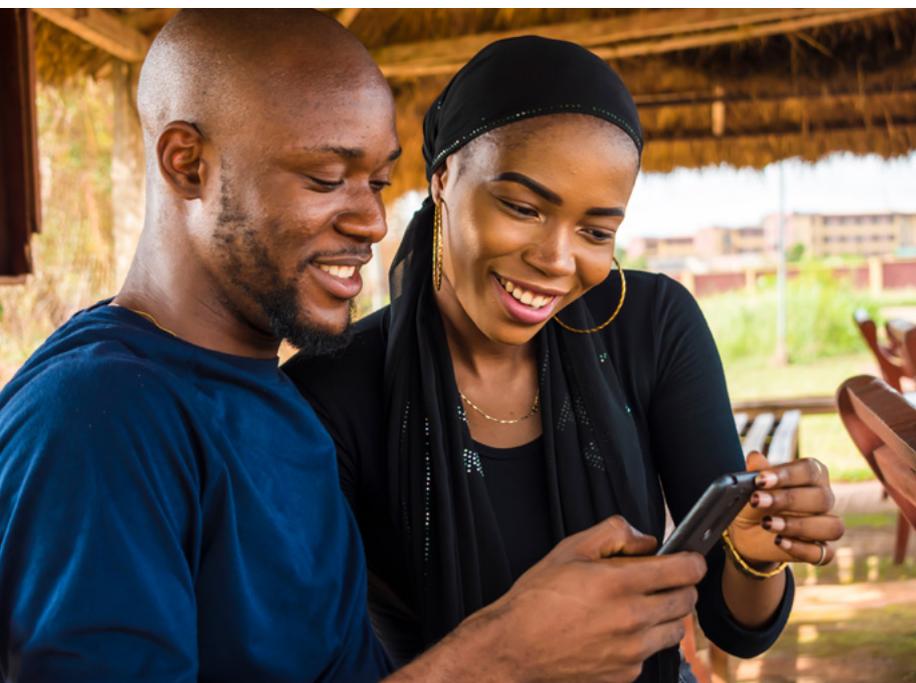
### Cultural gender norms impact inclusivity

As in many countries, cultural norms in Kenya influence the current state of inclusivity in the digital economy. About 50% of surveyed consumers agree that men are able to access

and participate in the digital economy more easily than women. Ms Kimunyu explains how traditional family and gender roles determine who can access the digital economy and how. “As boys and girls grow older and you ask them what kind of device they have access to, you will find that the 15-year-old boys will maybe have a smartphone, whereas the girls will still have a basic non-internet phone”. With a population that is over 50% female,<sup>8</sup> this is a crucial segment that needs to be brought into the digital economy.

Efforts from the private sector are needed and there is progress. For example, Safaricom, the largest telecommunications provider in Kenya, partnered with technology giant Google to launch the Maisha Ni Digital (“Life Is Digital”) campaign in 2019.<sup>9</sup> The campaign aims to address the top three barriers preventing women’s digital inclusion: access to internet-enabled handsets, limited digital skills and relevance of digital content.

Kenya has made remarkable progress in enabling the growth of a digital economy, from developing strategic plans to investing in infrastructure and significantly improving its affordability and reach. However, efforts are needed to build adequate capacity, protect users from the risks posed by digital technologies, extend support to all sectors of the economy and overcome restraining cultural biases. A more comprehensive data governance framework would allow for enhanced trust among consumers and SMBs, while targeted investments can bridge infrastructure and human capital gaps.



<sup>7</sup> Economist Impact interviews with Shikoh Gitau, Qhala and Wambura Kimunyu, Eneza Education.

<sup>8</sup> <https://data.worldbank.org/indicator/SP.POP.TOTL.FE.ZS?locations=KE>

<sup>9</sup> <https://www.gsma.com/mobileforddevelopment/resources/safaricom-maisha-ni-digital-campaign/>; <https://www.safaricom.co.ke/media-center-landing/press-releases/safaricom-launches-third-edition-of-maisha-ni-digital-campaign>

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