

Cryptocurrencies for Africa's development?

Digital cryptocurrencies are difficult to understand for laypeople. They are becoming increasingly popular in Africa. Some experts consider them too risky; others see them as a means for Africa's development.

HOW CRYPTOCURRENCIES WORK?

They are a kind of virtual money and can be used for transfers and to buy goods and services with those who also have a "digital wallet" in the same currency. You can also buy "real" money for them on exchanges. Encrypted codes are used to create currency units and for all transactions. Hence the name crypto. They are independent of banks and other payment institutions and have no central control. Bitcoin was created in 2008. It was the first and is still the most popular cryptocurrency. Meanwhile, there are nearly 6000 other currencies, such as Ethereum or Litecoin.

WHERE IN AFRICA ARE THEY USED?

Some African countries have allowed the use of cryptocurrencies. South Africa is the country with the highest use of cryptocurrencies. 13 % of internet users between the ages of 16 and 64 own cryptocurrencies. In Nigeria, the figure is 11 %. They are also traded in Ghana, Kenya and Egypt. The Central African Republic recently adopted Bitcoin as its official currency and requires merchants to accept it; although only 11% percent of its 5 million residents have access to the Internet and only 14% of the population has access to electricity. A Bitcoin exchange has been established in Zimbabwe. The Kenyan company Bitpesa uses Bitcoin for international remittances.

WHY ARE THEY SO POPULAR IN AFRICA?

High inflation rates

In countries with high inflation rates, the risk of losing money due to high fluctuations in cryptocurrencies seems to many to be lower than the losses due to devaluation of the national currency.

Cheap foreign remittances

Migrants from sub-Saharan Africa remit billions of dollars annually to their home countries to support their families or invest in the local economy. Foreign remittances often incur high fees; with Bitcoin, they are lower.

Digital transfers are normal

Paying by cell phone or smartphone is quite normal in many African countries. That's why people have fewer reservations about new payment methods such as cryptocurrencies. Especially young tech-savvy Africans show great interest and create new economic opportunities for themselves.

No banks - No ATMs - No account

People in rural areas often do not have access to banks or ATMs or cannot open an account. Cryptocurrencies offer them an alternative.

WHAT ARE THE OBSTACLES AND RISKS?

- In many countries, power supply and internet access are highly erratic.
- Cryptocurrencies compete with other digital payment options.
- Many central banks are critical of cryptocurrencies because they could destabilize official currencies. In some countries, such as Morocco, they are banned.
- In most African countries, cryptocurrencies are not regulated and have no clear legal status. Nigeria is one of the first countries to legalize cryptocurrencies and enact guidelines for their use.

Elevated Risk

Cryptocurrencies are highly volatile and subject to major price fluctuations. The example of El Salvador shows how great the risk is when a state invests in cryptocurrencies on a large scale. It was the first country to declare Bitcoins a legal tender and invest taxpayers' money in them in June 2021. When the cryptocurrency lost almost half of its value in recent months, the country was threatened with national bankruptcy.

Environmental Damage

The huge computer centres where new currency units like gold are "mined" and transfers are calculated consume vast amounts of electricity. The cheap electricity consumed in China from coal for cryptocurrencies alone, is almost as high as the entire electricity consumption of Italy.

Privacy

Every transaction is digitally recorded forever through blockchain technology. All transactions would be accessible by anyone who knows the technology. Cryptocurrencies are often used for criminal activities. States use them to evade international sanctions.

Africa "is one of the most promising regions for the adoption of cryptocurrencies." Finanzen.de

- Bitcoin- US\$20,315.03 (down by 0.83%)
- Ethereum- US\$1087.32 (down by 1.59%)
- Tether- US\$0.9989 (up by 0.01%)
- USD coin- US\$0.9999 (down by 0.07%)

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Sources:

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