



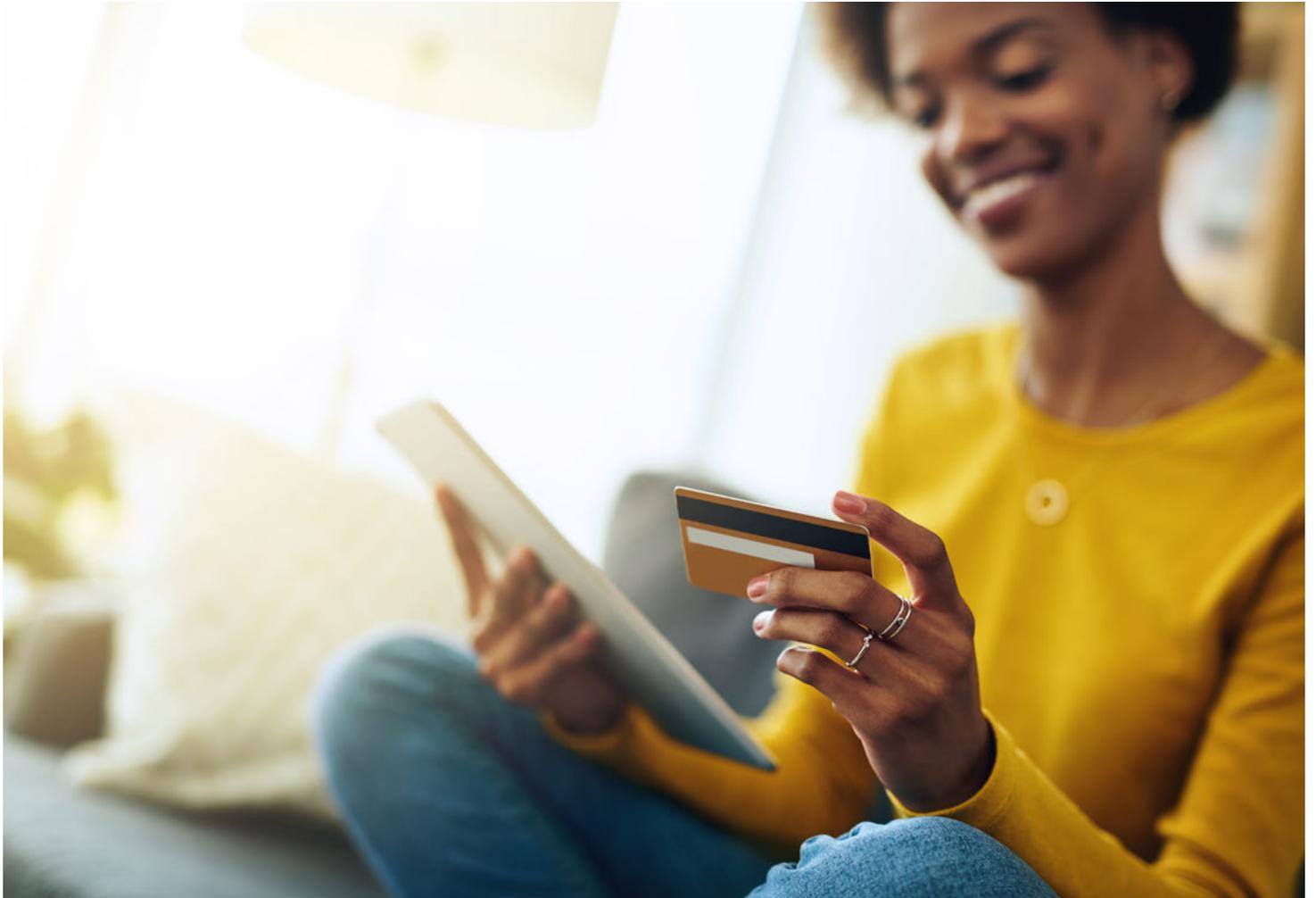
International
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IMPROVING THE STATE
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Africa E-Commerce Agenda Roadmap for Action

September 2019



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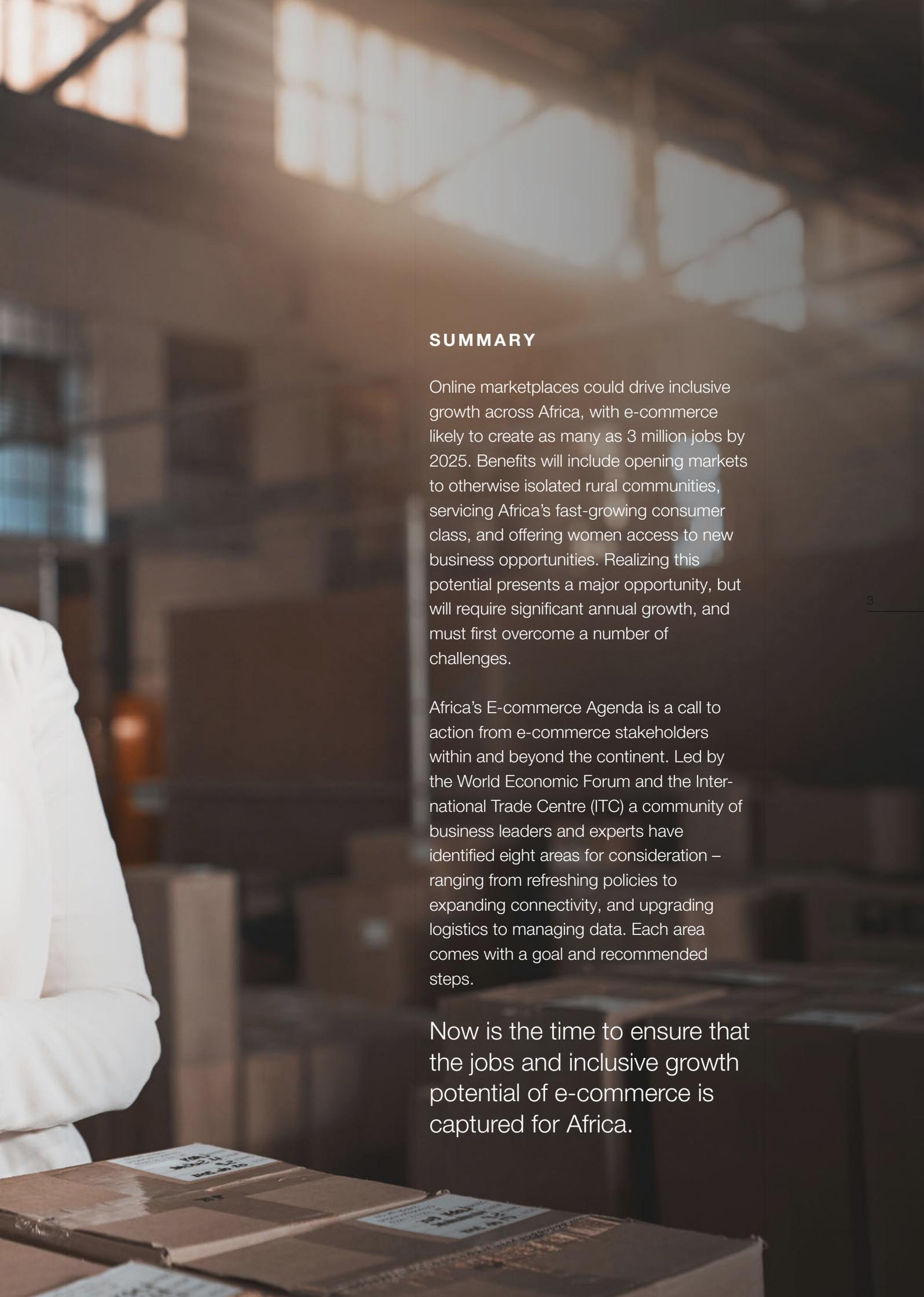
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A person in a white shirt is standing in a warehouse, looking at several cardboard boxes. The background is a large, dimly lit space with high ceilings and industrial lighting. The text is overlaid on the right side of the image.

SUMMARY

Online marketplaces could drive inclusive growth across Africa, with e-commerce likely to create as many as 3 million jobs by 2025. Benefits will include opening markets to otherwise isolated rural communities, servicing Africa's fast-growing consumer class, and offering women access to new business opportunities. Realizing this potential presents a major opportunity, but will require significant annual growth, and must first overcome a number of challenges.

Africa's E-commerce Agenda is a call to action from e-commerce stakeholders within and beyond the continent. Led by the World Economic Forum and the International Trade Centre (ITC) a community of business leaders and experts have identified eight areas for consideration – ranging from refreshing policies to expanding connectivity, and upgrading logistics to managing data. Each area comes with a goal and recommended steps.

Now is the time to ensure that the jobs and inclusive growth potential of e-commerce is captured for Africa.

INTRODUCTION

The potential of e-commerce

E-commerce in Africa is well underway, involving business-to-business, business-to-consumer, goods and services. Already, estimates suggest as many as [264 e-commerce start-ups are operational across the continent](#), active in at least 23 countries. It brings significant employment potential, with online market places set to generate [3 million jobs by 2025](#).

These will be direct, as well as in supporting services, such as logistics and payment service providers; customer relations management, marketing, analytics and website services and technology vendors. In turn, delivery services will need mechanics, job portals require recruiters, while any business relies on legal, accounting and office space.

With action, e-commerce can become a force for sustainable development. One example is gender. Women entrepreneurs increasingly use digital tools to drive businesses, where previously social norms or family duties may have kept them out of the workforce.

Just [37% of women](#) in Sub-Saharan Africa have a bank account, compared to 48% of men. In some cases, fintech can help bring financial services directly to women that may otherwise have faced legal or cultural barriers through more traditional routes.

CHALLENGES

Yet there are challenges to Africa's e-commerce growth. Too many start-ups are unprofitable. Entrepreneurs battle exceptionally low consumer trust and e-skills, low internet penetration and affordability, uncompetitive delivery infrastructure, fragmented markets and rising barriers to cross-border e-payments.

According to [some estimates](#), emerging economies stand to gain US\$3.7 trillion in GDP by greater use of digital finance, yet only [34% of African adults](#) made or received a digital payment in 2017. Despite increased digital visibility in neighbouring

markets, intra-regional and global e-commerce trade remains small.

Regulations have not kept pace with digital developments. According to the United Nations, 32 of Africa's 54 nations have laws in place to govern "e-transactions" (online exchange); 23 have laws on data protection and privacy; and only 20 address online consumer protection.

The region also lags behind others in the UNCTAD B2C E-commerce Index, which is calculated on a set of four composite indicators highly relevant to online shopping.



Developing an action agenda

Generating those 3 million new jobs assumes a 25-50% annual revenue growth from Africa's current online market places, according to some researchers, but realizing these figures requires action. A community of businesses and experts led by the World Economic Forum and the International Trade Centre (ITC) have identified eight priority actions for consideration by Africa's policy leaders and the international development community.

An ecosystem approach

Each area identifies current hurdles, sets goals and offers references to help reach them. The agenda recognizes that for any individual e-commerce business to prosper, a wide ecosystem of digital technology and supporting companies must also flourish, with a mix of local and global action needed if growing cross-border activity is the goal. Many of the actions listed would have benefits for both online market places and a wider cohort of digital trade businesses.

Leveraging existing negotiations

Critically, this action agenda encourages Africa's policy-makers to pursue e-commerce priorities at multiple levels, given its inherently borderless potential. It calls for firmly anchoring e-commerce within the negotiations on the African Continental Free Trade Area (AfCFTA) and encourages more African governments to join the plurilateral negotiations on e-commerce at the World Trade Organization (WTO).

By engaging in international trade talks Africa can champion the interests of small- and medium-sized enterprises (SMEs) with less resources to tackle regulatory friction and market barriers. The donor community must also lean in. Still far



too little overseas development assistance is dedicated to new trade drivers; [just 1%](#) of all funding under “Aid for Trade” programmes is allocated to “ICT solutions”, let alone e-commerce.

Wider digital economy infrastructure

We recognize that e-commerce and new trade opportunities sit within a broader digital economy context, including infrastructure-related, and technology questions such as 5G. Policy cooperation on related digital issues – taxation, competition, labour and consumer protection, intellectual property – is critical, too, as noted by the United Nations Secretary

General’s [High-Level Panel On Digital Cooperation](#). These areas will be the guard-rails of e-commerce and the digital economy. It is important to take a bottom-up approach when defining policy interventions, to ensure buy-in from local stakeholders, who need to be satisfied that the overall digital ecosystem is beneficial to them.

This action agenda is designed as a launchpad for e-commerce jobs and development. It is not, however, a deep-dive – other, more detailed sources of information on the digital economy in Africa, such as the [UNCTAD Nairobi Manifesto](#), are useful.

ACTION AGENDA

Refresh policies

Aspiration

Support the creation of national or regional e-commerce multistakeholder associations to champion policies; develop the African Digital Trade and Digital Economy Strategy as mandated for the African Union Assembly in February 2020; agree an approach for incorporating e-commerce [into the AfCFTA](#) – whether as a stand-alone chapter, protocol or building on existing African Union instruments; intra-regional regulatory interoperability; and represent these interests globally.

Action

African governments lead multi-stakeholder policy debates nationally, explore co-regulation options, take forward e-commerce in operationalising the AfCFTA and engage in negotiations at the WTO. International donors provide legal and technical capacity building as needed.

Importance

Policies shape the business environment, affecting everything from payment options to internet prices and IP protection. Trade cooperation, integration instruments and rules based on common standards can boost exports by reducing business uncertainty and compliance costs.

Challenge

Although some [e-commerce strategies](#) and policies are at play, Africa falls behind on adopting key regulations, and legal uncertainty exists on multi-jurisdictional issues (e-transactions, privacy, consumer protection, digital identity). There is a need to support an inclusive pan-African perspective for e-commerce and the digital economy.



PERSPECTIVE

The “Rapid eTrade Readiness Assessment” programme, championed by the United Nations Conference on Trade and Development (UNCTAD), analyses the e-commerce situation in a number of countries. The assessments offer a fast-track mapping of challenges and opportunities and identifies policy recommendations.

ACTION AGENDA

Expand connectivity

Aspiration

Achieve the “missed” Sustainable Development Goal 9c – provide universal and affordable internet access to least developed countries by 2020 – in Africa by 2030.

Action

Take steps to encourage competitive markets aimed at the unconnected, including through clear spectrum management, transparency on licensing, and investment into new business models.

Importance

Users are key for kick-starting domestic e-commerce growth and entrepreneurs need connectivity. Affordable internet access is the backbone of an inclusive digital economy.

Challenge

Only a quarter of Africa’s population regularly uses the internet. Costs are high. On average, 1GB of data is 9% of monthly income. A broader infrastructure deficit – particularly on energy – exacerbates the situation for service providers and users. Digital literacy is also low.



PERSPECTIVE

The World Bank Digital Moonshot for Africa initiative will invest \$25 billion in Africa's digital transformation through to 2030 and mobilize \$25 billion in partnership with the private sector.

ACTION AGENDA

Upgrade logistics

Aspiration

Upgrade customs clearance technology and processes for the majority of African countries. Adapt competitive logistics service offerings to e-commerce and make them more widely available. Increase awareness of e-commerce postal services.

Action

Advance implementation of the WTO Trade Facilitation Agreement (TFA) – including elements on import/export transparency, expedited release and single window entry points for document clearing that could be particularly [helpful for e-commerce](#). Establish public-private partnerships to target small business logistics needs and explore new technologies.

Importance

E-commerce requires reliable delivery and return options, including a choice between postal and express. Small package trade needs efficient infrastructure and services, as well as low-hassle border clearance.

Challenge

Inefficient logistics and high last mile delivery costs compared to other regions eat into thin e-commerce profit margins. Africa is also home to many landlocked developing countries, where logistics costs depend as much on the efficiency of their neighbours' transport services and border processes as their own.



PERSPECTIVE

ITC, through its [Digital Transformation for Good](#) approach, is working with the Government of Rwanda and partners such as DHL to support SMEs to break into local and international e-commerce channels and to have access to improved logistics services.

ACTION AGENDA

Enable e-payments

Aspiration

Improve interoperability between international payment service providers, local banks and regional payment ecosystems. Leverage Africa's position as a global leader in mobile payments with digital payment innovation as a first point of contact for universal financial services access.

Action

Drive open dialogue among regulators, policy-makers and payment ecosystem participants to identify common challenges to the growth of e-payments. Implement policies that promote competition and a level playing field across the payment ecosystem.

Importance

E-payments are fundamental to e-commerce to mitigate the security risks and costs of handling cash. The ability to accept e-payments from consumers abroad also gives SMEs access to more markets.

Challenge

With the majority of Africa's citizens still unbanked, cash on delivery remains popular, used in [just under half](#) of all e-transactions by value. Also, policies are often not adapted to complex payment supply chains and do not account for the role of global networks in increasing security, reducing cyber risk, expanding financial inclusion, and supporting cross-border exports.



PERSPECTIVE

Safaricom has [partnered](#) with PayPal to enable qualifying Kenyan customers to transfer money between the online payments system and the telecommunication operator's M-Pesa mobile wallet. The move would enable M-Pesa's Kenyan subscribers to transact online, via mobile or an app with PayPal's 286 million active users in up to 25 international currencies.

ACTION AGENDA

Manage data

Aspiration

Remain open to data flow by allowing regional integration of African data markets through transparent rules and explore ways to ease business compliance in other regions. Engage in the OECD process on digital tax concerns.

Action

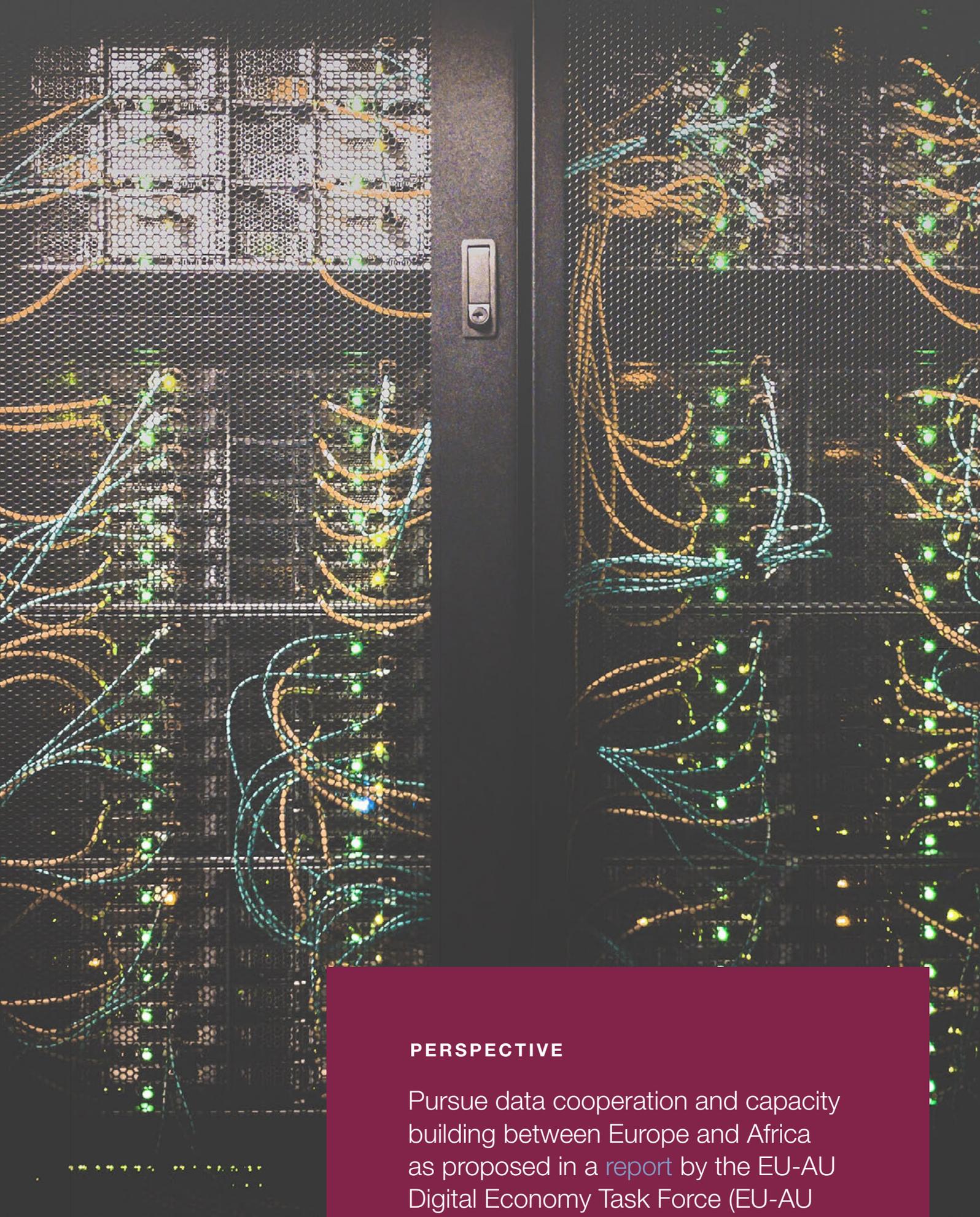
Accelerate data legislation dialogue and implementation; including ratifying the [Malabo Convention](#) (on Cyber Security and Personal Data Protection). Provide information and support to merchants for compliance with overseas market privacy regulations.

Importance

Data flow across borders supports the delivery of payment processing, software and platform services, customer relations management systems and so on. Global data flow drives business links, while greater regional data flow will be needed to lower connectivity costs.

Challenge

Less than half of African economies have data protection regimes, with patchy enforcement. Those having enacted or considering data protection regimes are doing so at a national level, risking market fragmentation. At the same time, merchants are already adhering to privacy standards in nearby markets – such as the European Union. African stakeholder views differ sharply on data localization; whether as a way to capture digital value or as a barrier to services access.



PERSPECTIVE

Pursue data cooperation and capacity building between Europe and Africa as proposed in a [report](#) by the EU-AU Digital Economy Task Force (EU-AU DETF) under the umbrella of the New Africa-Europe Digital Economy Partnership.

ACTION AGENDA

Grow the tech industry

Aspiration

Double investment into Africa's tech sector and related enabling services – including in marginalized economies – to be realized by 2030.

Action

Identify specific steps to encourage tech FDI and strengthen countries' capabilities to implement these. Support business to become investor-ready; establish financing vehicles that blend public and private financing to de-risk start-up funding.

Importance

Equity funding in African tech start-ups has increased rapidly – reaching [US\\$1.16 billion](#) in 2018. Very little can be achieved without sector specific investment to strengthen e-commerce businesses. Foreign Direct Investment (FDI) has a role to play in plugging infrastructure gaps and raising the availability of risk capital.

Challenge

Overall FDI flows into Africa are more limited than in other regions, adding up to just [3.5% of the global total](#) in 2018, while tech funding specifically may be 5-6 times lower. Most investment is concentrated in a handful of economies.



PERSPECTIVE

Africa50, a pan-African infrastructure investment platform, launched an *Innovation Challenge* at the 2019 Transform Africa Summit held in Kigali, Rwanda. The challenge calls for solutions to increase high-speed internet access in under-served areas with winning solutions considered for project development funding.

ACTION AGENDA

Coach small business

Aspiration

Increase the competitiveness of Africa's start-ups through skills development, coaching and market access opportunities.

Action

Better use incubators – on a 400% rise across the continent as of the end of 2018 – to get small businesses to a point where they can sustainably attract global private investment. Work with networks such as The African Civil Society for the Information Society (ACSIS) on ICT skills training and encouraging youth innovation.

Importance

Digitalization brings new opportunities. Tech services and platforms are helping to digitize many of Africa's small businesses and can offer a pathway towards formalization.

Challenge

Few entrepreneurs really go regional, much less global. Some businesses lack the relevant skills, have not yet seen the benefits of the digital economy or have concerns about more formalized trading. Small businesses also need to IP protection training.



PERSPECTIVE

The ITC's Tech Sector Development practice is working with almost 300 tech start-ups in East and West Africa to develop business opportunities and support specific capacity building. ITC also partners with tech hubs as “multipliers” on the ground, in close coordination with relevant government ministries and agencies.

ACTION AGENDA

Join forces

Aspiration

Achieve a 10% allocation of Aid for Trade funding by 2025 to digital trade activities and develop synergies with other digital development assistance.

Action

Offer targeted capacity building activities at the regional level to maximize dialogue and best practice sharing between countries. Develop public-private projects.

Importance

This agenda notes that negotiators, regulators and entrepreneurs all need support. Capacity building can help address gaps in research, strategy, expertise and other areas. It is critical to ensure that technology advances – accelerating globally in any event – are put to best use for sustainable development.

Challenge

Many donor institutions have not outlined e-commerce strategies and targeted funds remain limited. Siloes exist between internet, digital economy and trade support funding sources, and between various government services.



PERSPECTIVE

Since launching in 2014, the UNCTAD-led *eTrade for all* initiative brings together over 30 institutional partners to offer a one-stop shop for information and assistance to developing countries. Likewise, in the *by EU-AU DETF report*, *actions for cooperation* have been prioritized – including on e-commerce – with a delineation of public and private initiatives required for a digital economy that works for all.

Next Steps

Many African governments are debating upgraded e-commerce agendas and conversations are ongoing on navigating wider digital economy issues.

This agenda offers a framework for constructive e-commerce growth in Africa. It is an invitation to seek and to generate opportunities that are within near reach.

Given that [seven of the ten fastest-growing internet populations](#) in the world are in continental Africa, mostly due to smartphone use, e-commerce barriers have every chance of being overcome.

It is a critical moment. With action, e-commerce can become a driving force for sustainable development.



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