

Scoping of the Socio-Economic and Political Impacts of AI across Africa

Productivity and Economic Transformation Policy Brief

December 2025

# PRODUCTIVITY ENGINE OR DIGITAL MIRAGE?

## AI's Potential for Economic Transformation in Africa



### The Economic Imperative

**Africa stands at a precarious economic crossroads.** While growth is projected to accelerate to 4% by 2026, these gains are set against a backdrop of structural fragility: shrinking Official Development Assistance (projected to fall by 40-60% by 2030), dependence on primary commodities, and low industrial bases<sup>1</sup>.

**Productivity gains are critical for Africa to reduce poverty, create jobs, achieve sustainable growth, and build resilience against shocks.** Productivity is a measure of the efficiency with which a country combines capital and labour to produce more with the same level of inputs. Increasing productivity ultimately enables higher wages, aids economic growth, increases profitability and boosts tax revenues.

<sup>1</sup> African Development Bank Group (2025). African Economic Outlook 2025 - Africa's short-term outlook is resilient despite growing economic and political headwinds. Available [Here](#); Dalberg (2025) Our Five Year Projections on Overseas Development Aid Funding. Available [Here](#).

<sup>2</sup> IDRC and Genesis Analytics (2024). AI in Africa: The state and needs of the ecosystem. Executive Summary. Available [Here](#).



**Artificial Intelligence (AI) has been touted as a possible solution to Africa's productivity challenge.** AI, with its capacity to boost productivity across sectors, presents a powerful engine for economic transformation. AI adoption in key sectors can drive significant productivity gains, leading to Gross Domestic Product (GDP) growth and enhanced global competitiveness. Projections indicate AI could inject \$2.9 trillion into African economies by 2030, equating to a 3% annual increase in GDP<sup>2</sup>.



## Flying Blind

However, there is major uncertainty of how, or even if, this productivity dividend will be realised. While 40% of surveyed African institutions have started experimenting with Generative AI, we have almost no rigorous evidence that this adoption is translating into economic productivity.

General forecasts fail to capture the granular realities of the impact of AI adoption across Africa. A deeper and more nuanced understanding is required to examine the potential productivity impacts for African economies. Without evidence, we risk a Productivity Paradox, where massive investments in digital tools yield limited impact on GDP, leaving African economies burdened with the cost of technology but none of its dividends.

To define a clear path forward, we consulted key stakeholders and experts across policy, academia, and civil society. In the process, the following priority research questions were uncovered:

1. What is the net productivity impact of AI across Africa, and which sectors are likely to emerge as the primary drivers of this growth?
2. What is the impact of AI technology adoption on firm-level performance indicators, including productivity, operational efficiency, and innovation, within key African sectors?
3. What is the impact of AI on the productivity of Africa's MSMEs and individual workers and their resulting contribution to macroeconomic growth?

<sup>3</sup> McKinsey (2025). Leading, not lagging: Africa's gen AI opportunity. Available [Here](#).

<sup>4</sup> AUDA-NEPAD (2025). AI and the Future of Work. Available [Here](#).



## From Evidence to Leverage

Right now, many African policymakers are reacting to global AI trends. Answering these questions flips the dynamic, giving us the agency to proactively shape the outcome. The evidence can serve as critical inputs for key shifts, including but not limited to:



### Precision Industrial Policy

Currently, industrial strategies are relying on broad adaption trends rather than economic impact data. By isolating AI's specific contribution to Total Factor Productivity (TFP) and labour growth, this research empowers Finance Ministries to shift incentives away from generic "digital adoption" toward specific sectors where evidence proves AI drives genuine gains.



### Building Investment Cases

Investment promotion agencies currently lack the hard data to back up the 'Africa AI' narrative beyond agricultural case studies. By generating firm-level panel data on Return on Investment (ROI), operational efficiency and innovation, this research provides the verified business case needed to attract high-quality Foreign Direct Investment (FDI) into critical growth sectors such as mining, telecommunications, banking, retail and more.



### Supporting Small Businesses

Policymakers risk regulating Micro, Small and Medium Enterprises (MSMEs), which constitute 85% of Africa's workforce, based on assumptions rather than reality<sup>4</sup>. If research shows that specific AI tools actually impact MSME turnover or success rates in loan applications, regulations can be better designed to empower businesses to harness these technologies.



## How to Participate

We are soon to announce the researchers who will be tasked with solving these puzzles. These researchers will be building the evidence base Africa needs.

### Follow the launch:



#### Explore the Research Agenda

Review the full report by Genesis Analytics for a detailed methodology, the underlying research, and an expanded view of our thematic focus for the call for research.



#### Stay Tuned

The awards announcement is imminent. Visit the [Genesis Analytics LinkedIn page](#) and the [IDRC website](#) for more information about the call for research.



#### Follow Along

Look out for similar briefs on our other research themes:

- ▶ Productivity and Economic Transformation
- ▶ Poverty and Inequality
- ▶ Global Inequality and AI Colonialism



#### Engage

As these projects launch, we encourage the private sector and civil society to participate in data sharing and interviews to ensure this research reflects the ground reality.



## Closing the Knowledge Gaps

To close these critical knowledge gaps, the [International Development Research Centre \(IDRC\)](#) and the UK's [Foreign, Commonwealth and Development Office \(FCDO\)](#), through the [Artificial Intelligence for Development \(AI4D\)](#) programme, have launched a research initiative designed to produce actionable, localised evidence. This initiative is supported by diagnostic research from [Genesis Analytics](#).

We have designed a specific research agenda across four thematic focus areas, of which [productivity and economic transformation](#), the focus of this brief, is one. This initiative will empower African researchers to answer the questions that will define the continent's position in the global digital economy. We cannot afford to wait. The window to set the rules for the AI economy is closing. Let us ensure Africa holds the pen, not just the paper.