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Opportunities in the Rising Data Centre Economy in Africa

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Key Takeaways

01 Data Centres (DCs) are the backbone driving Africa's growing digital economy, providing services such as colocation, managed and security services, infrastructure as a service, platform as a service and business continuity and disaster recovery among others. The industry is expected to grow by 17.5% over the next one year.

02 Africa's data centre landscape is emerging, mainly driven by rising internet penetration, growing data consumption, data sovereignty regulations, and overcapacity in Europe.

03 According to data centre map, there are 224 data centres in Africa and South Africa, Egypt, and Nigeria are leading this transformation.

04 Data centres have multiplier effects on the economy directly adding to the GDP in construction and ICT sectors, generating tax revenue for the government, and stimulating aggregate consumption.

05 Nigeria's data centre capacity is projected to grow six-fold to 400MW by 2030, contributing approximately $17 million to economic output for every $10 million invested and strengthening the country's position as West Africa's leading digital gateway.

06 As demand for the internet, web and application hosting, collocation and AI services continue to grow, the data centre market is projected to surpass $7 billion by 2028, with expanding opportunities in edge computing, cloud computing, green DCs, and low-cost hyperscale DCs.

07 African governments can boost data centre investments by addressing key challenges such as power instability, skilled talent shortages, uneven fibre distribution, land availability, and foreign exchange access.

08 Verraki (a member of Andersen Consulting) partners with organisations to design, build, migrate, and assess Africa-fit data centres.

Africa hosts just 1% of global data centre capacity, yet accounts for 17% of the global population and 3% of global GDP. Africa has the youngest population in the world, with 70% of sub-Saharan Africa under the age of 30. Africa's data centre landscape is emerging, mainly driven by rising internet penetration, young demographics, expanding digital economy, growing data consumption, and data sovereignty regulations. From a modest 6% in 2010, internet usage in Africa climbed to 37% in 2023. The growing internet penetration in Africa drives increased demand for data storage, cloud services, and digital infrastructure, creating significant opportunities for data centre businesses to expand.

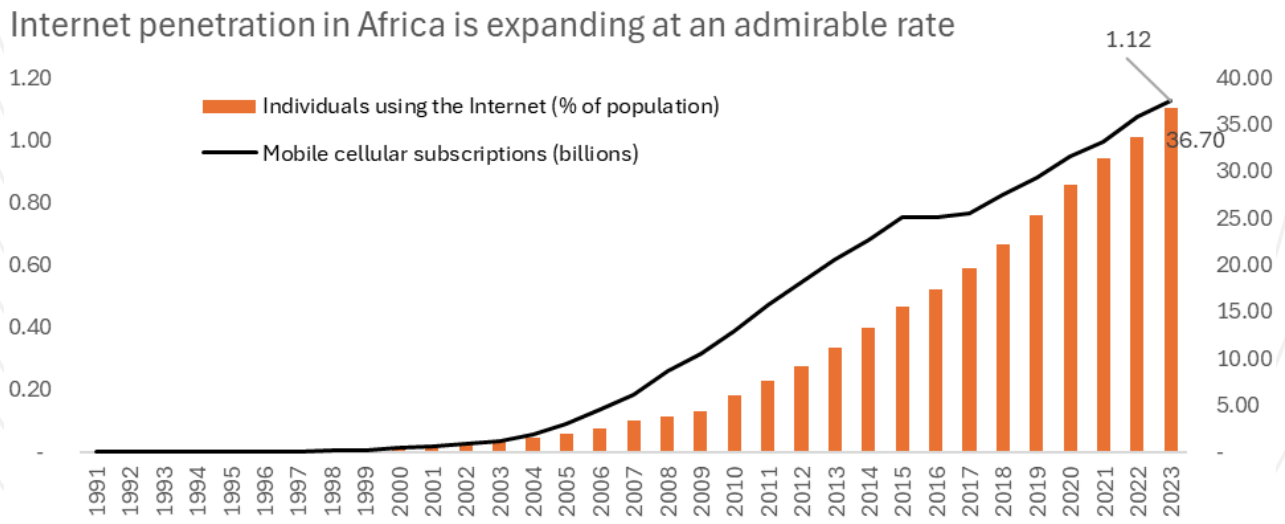


Figure 1: Growth in internet penetration in Sub-Saharan Africa
Source: The World Bank

This steady growth supports the development of local data centres to meet the rising needs of businesses, governments, and consumers for reliable, low-latency services. It is also a key attraction for global tech companies to invest in Africa's digital infrastructure, fostering job creation, technological innovation, and improved connectivity across the continent. As digital adoption increases, DCs will play a critical role in supporting Africa's digital economy, making the continent a key market for expansion in the sector.

Data Centres (DCs) are the backbone driving Africa's growing digital economy, providing data storage solutions, website and application hosting, and data recovery. The industry is expected to grow by 17.5% over the next one year. DCs are essential infrastructure for contemporary businesses and governments, offering secure and reliable digital data storage, processing, and management. Businesses can own data centres or outsource them to third-party service providers known as colocators. These providers offer colocation and cloud services, giving companies a range of control options over their infrastructure and data usage based on their specific needs.

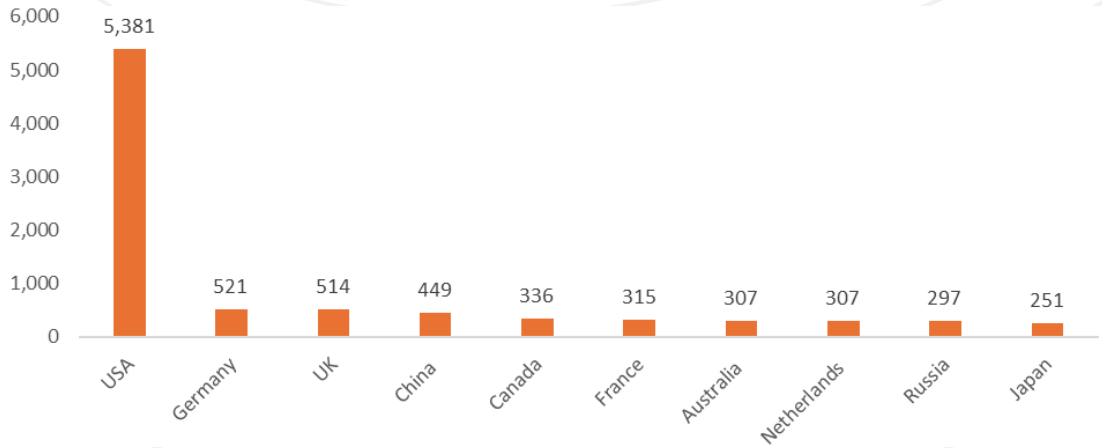


Figure 2: Leading countries by number of data centres in 2024
Source: Statista

Regions like North America, Europe, and Asia-Pacific dominate the market, but emerging economies in Africa and Latin America are increasingly attracting investment due to rising internet penetration and the push for digital transformation. The United States of America is home to most of the world's largest hyperscalers, including Amazon (AWS), Microsoft (Azure), Google (Google Cloud), Meta, Oracle, IBM, etc. These companies have extensive data centre networks to support their global operations.

What problems do data centres solve?

DCs increasingly support the cloud-based applications that consumers depend on for everyday activities like banking, work collaboration, entertainment, and navigation. During the COVID-19 pandemic, data centres played a crucial role in enabling remote work despite strict lockdowns. Some of the key functions of data centres include:

01 **Colocation**
They provide safe and reliable storage space for critical business data, compressed files, documents, databases, and sensitive information.

02 **Infrastructure as a Service (IaaS)**
Many businesses offer cloud services, including storage, processing, and development platforms hosted on their DCs. Customers avoid capital expenditure and pay only for what they use.

03 **Managed Services**
DC operators manage customers' IT infrastructure, including monitoring, backup, disaster recovery, and security. They let businesses focus on core operations while outsourcing infrastructure management.

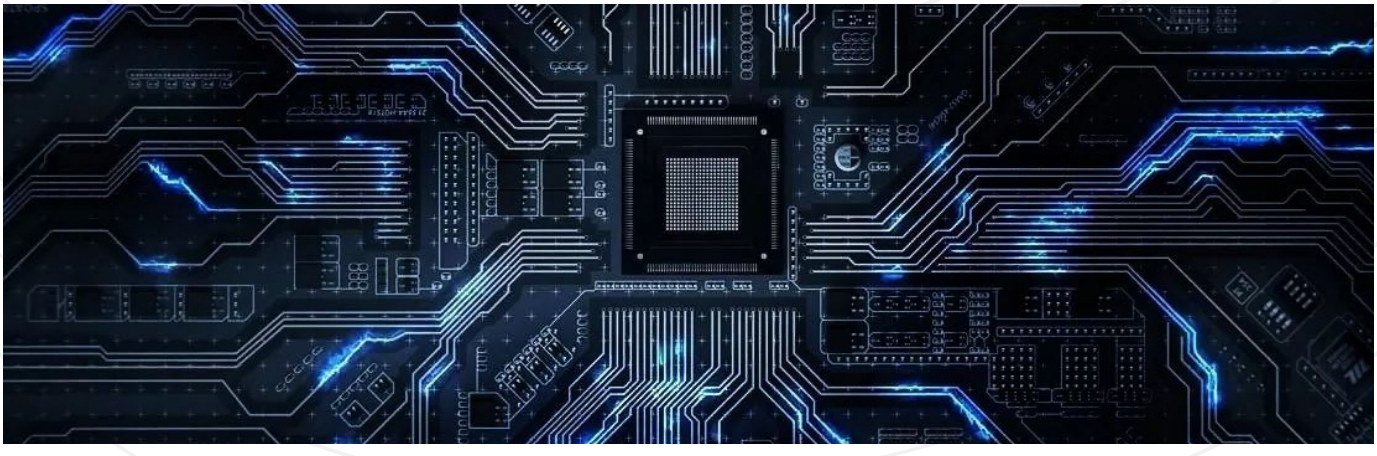
04 **Platform as a Service (PaaS)**
They provide ready-to-use environment for developers to build, test, and deploy applications. This eliminates the need to manage underlying hardware and operating systems.

05 **Security Services**
DCs offer cybersecurity, firewalls, intrusion detection, protection against distributed denial of service (DDoS) attacks, and compliance support.

06 **Business Continuity and Disaster Recovery**
They provide data backup services, permitting organisations to create safety copies of important data, and reinstate it in the event of loss or damage.

07 **Teleport Services**
DCs enable satellite connectivity by linking ground stations with data centre networks for broadcasting, remote communications, and underserved regions.

08 **AI as a Service (AIaaS)**
DCs provide access to Artificial Intelligence tools, pre-trained models, and computing power through the cloud, enabling businesses to deploy AI capabilities such as machine learning, and natural language processing without heavy infrastructure investment.



What are data centre tiers?

These are systems used to describe specific kinds of data centre infrastructure in a consistent way.

Type	Focus
Tier One	This has a single path for power and cooling. It has an expected uptime of 99.671% (28.8 hours of downtime annually).
Tier Two	This has a single path for power and cooling and some redundant and backup components. Expected uptime of 99.741% (22 hours of downtime annually).
Tier Three	It has multiple paths for power, cooling and systems to update and maintain it without taking it offline. Expected uptime of 99.982% (1.6 hours of downtime annually).
Tier Four	This has complete fault tolerance and redundancy. It has a very high expected uptime of 99.995% (26.3 minutes of downtime annually).

Source: Hewlett Packard

How does data centre business model work?

The data centre business model revolves around providing infrastructure and services to store, process, and distribute data. The core components of a typical data centre include:

- **Types of Data Centres:** Enterprise data centre, On demand data centre, Hybrid data centre and Cloud data centre.
- **Revenue Streams:** Data centres generate revenue through various channels, including rental fees, service fees, cloud usage charges, and value-added services.
- **Cost Structure:** The cost structure of data centres includes infrastructure costs, operational expenses, compliance, and security.
- **Scalability and Flexibility:** Data centres must be designed to scale efficiently to accommodate growing demand. This involves modular design, cloud integration, etc.
- **Market Positioning and Partnerships:** Data centre operators often seek to differentiate themselves through geographic location, partnerships, and niche markets.
- **Future Trends:** The rise of edge computing, sustainability initiatives, and artificial intelligence in data management will largely shape the future of data centres.

Key players in the global data centre value chain

Data centres are made up of players across four segments, which include.

Current state of the data centre landscape in Africa

The data centre landscape in Africa is evolving rapidly, driven by increasing demand for digital services, improved connectivity, and significant investments from local and international players. According to data centre map, there are 224 data centres in Africa and South Africa, Egypt, and Nigeria are leading this transformation.

Figure 3: Africa data centre landscape
Source: Data Centre Map

The data centre landscape in Africa is emerging in terms of size, players, and capabilities. Major players are showing increasing interest in entering or expanding their cloud services within the region. In 2021, Open Access Data Centres (OADC) announced plans to invest about $500 million in establishing and operating new data centres in Africa over the next five years. MTN Nigeria recently announced that the company is currently building a 1,500-rack Tier 4 data centre to meet the growing data demands and digital needs of businesses and consumers. Similarly, Airtel Africa's Nxtra data centre project in Nigeria is expected to be live by the first quarter of 2026. The facility will be the first of five hyperscale DCs to be developed by Airtel Africa on the continent. Equinix has also committed to invest $390m in data centres in Africa over the next five years.

While the pace of digital transformation in Africa may not match that of the advanced nations, certain African countries are making notable strides in upgrading their digital infrastructure, driving demand for data services across the region.

Country	Active data centres	Upcoming data centres	Market Size Current (2023) $million	Market size (forecast 2029) $million	Growth Potential (%)	Key players
South Africa	56	11	68	2280	3700	Teraco, Africa Data Centre, Dimension Data (NTT)
Egypt	15	2	73	184	513	Raya, Africa Data Centre, Orange
Morocco	12	1	79	27	51	N+ONE, Etix, Orange
Nigeria	17	9	109	230	415	MainOne, 21st Century, Africa Data Centre
Kenya	19	3	77	227	440	I-Colo (Digital Realty), Africa Data Centre, Telkom Kenya

Table 1: Major African data centres market dynamics
Source: Arizton

What is the data centre economy?

Data centre economy refers to the economic ecosystem formed around data centres including their construction, operation, supply chains, workforce, enabling digital services, and the downstream effects they have on industries, innovation, jobs, infrastructure, etc. They are the beating heart of the internet and cloud computing, powering everything from social media and e-commerce to AI and banking etc.

What makes up the data centre economy?

Capital Investment: Building a data centre requires large upfront cost: land, construction, servers, cooling and power infrastructure, redundancy, and security.

Energy and Cooling Infrastructure: Because servers generate heat and consume lots of power, data centres depend heavily on energy supply and cooling capabilities. Energy cost and energy efficiency are major determinants of sustainability and profitability.

Workforce and Skills: A mix of construction jobs, engineering, IT operations, maintenance, security, facility management etc. There are also induced jobs in the wider economy through supply chain and consumer spending.

Supporting Infrastructure and Services: This includes telecommunications (fibre, connectivity), power grids, water supply, real estate, cooling systems, backup power, regulatory frameworks, tax incentives, etc.

05 **Enabling Innovation and Digital Economy:** Data centres enable other sectors like cloud computing, AI, fintech, e-commerce, streaming, etc. This allows economies to leverage data-intensive services, scale digital transformation, innovation, and research.

What is the economic impact of data centre economy?

01 **Job creation:** DCs generate both direct and indirect jobs across various sectors of the economy. In Malaysia, DCs created over 4,000 jobs in 2024 and projects to support 30,900 jobs by 2030.

02 **Boost economic output and growth:** DCs drive higher GDP growth and positions economies for competitiveness in the digital age. The U.S. data centre industry's direct contribution to U.S. GDP increased 53% between 2017-2021, from $89 billion to $136 billion.

03 **Infrastructure development:** To support data centres, regions often must improve power generation and grid stability, cooling systems, connectivity. In 2024, Teraco started building a 120 MW solar PV plant in South Africa, which is expected to supply energy to its data centres across the country by 2026.

04 **Tax revenue:** Data centres can generate significant revenues for the federal, state and local governments. In 2020, Loudoun County, Virginia collected $330 million in tax revenue from data centre equipment, a figure projected to reach $1.37 billion by 2026.

05 **Investment magnet:** Data centres attract investment, Private equity, REITs, and governments are pouring billions into data centre development.

Challenges and Risks

01 **Energy consumption and environmental impact:** Data centres consume large amounts of electricity, often from non-renewable sources, and require cooling and water. This leads to a significant carbon footprint and sometimes water issues.

02 **Cost of energy & utilities:** Rising energy costs can drastically affect operating costs. In many places, energy infrastructure or electricity supply may not be reliable or cheap, which adds to costs or risk.

03 **Regulatory risk:** Zoning laws, environmental regulations, tax policy, incentives all matter; delays or uncertainty can deter investment.

04 **Sustainability/green credentials:** Pressures to adopt renewable energy, reduce water usage, improve cooling efficiency. Some jurisdictions may impose carbon or emissions regulation, which data centres must anticipate.

Opportunities in the Data Centre Economy

01 **Rising demand from AI and digital services:** Explosive growth of AI, cloud, streaming, fintech, and IoT is driving demand for more data centres, creating investment opportunities.

02 **Infrastructure investment:** Significant capital inflows will be needed for construction, power, cooling, fibre connectivity, and real estate. This creates opportunities for investors, contractors, utilities, and technology providers.

03 **Regional competitiveness:** Countries or cities that offer affordable energy, supportive regulation, tax incentives, and strong connectivity can attract large-scale data centre FDI, boosting local economies.

04 **Job creation and skills development:** High-quality jobs in engineering, ICT, cybersecurity, operations, and facility management will expand, alongside training and upskilling opportunities.

05 **Ecosystem growth:** Data centres act as anchors, stimulating adjacent sectors like telecoms, cloud services, cybersecurity, and smart infrastructure.

06 **Policy & Governance:** Governments can leverage the data centre economy to drive digital transformation strategies, strengthen data sovereignty, and enhance fiscal revenues.

07 **Sustainability & Green Tech:** The pressure to reduce carbon footprint opens opportunities in renewable energy supply, energy-efficient cooling systems, water reuse technologies, and carbon-neutral data centre solutions.

What is the impact of $10m spend on data centre on the economy?

On average, it costs about US$10-15 million per MW to build "modern", Tier-III quality data centres. To put this in perspective, Open Access Data Centres (OADC) is building a 24 MW Tier III facility in Lagos at a cost of US$240 million. Investment in data centres have a multiplier effect (direct, indirect, induced and spillovers) on the economy. A $10 million spend on data centres has a direct impact through expansion and operational activities. It creates jobs for engineers, contractors, and IT staff, while also generating immediate demand for cooling systems, servers, and energy infrastructure. This spending directly adds to the GDP in construction and ICT sectors, generates tax revenue for the government, and stimulates aggregate consumption.

The table below shows a hypothetical example of the multidimensional economic impacts of a $10 million data centre investment in Nigeria.

Economic impact of a US$10 million 1 MW Investment in Tier-III Data Centre in Nigeria

Year	CAPEX (US$)	Capex Economic Output (US$)	OPEX (US$)	OPEX Economic Output (US$)	Construc-tion jobs	Operation Job (FTEs)	Indirect Jobs	Total Jobs	Wages Earned (US $)	Tax Revenue (US $)	Cumulative Economic Output (US$)	Consum-ption Spending (US$)
0	10,000,000	17,000,000	-	-	700	-	280	980	2,800,000	616,000	17,000,000	2,240,000
1	-	-	1,000,000	1,700,000	-	25	10	35	500,000	110,000	18,700,000	400,000
2	-	-	1,000,000	1,700,000	-	25	10	35	500,000	110,000	20,400,000	400,000
3	1,000,000	1,700,000	1,000,000	1,700,000	70	25	38	133	500,000	110,000	23,800,000	400,000
4	-	-	1,000,000	1,700,000	-	25	10	35	500,000	110,000	25,500,000	400,000
5	-	-	1,000,000	1,700,000	-	30	10	40	600,000	132,000	27,200,000	480,000
6	1,000,000	1,700,000	1,000,000	1,700,000	70	30	38	138	600,000	132,000	30,600,000	480,000
7	-	-	1,000,000	1,700,000	-	30	10	40	600,000	132,000	32,300,000	480,000
8	-	-	1,000,000	1,700,000	-	30	10	40	600,000	132,000	34,000,000	480,000
9	1,000,000	1,700,000	1,000,000	1,700,000	70	30	38	138	600,000	132,000	37,400,000	480,000
10	-	-	1,000,000	1,700,000	-	30	10	40	600,000	132,000	39,100,000	480,000

Assumptions

- 70 direct construction jobs per US$ 1 million of OPEX
- CAPEX/OPEX economic output multiplier = 1.7x
- OPEX is 10% of initial CAPEX
- Indirect jobs multiplier = 0.4x of direct jobs
- Average annual construction wage = USD 4,000 per worker for the project duration
- Average annual wage per FTE is = US$ 20,000
- PAYE tax= 22% of earned wages

Economic Output

An initial US$10 million CAPEX generates an estimated US$17million in economic output in the construction phase (using a 1.7x construction multiplier). When added to annual OPEX-driven contributions and periodic CAPEX upgrade every 3 years, cumulative economic output grows steadily, surpassing US$39 million by Year 10. This means the project generates about 3.9x its initial investment in broader economic value across construction, operations, supply chains, and induced consumer spending.

Employment

Construction activities for the data centre create approximately 700 direct jobs, supporting engineers, electricians, HVAC technicians, civil works teams, and project management staff. During operations, the facility sustains 20 - 30 full-time roles annually, while indirect and induced job creation (≈280 jobs in Year 0, stabilising around 18 average jobs per year afterwards on average) push total employment impact beyond 1,654 cumulative jobs over the 10-year period. These roles accelerate the development of Nigeria's digital infrastructure workforce.

Tax Revenue

Tax revenue will come from VAT on services and procurement, PAYE from employee wages, withholding tax on vendors, corporate taxes, and induced taxes from consumption spending. The data centre should generate approximately US$110,000 in PAYE tax revenue in Year 1, rising gradually with inflation, wage growth, and productivity effects. Over 10 years, cumulative PAYE tax contributions should exceed US$1.8million, providing recurring fiscal benefits to the government. Our model assumes that 22% PAYE tax rate.

Specialised Supply Chains

The CAPEX and OPEX structure deepen Nigeria's technology and infrastructure supply chains. Construction-phase spending on steel, concrete, power systems, cooling, generators, fibre, and security systems stimulates local manufacturing and engineering services. Ongoing OPEX (US$1,000,000 annually), covering energy, maintenance, security, connectivity, spare parts, and facility management—supports a stable ecosystem of high-skill digital infrastructure vendors, including electricians, network engineers, renewable-power integrators, and OEM-certified technicians.

Impact on Tech Startups

The presence of a Tier-III facility catalyses local cloud-native innovation. SMEs, FinTechs, logistics companies, e-commerce platforms, and AI startups gain access to dependable in-country compute, reducing hosting costs and latency. The investment stimulates induced economic activity reflected in consumption expenditure, where workers spend 80% of their annual wages, circulating income into the local economy and encouraging the growth of digital-first businesses surrounding the data centre.

Workforce Transformation

Our model shows US$2.8M in wages during the construction year and over US$500,000 annually on average for direct staff from Year 1 onwards, supporting the development of a future-ready digital workforce. Roles created include data centre technicians, network admins, cloud support engineers, cybersecurity analysts, facility engineers, and renewable-power specialists. The continuous technology refresh cycle, driven by upgrade CAPEX every three years (10% of initial cost) ensures Nigerian talent remains aligned with global standards in cooling, automation, AI-ops, and green data centre innovations.

Most important, data centers create knowledge spillover effects that benefits other sectors, educational institutions, and broader state/regional economies.

What are the drivers of data centres in Africa?

The need for flexible, scalable, and secure data storage will keep rising with the expansion of cloud computing and the adoption of 5G networks, alongside the increasing momentum of smart city and smart government initiatives in the region. The rapid growth of online services during the COVID-19 pandemic and the shift to remote work have underscored the necessity for reliable, cutting-edge digital infrastructure. Artificial Intelligence (AI) has become a key focus, and it is expected to significantly increase the demand for high-capacity data centres in the near term.

The data centre landscape in Africa is experiencing a transformative phase, driven by a combination of factors that continue to increase demand. Overcapacity in Europe, especially in major data centre hubs like Dublin and London, has driven cloud-based service providers to look for new markets, including Africa, where demand for DCs is surging. These factors arise from the dynamic digital landscape and the evolving business environment in the region, underscoring the growing need for a robust data centre infrastructure. Understanding the current landscape and the forces propelling the industry forward is essential. Below are the major drivers of data centres in Africa.

01 **Expanding Cloud Adoption:** The adoption of cloud services is rapidly increasing in the continent as 50% of companies have already adopted cloud capabilities in all or most parts of their business, and in the near term, more companies will have all their operations in the cloud. This surge in cloud adoption reflects a growing appetite for digital solutions among businesses. Businesses and organisations are moving their operations to the cloud to improve efficiency, reduce costs, and enhance scalability. This shift necessitates the development of local data centres to provide the necessary infrastructure for cloud services, ensuring better performance, data sovereignty, and reduced latency.

02 **Increasing Internet Penetration:** Internet access is becoming more widespread in Africa, with over 570 million internet users as of 2022. This growing internet penetration drives the demand for DCs to support the expanding digital activities, including e-commerce, online services, and digital communication. Data centres are crucial for storing, managing, and processing the large volumes of data generated by increased internet usage.

03 **Growing Mobile Connectivity:** Mobile connectivity growth is on the rise, with the mobile penetration rate in Sub-Saharan Africa at 46% as of 2021, and it is expected to hit 50% by 2025, as a significant portion of the population moves towards using mobile devices to access the internet and digital services. The proliferation of smartphones and mobile networks boosts the need for data centres to handle the data traffic and support mobile applications, streaming services, and other mobile-driven activities.

04 **Demographics:** Africa's population is young and growing rapidly, with 67% of Africans under the age of 30 and a significant number of tech-savvy individuals. This demographic trend leads to higher demand for digital services, social media, e-learning, and online entertainment, all of which require robust data centre infrastructure to function efficiently and meet the needs of a digitally engaged population.

05 **Digital Economy Transformation:** African economies are increasingly digitising, with sectors such as finance, healthcare, education, and government services moving online. This transformation necessitates reliable data centres to support digital transactions, data storage, cybersecurity, and the overall digital infrastructure required for a thriving digital economy.

06 **Data sovereignty and protection regulations:** These regulations mandate that sensitive data, particularly personal and financial information, must be stored within the country's borders, or handled in compliance with stringent data protection laws. As more countries implement stricter regulations to ensure that sensitive data remains within national borders, businesses and governments are compelled to store and process data locally. However, Africa's digital landscape is marked by 54 countries with highly fragmented markets, many of which are relatively small in size. This fragmentation makes country-by-country approaches to data sovereignty less viable, as limited scale often undermines the return on investment for large data centre infrastructure. A regional approach to data sovereignty offers a more sustainable path, enabling shared infrastructure that attracts greater investment, ensures economies of scale, and supports innovation across borders.

07 **Growth in Tech Startups:** The rise of tech startups across Africa drives innovation and creates new services such as digital fintech solutions, e-commerce marketplaces, cloud services, and connectivity tools that help individuals and businesses participate in the digital economy. In 2023, startups within African raised over $2.7 billion. These startups need reliable and scalable data centre services to host their applications, manage data, and ensure business continuity. The growth in the startup ecosystem thus contributes to the demand for advanced data centre facilities to support entrepreneurial activities and foster technological advancements.

The potential for AI deployment further bolsters the demand for data centres, as massive data requirements are anticipated across the continent.

Opportunities in the rising data centre ecosystem

As digital transformation in Africa continues to deepen, the market for data centre services is anticipated to surpass $7 billion by 2028. This growth will undoubtedly reshape Africa's digital environment and create substantial opportunities for investors, technology firms, and local enterprises. South Africa, Egypt, and Nigeria continue to dominate the African market with active investment in technology and innovation to create sustainable, efficient, and connected urban environments. We have highlighted some opportunities that investors can explore.

01 **Construction of Data Centres:** Many existing data centres are built to meet hyperscale specifications for tech giants and could be prohibitively expensive and over-engineered for local enterprises and SMEs. The supply side remains inadequate, causing organisations to embrace providers outside the continent where data is forced to make long roundtrips to centres in Europe and North America, leading to lagging applications and business frustrations.

Local providers can focus on providing data centres with a true local product-market fit, offering tailored solutions at more affordable prices. One such model is colocation, where data centre operators make their facilities available for multiple companies to rent computing space, power, and connectivity within a shared but secure environment.

This model allows businesses to avoid the heavy upfront costs of building their own infrastructure while still enjoying reliable, enterprise-grade facilities. Additionally, strategic positioning within core data corridors connecting landlocked countries to subsea fibre cables and hosting internet exchanges presents a lucrative market opportunity for these local providers. This approach not only makes data centre services more accessible to African businesses but also supports the overall digital growth and transformation of the continent.

02

Provision of Reliable Electricity to Data Centre Operators: One of the most significant challenges facing African data centres is the intermittent and unreliable electricity supply. This lack of reliable electricity presents a significant opportunity for entrepreneurs to innovate and create sustainable energy solutions. Private sector players can provide DCs with reliable grid infrastructure, renewable energy solutions such as solar, wind, and other renewable energy sources to power data centres. Entrepreneurs can create business models that offer energy as a service to DCs, allowing data centres to avoid the capital expense of developing their own energy solutions.

There is an opportunity to develop hybrid power systems that combine renewable energy with backup diesel generators, gas-fuelled electricity, or grid supply. Another area of opportunity is efficient energy storage, such as developing or distributing high-capacity batteries or leveraging microgrids to provide a continuous power supply. By addressing the electricity challenge, entrepreneurs can help data centres reduce operational risks and costs while promoting environmental sustainability, making the sector more attractive to investors and international businesses.

03

Edge Computing: The expansion of Internet of Things (IoT) devices, smart cities, and autonomous systems requires edge computing infrastructure to process data closer to the source. Edge computing is a decentralised computing architecture that brings computing infrastructure and services closer to the location where data is generated, rather than relying on centralised data centres located far away.

Entrepreneurs can develop localised mini DCs or edge nodes that serve as localised hubs for data processing, improving efficiency and enabling real-time data processing for industries such as agriculture, manufacturing, and logistics.

04

IoT Device Deployment and Management: IoT devices generate vast amounts of data that need to be processed, stored, and analysed. As IoT devices collect information from sensors, machines, and other connected systems, data centres ensure the data is efficiently managed, enabling real-time decision-making, long-term storage, and data security.

With robust data centre infrastructure, entrepreneurs can create businesses around the installation, management, and monitoring of IoT devices across sectors as demand grows. This can include everything from smart meters in energy grids to connected medical devices in hospitals. By coupling these devices with edge computing infrastructure, entrepreneurs can offer comprehensive end-to-end IoT solutions.

05

Smart Cities and Urban Planning: Many African cities are growing rapidly, presenting challenges in traffic management, energy consumption, waste management, and public safety. Smart city initiatives powered by IoT devices can monitor and manage these systems. For instance, smart traffic lights, waste bins, and energy meters collect data that can be processed at the edge to optimise urban management. The concept of smart cities has yet to fully take hold in Nigeria and remains a long-term aspiration.

06

Artificial Intelligence (AI) and Machine Learning (ML): The integration of AI and ML technologies in various sectors generates a vast amount of data that requires processing and storage capabilities. Data centres with robust processing capabilities are essential for training AI models, performing complex algorithms, and facilitating advanced analytics, driving the demand for high-performance computing infrastructure.

AI and ML entrepreneurs have an opportunity to scale their AI/ML models as they grow or deal with larger datasets. Data centres provide cloud-based platforms and Infrastructure-as-a-Service (IaaS) solutions, allowing businesses to flexibly scale up or down their computational resources, supporting experimentation and rapid innovation.

07

E-government and public sector digitisation: Some of the major challenges of public digitisation in Africa are the lack of efficient management of government data while ensuring security, scalability, and accessibility. As governments digitise services and adopt smart technologies, the volume of data grows exponentially, creating both opportunities and challenges. Data centres provide the infrastructure needed to store this data securely, ensure high availability of services, and support advanced technologies like AI and IoT, all while maintaining compliance with data protection regulations.

They also address challenges related to cybersecurity, disaster recovery, and the need for flexible, scalable IT resources to meet the demands of growing digital services. Entrepreneurs can partner with governments to deliver these upsides, leveraging more efficient data management infrastructure offered by local data centre providers.

Projections for the data centre economy in Nigeria Current State

Nigeria has emerged as the leading West African data-centre hub, with current (2025) commissioned / live data-centre capacity of approximately 65–86 MW. If all planned and under-construction projects complete, total installed capacity could exceed 400 MW within 3–5 years. Nigeria today hosts multiple multi-megawatt facilities and an expanding pipeline of planned/hyperscale projects, shifting the market toward wholesale and hyperscale capacity while keeping a strong base of retail / edge colocation.
From 2012 onward Nigeria moved from fragmented telco switching rooms and enterprise server closets to a commercial data-centre market model. Rack Centre's LGS1 (2012) is widely recognised as the country's first modern, carrier-neutral facility and established the template for Tier-certified colocation. MainOne's MDXi Lekki (launched 2015) scaled capacity for international traffic aggregation and introduced large-format, Tier-III operations to West Africa (600 racks). The market began to shift from single-site colocation to campus-scale, hyperscale-ready builds with the entry of Africa Data Centres (LOS1, 2021) - a 10 MW West-Africa hub - and continued expansion from MDXi/Equinix (Lekki II in 2022).

From 2021–2025 the sector accelerated: newer hyperscale and telco-owned entrants (Rack Centre LGS2, MTN's Dabengwa centre, Digital Realty expansions) added multi-megawatt capacity and signalled greater confidence from global and regional investors.

Existing and Potential data centres across Nigeria

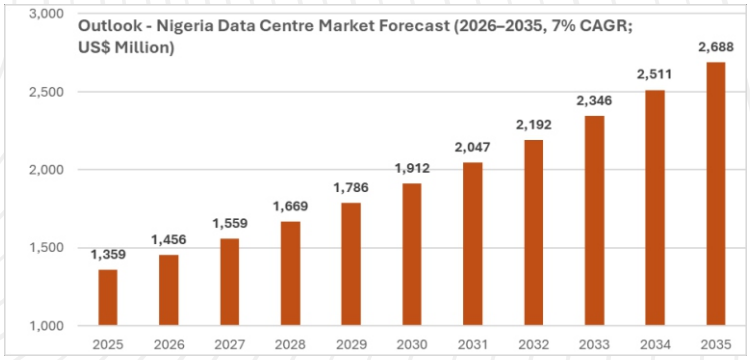
S/N	Data Centre Name	Location	Status
1	Airtel Data Centre	Lekki, Lagos	Operational
2	Africa Data center	Eko Atlantic, Lagos	Operational
3	GTBank	Ikoyi, Lagos	Operational
4	Galaxy Back Bone I	Kano	Operational
5	Galaxy Back Bone II	Wuse, Abuja	Operational
6	MTN	Ojota, Lagos	Operational

S/N	Data Centre Name	Location	Status
7	9 Mobile Data Centre	Mabushi, Abuja	Operational
8	CWG	Lekki, Lagos	Operational
9	Open Access Data Centre	Lekki, Lagos	Operational
10	Execlsimo Networks	Gbagada, Lagos	Operational
11	Medallion Communication	Saka, Lagos	Operational
12	Internet Solutions	Victoria Island, Lagos	Operational
13	21st Century I	Lekki, Lagos	Operational
14	21st Century II	Lekki, Lagos	Operational
15	Rack Centre Limited	Oregun, Lagos	Operational
16	Cloud Exchange	Ikoyi, Lagos	Operational
17	MDX-I	Ogombo, Lagos	Operational
18	Dabengwa Sifiso Data Centre (MTN Phase 1)	Ikeja, Lagos	Operational
19	CitiData Centre	Magboro, Ogun	Operational
20	Rack Centre LGS2	Oregun, Lagos	Operational
21	VDN	Benin, Edo	Commissioned but not operational
22	Kasi Cloud	Lekki, Lagos	Building in progress
23	ADC Expansion	Eko Atlantic, Lagos	Building in progress
24	MDX-I Expansion	Ogombo, V.I, Sagamu	Building in progress
25	Digital Realty	Victoria Island, Lagos	Building in progress

Top Nigerian Collocation Datra Centres

Data Centre Name	Total No of Racks Installed	Planned Capacity (Racks)	Start of Operation
Rack Centre	550	3000	2013
MDX-I	730	4000	2015
Open Access	452	2800	2022
Africa Data Cenre	120	4000	2021

Outlook



Source: DC Market Insight, Verraki

Nigeria's data centre market is on a steep growth path, with market size currently (2025) valued at to US$ 1.4 billion; and forecast to attain US$ 2.7 billion by 2035, growing at approximately 7% CAGR. Strong enterprise digitalisation, cloud adoption, the rise of fintech and e-commerce ecosystems, as well as AI-driven demand are the main growth drivers. Success will hinge on proactive investment in energy, talent, policy, and cybersecurity to support hyperscale expansion and unlock the country's position as Africa's next data centre hub after South Africa. Furthermore, the anticipated growth would be driven by increasing appetite of local and foreign investors who see Nigeria as a gateway into West African digital ecosystems.

Theme	Current Baseline/ Recent Figures	Projections (2025-2030)	Implications/ Opportunities
Infrastructure	• Nigeria's data centre market is valued at USD 1,359m (2025). • Core & shell capacity ~ 65.8 MW; ~327.8 MW planned/under construction. • IT load ~ 136.7 MW (2025). Servers market ~ USD 238.7m (2025).	• Market projected to reach USD 1912m by 2030 (CAGR ~ 7%). • IT load to ~ 279.4 MW by 2030. • Servers market to ~ USD 601.4m by 2030 (CAGR ~ 20.3%).	• High demand for Tier-3/Tier-4 data centres. • Growth in renewable/hybrid power and cooling innovations. • Opportunities for construction, civil works, HVAC firms.
Cloud Services	• Public cloud revenue ~ USD 1.63bn (2025). • IaaS segment ~ USD 500.4m (2025).	• Public cloud to reach USD 4.9bn by 2030 (CAGR ~ 24.6%). • IaaS ~ USD 1.37bn by 2030. • Colocation revenue ~ USD 578.1m by 2030.	• Demand for accelerator hardware, edge infrastructure. • Growth in local AI/ML startups. More investment in R&D and • applied data science.
Tech Innovation	• Shift toward Tier-3/Tier-4 centres to support advanced workloads. • Networking market ~ USD 106.9m (2025).	• Networking market to ~ USD 339.6m by 2030 (CAGR ~ 21.2%). • Edge/low-latency demand driving regional spread beyond Lagos. • Increased rack density and high-performance compute adoption.	• Expansion of global CSPs and local players. • Stronger demand for hybrid cloud due to data sovereignty. • Enterprises migrating from on-prem to cloud.
Workforce	• **"3MTT"** programme targets 3m tech talents by 2027. • Data centre projects create hundreds of construction/ops jobs per site	• Significant increase in demand for cloud engineers, power/cooling specialists, and facility ops staff by 2030. • Talent gap risk if training capacity doesn't scale.	• Training providers, universities, and tech firms can fill the gap. • Facility management industry expansion. • Local workforce development reduces reliance on expatriates.
Supply Chain	• Heavy reliance on imported servers and networking equipment. • Power instability drives reliance on diesel/alt energy.	• Scope for local manufacturing/ assembly of servers & racks. • Renewable/microgrid suppliers to play bigger role. • DCIM/energy optimisation software demand to rise.	• Localising supply chain reduces costs and improves resilience. • Energy innovation = competitive advantage. • Policies on tariffs and incentives will shape supply chain costs.
Regulatory / Policy Environment	• Nigeria has a Data Protection Act (2023) mandating stronger compliance. • NCC and NITDA oversee telecoms and IT regulations, incl. licensing of ISPs and hosting providers. Government pushing digital economy and broadband expansion (70% penetration target by 2025).	• Likely stricter data localisation / sovereignty requirements by 2030. • Incentives for local hosting and renewable energy use in DCs. • Possible tax breaks or special economic zones (SEZ) models for digital infrastructure.	• Regulatory certainty could attract more FDI. • Compliance costs will rise but create demand for advisory and compliance services. • Firms positioned early for local data storage rules will gain competitive advantage.

Sources: Mordor Intelligence, Research and Markets, Statista

Exhibit 1
Recent data centre investments in Africa

MainOne
MainOne established its presence in West Africa in 2010 with the deployment of a 7,000-kilometer submarine cable connecting Portugal to Nigeria and commissioned its first data centre in Nigeria in 2015. The company has developed an interconnected ecosystem comprising telecom operators, internet service providers, internet exchanges, content providers, and other major institutions, all co-located within its data centres. MainOne has expanded the capacity of its data centres to 5 MW in key markets, including Nigeria, Ghana, and Côte d'Ivoire, delivering services to a total of 10 countries across West Africa. The most recent addition to MainOne's portfolio is the Tier-3 Appolonia data centre facility in Accra, Ghana, launched in June 2021.

Rack Centre
Rack Centre was established in 2012 and was the first carrier-neutral commercial data centre to obtain a Tier-3 Certification of Constructed Facility in Africa. Its clients include telecoms carriers, internet service providers (ISPs), and foreign and local firms. The data centre has direct links to all five subsea cables that serve the Atlantic coast of the continent, and is supported by a diverse ecosystem of carriers, eyeball networks and ISPs. The company is expanding its data centre capacity from 1.5 MW to 14.5 MW through the addition of hyperscale, large-footprint and retail data halls. Rack Centre is the largest carrier-neutral data centre in West Africa, and the expansion will consolidate this position.

ST Digital
ST Digital, headquartered in Cameroon with offices in Côte d'Ivoire, Congo, Togo, Gabon, and Benin, assists organisations in achieving their digital transformation goals through cloud technology and professional services in integration, training, and consulting. Leveraging its Tier-3 data centre and strategic partnerships with cloud providers such as Microsoft and Oracle, ST Digital delivers comprehensive solutions. In 2020, despite challenges such as unreliable energy sources, high electricity costs, data sovereignty issues, and a lack of local regulation, ST Digital successfully established the first carrier-neutral Tier-3 data centre in Cameroon.

Regulatory landscape and policy issues

The regulatory landscape for data centre development in Africa is complex and evolving, shaped by a combination of national policies, regional frameworks, and international standards. As the demand for data centres grows due to increased digitalisation, the continent faces several key regulatory and policy challenges.

01 **Data Protection and Privacy Laws:** Many African countries are establishing or updating their data protection and privacy laws to align with international standards, such as the General Data Protection Regulation (GDPR) in Europe. These laws are essential for safeguarding personal data and protecting citizens' privacy rights. However, the lack of harmonisation across countries can create challenges for multinational companies operating in multiple jurisdictions, leading to compliance complexities and increased operational costs.

02 **Infrastructure Development Regulations:** The construction and operation of data centres require compliance with various infrastructure and environmental regulations. These include securing permits, meeting zoning requirements, and adhering to environmental impact assessments. In some cases, bureaucratic inefficiencies, and a lack of clarity in regulations can delay projects and hinder investment. In Nigeria, land acquisition for DCs remains costly and complex especially in commercial hubs, with regulatory hurdles and limited government support often slowing development. Streamlined policies and incentives are critical to reduce barriers and attract sustainable investments.

03 **Telecommunications and Connectivity Policies:** Data centres effectiveness heavily relies on robust telecommunications infrastructure. Policies that promote the expansion of broadband access and improve connectivity are critical. However, many countries face challenges related to limited internet penetration, high cost of connectivity, and regulatory hurdles that impact

telecommunications investments. In Nigeria, there is uneven distribution of fibre cables across states, with a high concentration in Lagos; this automatically limits nationwide digital access and constrains the scalability of data centre services beyond the commercial hubs.

Energy Regulations: Data centres are energy-intensive facilities that require reliable and affordable electricity. In Africa, power supply is often inconsistent, regulatory frameworks that promote investment in grid reliability is essential. Policymakers need to address energy pricing, availability, and sustainability to support data centre operations.

Taxation and Incentives: Governments can incentivise data centre development through favourable taxation policies, such as tax holidays or reduced rates on imported technology as well as improved access to foreign exchange. However, inconsistent tax policies and the potential for increased taxes on digital services can deter investments. A balanced approach is necessary to attract investment while ensuring fair tax contributions.

Local Content and Ownership Requirements: Some countries may impose local content or ownership requirements for data centre investments, which can impact foreign direct investment. Policymakers must balance between fostering local participation in the digital economy and encouraging foreign investment, which can bring expertise and capital as well as bridging the existing skill/talent gap.

Cybersecurity Regulations: As data centres become critical to national infrastructure, robust cybersecurity policies are necessary to protect sensitive information and ensure the integrity of digital services. Governments must develop comprehensive cybersecurity frameworks that provide guidelines for data centre operators while fostering collaboration between public and private sectors.

Nigeria – Roadmap to unlocking the potential/opportunities in data centres

Nigeria stands at the forefront of digital transformation in Africa, with a rapidly growing demand for data services driven by increasing internet penetration, mobile connectivity, and a burgeoning tech ecosystem. To unlock the vast potential and opportunities in data centres, Nigeria must adopt a strategic roadmap that emphasises investment in robust infrastructure, regulatory clarity, and sustainable energy solutions.

Theme	Insights
Regulatory framework and policy support	• Provide incentives such as tax breaks, grants, and subsidies to attract local and foreign investments in data centre infrastructure. • Ensure full enforcement of the Nigeria Data Protection Act (NDPA) by resourcing supervisory authorities, conducting transparent compliance audits, and applying deterrent penalties to strengthen investor confidence in secure data hosting.
Infrastructure Development	• Provide preferential electricity tariffs and long-term power purchase agreements (PPAs) for data centre operators, lowering operational costs and creating a strong incentive for new investments in the sector. • Leverage a Public-Private Partnership (PPP) model through government-backed initiatives such as Project BRIDGE to expand the fibre optic network and enhance broadband infrastructure, to improve internet connectivity and speed. • Promote last-mile connectivity by incentivising private operators and infrastructure companies to extend fibre links beyond major cities into underserved states through shared infrastructure models, open access policies, and state-level partnerships that reduce Right of Way costs and enable affordable broadband expansion. • Designate special zones for data centre developers with proximity to fibre connectivity infrastructure to facilitate operations of data centres.
Attracting Investment in Technology and Innovation	• There is need to establish a blended financing framework that incentivises development financial institutions to provide long-term credit and sustain a conducive business environment to attract foreign investors, thereby boosting the construction of new and expansion of existing data centres. • Establish research and development centres and innovation hubs to foster technological advancements needed to accelerate local manufacturing of data centre components such as power and cooling infrastructure to reduce the reliance on foreign manufactured component and Foreign exchange exposure.
Promoting Local Content And Talent Development	• Develop specialised training programs in collaboration with educational institutions to build a skilled workforce for the data centre industry. • Promote certifications and continuous professional development to ensure the workforce remains updated with the latest industry standards and practices.
Public-Private Partnerships (PPP)	• Foster partnerships between the government, private sector, and international organisations to fund and develop data centre projects. • Encourage the development of shared infrastructure projects to reduce costs and enhance resource utilisation.

Sources: Mordor Intelligence, Research and Markets, Statista

Conclusion

Africa's rising data centre economy presents a wealth of opportunities driven by increasing digitalisation, the expansion of cloud services, and the growing adoption of IoT and AI technologies. As the continent experiences rapid urbanisation and a surge in internet usage, the demand for data storage, processing, and management continues to rise, necessitating the development of advanced data centre infrastructures.

African governments can boost data centre investments by addressing key challenges such as power instability, skilled talent shortages, uneven fibre distribution, land availability, and foreign exchange access. Additionally, investments in reliable grid infrastructure can address energy challenges while promoting environmental responsibility. As governments and private sectors collaborate to improve connectivity, Africa is poised to become a significant player in the global data centre landscape, driving innovation and economic growth across various sectors.

Verraki (a member of Andersen Consulting) partners with organisations to design, build, migrate, and assess Africa-fit data centres. Verraki can tailor solutions to local market realities and leverage global expertise to help enterprises, governments, and investors unlock sustainable digital growth, improve resilience, and accelerate Africa's digital transformation.

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About Verraki

Verraki is a proudly African company partnering with enterprises and governments to accelerate the development and transformation of Africa by providing business solutions designed for Africa. We build and implement technology solutions for seemingly intractable challenges, provide advisory services to drive the capacity and motivation for change, and curate innovative ventures to unlock new sources of growth across our continent.

A fusion of two words: 'Versorium' (Latin for Turn Around) and 'Meraki' (Greek word used to describe the action of doing something with soul, creativity, pouring oneself into a task), Verraki aptly captures the essence of our company; to turn around African enterprises and governments via smart, future-focused solutions and business insights, new growth opportunities, helping to unleash their potential, turnaround their performance and achieve the seemingly impossible, with the sole goal of creating a better future for Africa.

We are committed to enabling the African (start-up) story by supporting high-impact socially-conscious entrepreneurs and catalysing self-sustaining enterprises and governments within the continent to deliver affordable services across critical sectors.

Our Technology Advisory Services

In recent years, the role of technology innovation on societal and organisational transformation has become more pronounced, leading to a rising demand for digital-led transformative services. To compete in the digital age, organisations must embrace new technologies to realise untapped digital opportunities. Verraki Technology brings on-board the best-in-class advisors in the industry to help clients resolve their most critical information and technology challenges, ensuring agility and effectiveness while delivering a broad range of innovative, next-generation IT solutions and professional services.

Verraki's Technology practice advises CIOs and other CxOs in developing and executing technology solutions that drive productivity, business growth, and optimisation while establishing effective controls around risk and sensitive data. We provide extensive technology services across application, advisory and solution layers, collaborating with our partners to realise game-changing performance levels for clients and improve the value that IT brings to the business.

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