Special Report

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The Digital Economy and Ecommerce in Africa – Drivers of the African Free Trade Area?

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African perspectives
Global insights

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Executive summary

This special report looks at the development of the digital economy, and in particular ecommerce, in Africa, against the backdrop of the African Continental Free Trade Area (AfCFTA). The AfCFTA, when implemented, will encourage cross-border intra-African trade, facilitated by online sales and the digital economy. There are challenges to the development of ecommerce, such as limited access to the Internet, poor logistics, constraints on online payment systems and differing regulations. There is also the question of lack of manufacturing diversity in Africa. However, the AfCFTA's single trading bloc will stimulate trade that offers attractive economies of scale to entrepreneurs. This will lead to greater productivity, innovation, employment, and – for governments – taxes. The digital economy is providing solutions to bank the unbanked and address the unaddressed throughout the continent, bringing overall inclusivity closer for women, the youth and rural communities.

Abbreviations & acronyms

4IR	Fourth Industrial Revolution
AfCFTA	African Continental Free Trade Area
AU	African Union
B2B	business to business
B2C	business to consumer
C2C	consumer to consumer
COMESA	Common Market for Eastern and Southern Africa
DETF	Digital Economy Task Force
DMT	de minimis threshold
EAC	East African Community
ECOWAS	Economic Community of West African States
eIDs	electronic identity documents
EU	European Union
FDI	foreign direct investment
GDP	gross domestic product
GSMA	Global System for Mobile Communications Association
ICT	information and communications technology
NTBs	non-tariff barriers
RECs	regional economic communities
SMEs	small and medium-sized enterprises
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNECA	UN Economic Commission for Africa
WEF	World Economic Forum
WTO	World Trade Organization

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About SAIIA

SAIIA is an independent, non-government think tank whose key strategic objectives are to make effective input into public policy, and to encourage wider and more informed debate on international affairs, with particular emphasis on African issues and concerns.

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CHAPTER 1

Introduction

The digital economy is firmly part of the Fourth Industrial Revolution (4IR).[1] It is no respecter of national frontiers, which means that it drives forward at a global speed, increasingly providing governments, business and citizens with infinite access to information services. It is[2]

> the economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes. The backbone of the digital economy is hyper-connectivity which means growing interconnectedness of people, organisations, and machines that results from the Internet, mobile technology and the internet of things (IoT). The digital economy is taking shape and undermining conventional notions about how businesses are structured; how firms interact; and how consumers obtain services, information, and goods.

Additionally, the digital economy gives businesses, government and consumers a way to reach customers in order to market and sell online. For example, services are bought and delivered across the globe with few barriers. Governments sell visas to tourists, online travel agencies sell flights and hotel accommodation, banks provide tourists with currency exchange at ATMs, mobile providers sell data, and so on. This is just an example of the persuasive nature of the digital economy and ecommerce as an everyday aspect of life.

As the recent joint report of the Africa-Europe Alliance states:[3]

> Africa has the opportunity to harness the digital economy as a driver of growth and innovation, but if it fails to grab the opportunities, its economies risk isolation and stagnation. With adequate investment and suitable reforms, Africa may be able to accelerate growth models, allowing the digital economy to influence all sectors of the economy and society. The result may be new-found inclusiveness, sustainability, growth and poverty reduction.

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1 Deloitte, *What Is Digital Economy? Unicorns, Transformation and the Internet of Things*, 2020, https://www2.deloitte.com/mt/en/pages/technology/articles/mt-what-is-digital-economy.html. In South Africa and elsewhere in Africa, 4IR (also known as Industry 4.0) has generated great interest. In 2019 President Cyril Ramaphosa set up a commission to report on 4IR. That report was expected in the first half of 2020.

2 Presidential Commission 4th Industrial Revolution, Scenario Development, Experts Session, October 31, 2019. The commission considers that the other aspects of 4IR involve material, energy and biological technologies.

3 Africa-Europe Alliance Digital Economy Task Force, *Final Report* (Bucharest: DETF, June 13, 2019), 3. "The purpose of the Digital Economy Task Force (DETF) is to guide the EU and AU when prioritising actions for cooperation. With this aim, this Task Force provides a platform of partnership for the private sector, donors, international organisations, financial institutions and civil society based on a shared understanding of how an already evolving African digital transformation can achieve cross-border integration, accelerate sustainable development and bring benefits to all citizens."

One of the earliest applications of the digital economy, 'ecommerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions'.[4] But the definition of ecommerce does not end with the buying or selling of a product by a company or consumer. This report considers ecommerce to include the online offering of products by businesses, consumers and governments, so long as the ability to buy and/or deliver is present.

Online selling is a complex process, involving the design of web/mobile sites and apps, images and videos, sophisticated marketing (specifically social media), online payments, warehousing/stock management, delivery/logistics and customer relations. In addition, the e-merchant has to have a product that is in demand (even if only by a niche clientele) at the right price. The trick is to get all these functions to work harmoniously together in order to provide the customer with a seamless experience.[5] Ecommerce covers business-to-consumer (B2C), business-to-business (B2B), consumer-to-consumer (C2C), and government-to-business/consumer. Importantly, ecommerce also generates a multitude of secondary activities in the economy.

Speaking of ecommerce, the World Economic Forum (WEF) said:[6]

> Benefits will include opening markets to otherwise isolated rural communities and servicing Africa's fast-growing consumer class. Through digital tools, women entrepreneurs are tapping into e-business opportunities, where previously social norms or family duties may have kept them out of the traditional workforce. African ecommerce can be a force for sustainable development.

Ecommerce also significantly reduces the competitive advantage of large and multinational companies in terms of marketing and assists small and medium-sized enterprises (SMEs) to service niche markets, and to gain a competitive edge locally, regionally or internationally.

The AU's stated aim is 'to build a Digital Single Market in Africa by 2030'.[7] Without a doubt, the digital economy and ecommerce will be stimulated by the implementation of the African Continental Free Trade Area (AfCFTA). At the very moment that Africa is embracing ecommerce, the AfCFTA has appeared. Potentially this is a mighty combination for growth. The objective of the AfCFTA is to drive intra-African trade between the AU's member states; the objective of ecommerce is to market and sell. The AfCFTA aims to reduce barriers to trade; ecommerce reaches across continents.

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4 Shopify, "What Is Ecommerce?", https://www.shopify.com/encyclopedia/what-is-ecommerce.

5 Sarah Carroll, *Grow Fast, Grow Global: 6 Steps to Unstoppable International Growth in the Digital Age*, 2018, https://www.growglobal.com/growfast/.

6 Kimberley Botwright and Matthew Wilson, "8 Ways to Help African Ecommerce Fulfil its Potential", World Economic Forum, September 3, 2019, https://www.weforum.org/agenda/2019/09/8-ways-to-help-african-ecommerce-fulfil-its-potential/.

7 AU Commission, Third Ordinary Session of the African Union Specialized Technical Committee on Communication and ICT, *Draft Digital Transformation Strategy for Africa (2020–2030)* (Addis Ababa: AU, October 2019), 2.

> The objective of the AfCFTA is to drive intra-African trade between the AU's member states; the objective of ecommerce is to market and sell. The AfCFTA aims to reduce barriers to trade; ecommerce reaches across continents

This report will address the current state of the digital economy in Africa, with emphasis on ecommerce, and the potential for growth as trade between African countries opens up. With regard to the development of ecommerce, it will explore the present situation and challenges. It will then explore the potential for online trade to stimulate growth between the AU's member states, and ask what policies and practices are needed to boost online pan-African trade.

CHAPTER 2

Overview of the digital economy and ecommerce in Africa

Opinion makers have identified the digital economy as the future for Africa. The AU/EU's 2019 Digital Economy Task Force (DETF)[8] report forcibly makes the point:[9]

> Home to the youngest population in the world, Africa is progressing rapidly in digital adoption. Over the past ten years, the Continent has recorded the highest growth globally in internet access, moving from 2.1% in 2005 to 24.4% in 2018. The progress is not only visible in internet connectivity but also in mobile-cellular telephone subscriptions and in households with a computer, and the trend is affecting the economy as a whole. GSMA [Global System for Mobile Communications Association] reported that the 'mobile economy' accounted for 6.7% of the overall GDP [gross domestic product] in Africa in 2016, representing $153 billion. This is forecasted to reach 7.6% ($214 billion) of the overall African GDP by 2020. Technology related productivity gains in crucial sectors (ie. financial services, education, health, retail, agriculture and government) in Africa are predicted to reach between $148 billion and $318 billion by 2025.

Africa online: The growth of the mobile phone and ecommerce

The mobile phone is quintessentially African and central to the AU's Draft Digital Transformation Strategy for Africa (2020–2030), which calls for all Africans to be able to access the Internet at an affordable price and on a smart phone by 2030. It is often said that Africa has leap-frogged the landline phone for the mobile, and, perhaps, to a lesser degree, the personal computer for the smart phone. Although GSMA has pointed out that most mobiles in Africa are still 'feature phones', not smart phones (which have greater capacities), cheap smart phones are now more widely available. However, the cheaper models have limited memory and can only carry a few apps, which significantly limit their use for buying online.[10]

Today, African ecommerce may have reached a defining moment of realignment and restructuring. The rush for new markets and new offerings has slowed. Most e-platforms in

8 The DETF was a high-level task force set up by the EU/AU Africa–Europe Alliance in January 2019. Its final report was submitted in June 2019.

9 DETF, *Final Report*, 3. See also Cisco Digital Readiness Index, https://www.cisco.com/c/en/us/about/csr/research-resources/digital-readiness.html

10 Stefan Kuegler, "Importance of Feature Phones in Emerging Markets", *Kantar*, http://www.lightspeedresearch.com/importance-feature-phones-emerging-markets/; Kwehnui Tawah (Global Head of Operations, Sokowatch), interview by Alastair Tempest, January 21, 2020.

Africa are niche (B2C/C2C/B2B are the most popular). Less than 30% of African e-platforms are traditional online shopping malls.[11] Attempts to get an African B2B platform, goAfrica, off the ground are believed to be floundering. However, new, specifically African solutions are attracting attention from investors and are forging ahead. These include Twiga and MaxAB, which are bringing agricultural produce from the countryside to the cities (both use digital technologies to help their farmer-suppliers improve quality and yields), Gloopro, and Sokowatch, to name a few.

When looking at the size of ecommerce in Africa, it is clear that little serious research on ecommerce sales is available, even in the largest markets of Nigeria, Egypt or South Africa. Eshopworld found that in 2017 there were 18.3 million ecommerce users in South Africa, with an additional 6.36 million users expected to be shopping online by 2021, spending a predicted average of $189.47 each online. Statista estimated South Africa's ecommerce turnover in 2018 at ZAR[12] 45 billion ($3 billion), but World Wide Worx's report, Online Retail in South Africa, which surveyed business, found that ecommerce accounted for 1.4% of total retail sales in 2018. It estimated that ecommerce would grow in 2019 by 25% and that ecommerce turnover would exceed 2% of total retail trade in 2020, reaching ZAR 20.3 billion (about $1.16 billion).[13] However, World Wide Worx was unable to repeat its research in 2019, and therefore there has been no reliable data for South Africa since 2018.

The UN Conference on Trade and Development (UNCTAD) publishes the B2C eCommerce World Index each year, which is a helpful indicator of ecommerce activity around the world. Not surprisingly, Europe and North America dominate, while China is growing fast. Out of the 152 countries in the report, Mauritius is Africa's champion, coming in at position 58. The rest of the top 10 African countries are Tunisia (70), South Africa (76), Nigeria (77), Kenya (88), Namibia (94), Morocco (95), Tanzania (96), Ghana (97) and Senegal (98).[14]

It should be noted that there are two large users of ecommerce that have not been measured at all – first, the services sector, which is vibrant and has great potential for cross-border trade; and second, the B2B sector, which is estimated globally to be worth up to

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11 University of Amsterdam, preliminary research for the International Trade Council (ITC): "Most marketplaces can be found in South Africa (106), Morocco (103), Tunisia (92), Egypt and Algeria (78). South Sudan (14), Cabo Verde (14), São Tomé and Príncipe (12), and Eritrea (11) are amongst the countries with the lowest number of marketplaces. About 65% of the marketplaces are standard classified sites where private persons and companies can place ads. Most marketplaces are tiny in terms of web traffic (non-unique visitors). About 18% have more than 1 million web visitors per year (only 2% have more than 50 million web visitors per year). And about 50% have less than 25,000 web visitors per year."

12 Currency code for the South African rand.

13 Anna Wadolowska, *South Africa eCommerce Insights | 24.79 Million Online Shoppers By 2021*, eshopworld, September 18, 2019; Statista, Ecommerce: Africa, 2019, Hamburg, Germany. https://www.statista.com/outlook/243/630/ecommerce/africa#market-arpu. Note that Statista's data is based on primary research (the Statista Global Consumer Survey), bottom-up modeling, market data from independent databases and third-party sources, the analysis of various key market and macroeconomic indicators, historical developments, current trends, the reported performance indicators of the key market players, and Statista interviews with market experts. The following categories are not included in the ecommerce market: digitally distributed services (see instead: eServices), digital media downloads or streaming services (see instead: Digital Media), online booking of plane and concert tickets, etc. and B2B ecommerce and the purchase or resale of goods (re-Commerce and C2C). World Wide Worx, *Online Retail in South Africa 2018* (Johannesburg: World Wide Worx, January 2019), 5, 11.

14 UN Conference on Trade and Development, *UNCTAD B2C Ecommerce Index 2019: UNCTAD Technical Notes on ICT for Development No 14*, Conference Report, https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2586.

$25 trillion (five times the size of online B2C).[15] There are no studies on the size of either of these sectors in Africa. Both UNCTAD and the World Trade Organization (WTO) have started to collect compatible data on the digital economy and ecommerce from national governments. This will help fill the void when the results are available.

African ecommerce – a time of realignment and adjustment?

In Africa, ecommerce began to make inroads at the start of the 2010s. African entrepreneurs set up companies to import and sell high-end merchandise online. This has subsequently expanded. Amazon and later Alibaba entered the continent, but after experiencing the postal and logistics challenges Amazon retreated from most African markets, preferring to offer its products through African e-platforms such as MallforAfrica, Jumia and Takealot, which operate their own logistics. This has resulted in an interesting situation where most e-platforms in Africa are owned and run by Africans. It has not been easy, and profits are believed to be thin. Many e-platforms may be running at a loss once additional costs are taken into account.

> Most e-platforms in Africa are owned and run by Africans

Jumia, which was set up in Nigeria in 2012 as 'Africa's Amazon', became the first African 'unicorn' at the New York Stock Exchange when it issued an initial public offering (IPO) in April 2019, raising a net $196 million. However, like most other traditional e-platforms, related costs, particularly delivery costs, are eating into profits. Nearly a year after the IPO, Jumia announced a full year operating loss of $248 million (a 34% increase year on year), despite a 3% increase in volume and a customer base of over 6.1 million people.[16] Jumia is restructuring, has closed operations in The Gambia, Rwanda, Tanzania and Cameroon, and its travel service is now run by Travelstart. Jumia currently operates in 10 African countries.

Other investors have also re-engineered their operations. For example, the Naspers Group started by investing in the OLX brand and the pay-gateway PayU, among other digital economy operations. It has now divested many of its OLX holdings in Africa, preferring to concentrate on OLX Europe. In South Africa it bought out Tiger Globe Management's 96% share in Takealot and merged its e-shops (Spree and Kalahari) into Takealot in 2018.[17] It is not clear if Takealot has broken even yet, but it dominates the South African market.

15 International Trade Centre, private communication.

16 Yomi Kazeem, "Jumia's Losses Widened Over the Last Year – and Now Coronavirus Threatens to Hobble Growth", *Quartz Africa*, February 26, 2020, https://qz.com/africa/1808055/jumia-annual-losses-widen-in-2019-jumiapay-spin-coming/.

17 Moneyweb, quoted in Ecommerce Forum South Africa (EFSA) Monthly Newsletter, June 2018.

Ecommerce, the digital economy and employment

The continent's geography, sparse transportation infrastructure, and thin capital markets have inhibited the rapid expansion of brick-and-mortar retail. In terms of socio-geographical spread, Africa should be perfect for the use of ecommerce/distance selling. For example, in 2018 there were 930 physical retail stores per 1 million inhabitants in the US, 568 per 1 million in Europe, and 136 per 1 million in Latin America. In Africa, there were fewer than 15 formal retail stores per 1 million people. This extremely low penetration suggests that ecommerce will not displace existing employment levels or sales in the formal bricks-and-mortar retail sector, and that ecommerce will leapfrog bricks-and-mortar retail in many African countries.[18]

> In terms of socio-geographical spread, Africa should be perfect for the use of ecommerce/distance selling

Opinion makers often try to compare West European and North American experiences of ecommerce and bricks-and-mortar retail with the situation in Africa. A South African newsfeed, for example, reported:[19]

> The demise of some Massmart stores, including electronic devices retailer DionWired, is a direct result of thriving online business. This is according to analysts, who say online sales are growing at far higher rates than brick-and-mortar sales, causing a steep drop in business at physical stores.

Many retail experts, on the other hand, believe that at present urban South Africa has too many competing shopping malls within close proximity, with almost identical outlets; little competition on price; and a sluggish economy. These are the main threats to the South African retail environment – not online sales.

The job loss argument is also being debunked in developed markets. In the US recent research has indicated that the equation is not simply that more online sales equal lost retail jobs. Bloomberg reported that over 444 000 jobs had been created in the US in ecommerce warehousing alone since 2014. This number of new jobs created was almost the same as the number lost through the closure of retail outlets. The WEF has estimated that 133 million jobs will be created globally by the digital economy, while 75 million

18 ESCAP World Bank Trade Cost Database and Boston Consulting Group (BCG) analysis, 2019. Very few African countries have a large bricks-and-mortar retail sector – the exception is South Africa.

19 Samuel Mungadze, "Dion Wired 'felt like a ghost town'", *ITWeb*, January 14, 2020, https://www.itweb.co.za/content/Pero3MZg6AKqQb6m.

will disappear as the result of 4IR by 2022. In Africa it forecasts that ecommerce has the potential to create 3 million new jobs by 2025.[20]

South Africa in the Digital Age (SADA) believes that South Africa can create 500 000 new jobs over the next 10 years in globally traded services, of which 50 000 will be export related. This[21]

> will require SA to expand its market share of business-process outsourcing services in target markets, offer niche shared services, bring back work that has been outsourced, tap into the global demand for ICT [information and communications technology] and digital services, and innovate personalised and social services.

Looking at employment in Africa, over 90% of businesses are SMEs, which employ over 80% of the (non-government) labour force. Surveys by the Global Entrepreneurship Monitor claim that[22]

> [o]ne in three working-age adults in sub-Saharan Africa either runs a new business or is trying to start one, compared with one in six Americans and one in twenty Germans. In Tanzania informal firms created four-fifths of new non-farm jobs between 2002 and 2012.

This gives resonance to the World Bank's forecast that if Internet use across the continent can be expanded at the same rate as in high-income countries, 140 million new jobs and $2.2 trillion will be added to the African gross domestic product GDP.[23]

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20 Spencer Soper, "Amazon is a Lifeline for Retail Workers (If They Live in the Right City)", *Bloomberg*, September 20, 2017, https://www.bloomberg.com/news/articles/2017-09-20/amazon-is-a-lifeline-for-retail-workers-if-they-live-in-the-right-city; Alexander Lykoudis, "Top Global Risks of 2020: The Impact of AI on Employment", *JDSupra*, February 19, 2020, https://www.jdsupra.com/legalnews/top-global-risks-of-2020-the-impact-of-59318/; Botwright and Wilson, "8 Ways".

21 My Broadband, "How South Africa's Tech Industry Can Create 500,000 Jobs in 10 Years", February 8, 2020. SADA is a multi-stakeholder initiative formed by Genesis Analytics in partnership with the Gordon Institute of Business Science and the Pathways for Prosperity Commission at Oxford University.

22 Niels Bosma and Donna Kelley, *Global Entrepreneurship Monitor: 2018-2019 Global Report* (GEM, 2019), https://www.gemconsortium.org/report/gem-2018-2019-global-report.

23 Mike Herrington and Alicia Coduras, The National Entrepreneurship Framework Conditions in sub-Saharan Africa: A Comparative Study of GEM Data/National Expert Surveys for South Africa, Angola, Mozambique and Madagascar, *Journal of Global Entrepreneurship Research* 9, no. 60 (2019), https://doi.org/10.1186/s40497-019-0183-1; World Bank, *Trouble in the Making? The Future of Manufacturing-Led Development*, September 20, 2017, https://www.worldbank.org/en/topic/competitiveness/publication/trouble-in-the-making-the-future-of-manufacturing-led-development.

This brings us to the advantages and challenges of orderly development. Yarik Turianskyi proposes specific action by the South African government:[24]

> To further help local ecommerce businesses the government should adopt a strategy to support sustainable cross-border and intra-regional ecommerce, including regional provisions on the alignment of e-transaction laws, streamlining of consumer protection policies and harmonization of digital competition, data privacy and cybercrime policies. Such measures would allow South African ecommerce to expand by shipping to other African states.

24 Yarik Turianskyi, "Stepping Up Ecommerce Would Boost SA Inc", *Business Day*, November 14, 2019, https://www.businesslive.co.za/bd/opinion/2019-11-14-stepping-up-ecommerce-would-boost-sa-inc.

CHAPTER 3

Challenges to ecommerce in Africa

Online selling has attracted particular attention from policymakers because, in words of the DETF, ecommerce in Africa is 'the bloodstream of digital economy at the national, cross-border and continental levels'.[25] Its failure to grow fast in such a potentially open market is owing to a number of factors. These challenge the rapid, orderly, sustainable and inclusive growth of ecommerce.

Online selling has attracted particular attention from policymakers because, in words of the DETF, ecommerce in Africa is 'the bloodstream of digital economy at the national, cross-border and continental levels'

Lack of trust [26]

Neither African businesses nor consumers are used to mail-order distance selling (which flourished in Europe and North America for over a century before the advent of the Internet).[27] Concerns about paying online, the quality of the goods, delivery, return of damaged or unaccepted goods, lack of consumer protection regulations, hidden costs (eg, taxes and customs duties) and general suspicions of buying goods without the ability to touch and feel, reduce the attractiveness of ecommerce for both African consumers and businesses.

The effectiveness of B2B ecommerce is often hampered by a lack of trust between businesses, which traditionally required that buyer and seller meet physically in order to create a relationship. Many SMEs prefer to buy only from people they have met, although once that relationship has been forged there should be no reason why placing orders online cannot support personal relationships.

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25 DEFT, *Final Report*, 8.

26 Much of this section is based on "Principles for the Future" (Paper, Ecommerce Forum Africa, March 2019); Botwright and Wilson, "8 Ways".

27 The settlement of the West of the US and Canada is said to have been greatly aided by the Sears and Roebuck mail order catalogues. Anything could be bought from their catalogues: from farm equipment to furniture or even a complete house.

Elsewhere, online trustmarks[28] backed by codes of practice and effective alternative dispute resolution systems to resolve customer complaints have greatly helped build trust. In South Africa a trustmark (Safe.Shop) was launched by the Ecommerce Forum of South Africa in November 2019 as a best practice solution. This could become a model for Africa.

Infrastructure challenges

Transport/logistics

Logistics in Africa are a major challenge – in Europe the average distance between major cities is 1 300km, in Africa it is 4 100km. The cost of getting a product from the factory to an end user in Europe adds around 90% to that product's manufacturing cost. In Africa logistics add an average of 320% to a manufactured good's cost.[29] Even when online orders are placed, inadequate roads and rail links between cities, let alone remote villages, make it difficult to deliver goods to consumers – especially over the 'last mile' to buyers' homes.

This is one of the most significant barriers to the widespread introduction of ecommerce in Africa. The continuing lack of infrastructure often requires that African producers send goods outside the continent to be re-imported to a neighbouring country. The East African Community (EAC)[30] has made tackling that problem its main objective and has opened up intra-EAC trade enormously. Logistics start-ups such as Ace and Exelot also aim to remove bottlenecks in last-mile delivery to customers. But in some countries the nationally owned postal operator claims a monopoly over last mile deliveries.[31] This creates an unnecessary non-tariff barrier (NTB), increases costs and prevents innovation.

There are some extremely innovative national postal operators in developing countries that can serve as models, including Brazil Post, and both the Nigerian and Kenyan postal services. The Universal Postal Union has produced indexes of national postal delivery effectiveness. According to that index, in Africa Nigeria has the best record (83%), followed by Tunisia (79%), Tanzania (69%), Ethiopia (61%), Senegal (53%), Angola (52%), Cameroon (50%), Mauritius and Kenya (47%), and Egypt and Ghana (42%). South Africa scored 11%.[32] The ineffectiveness of some national postal operators has led to higher prices for ecommerce deliveries by alternative carriers that have no effective competition. That said,

28 Jorij Abrahams, "The Global Ecommerce Trust Framework" (paper, Ecommerce Foundation conference, Barcelona, June 2017). "An ecommerce trustmark is an image or logo found on an electronic commerce website that indicates that the site is a member of a professional organization or has passed security tests. Displaying an ecommerce trustmark gives customers confidence and encourages them to do business with e-shops carrying the trustmark logo. National trustmarks are common for ecommerce in Europe."

29 Boston Consulting Group, private communication, 2019.

30 Member states: Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda.

31 The Universal Postal Union (UPU) supports the last mile monopoly, but it has also recognised the need for alternative delivery systems so long as these do not threaten to undermine the viability of national postal operators, which are members of the union.

32 UPU postal reliability data is available for 2015–18, depending on the country. The low rating for South Africa may have been owing to chronic labour unrest. Yet the UPU still awarded South Africa the right to be the hub for online purchases coming into Southern Africa from other countries. The SA Postal Operator (SAPO) has announced that it will concentrate on ecommerce deliveries. However, both consumer and business trust in SAPO is at a very low level, and the organisation will have to prove its worth (for example, by extending its track and trace capabilities, and reducing breakages and loss of parcels) before it regains customers' trust.

global courier companies provide logistics expertise, particularly for cross-border customs procedures, that is unrivalled.

Innovative ways are now being explored for local ecommerce delivery. The most popular by far have been motorbikes and three-wheelers (tuk-tuks). Investment in delivery motorbikes and tuk-tuks with home/office delivery capacities has risen sharply. Pushback from some local authorities can, however, be expected. In January 2020 Lagos municipality banned them from downtown, complaining of the 'chaos and disorderliness' they cause and the 'scary figures' of fatal accidents. The Motorcyclists SA Club 2018 report on motorbike accidents claimed that there had been over 70 fatal accidents involving delivery motorcyclists in the first eight months of that year in South Africa.[33] Providing better road safety training for delivery personnel and ensuring that drivers are insured are possible solutions.

An interesting logistics innovation is drone deliveries. Konga, a major Nigerian ecommerce company, claims that it will deliver to customers by drone, while Malawi has just opened the first drone academy with support from the UN Children's Fund (UNICEF). The academy aims to improve drone technology skills across Africa, beginning with Malawi and neighbouring countries. However, drones have their limitations: they have low payloads; there are restrictions on their flightpaths (eg, not near airports); and in some African states drones are completely banned by the military.

Addressing the unaddressed

Poor coordination of distribution networks is another challenge in Africa. Some online marketplaces report that 30–40% of products ordered are returned because delivery services cannot find the address. In India, which also struggles with poor infrastructure, some online marketplaces solve this problem by operating their own logistic solutions in major cities and forming local partnerships in smaller ones. Sokowatch, an Internet company that supplies informal traders in Kenya, Rwanda, Tanzania and Uganda, employs delivery staff with local knowledge to ensure successful deliveries. A popular B2C solution in Africa is 'click and collect', where the buyer buys online but takes delivery from the seller or from a convenient outlet nearby (such as petrol stations or supermarkets).

Some African countries (eg, Namibia) do not have postal (zip) codes, while postal codes in other countries are not granular enough for pin-point delivery. It is quite common for towns and villages not to have street name signs. Addressing the unaddressed is almost as important economically as banking the unbanked; in fact, a close correlation has been found in India, where giving addresses has led to citizens' being able to open bank accounts. A new solution is the personal electronic identity (eID), which promises to be a great help to verify the identity of people and provide more surety for ecommerce deliveries.

33 EFSA Newsletter, January 2019. The Motorcyclists SA Club, (https://www.motorcyclists.co.za, subsequently removed its 2018 report on accidents from its website.

Access to the Internet and the digital divide

Connections to the Internet in Africa will increasingly depend on mobiles and not PCs. According to GSMA's 2019 report, smart phone connections to the Internet in 2018 in sub-Saharan Africa accounted for 24.4% of subscribers. A further 47% live in areas without coverage. GSMA expects that there will be 165 million new subscribers by 2025 and that the number using smart phones will double in that time.[34] This development will aid the continued uptake of ecommerce throughout the continent. A number of countries (eg, Rwanda) are experimenting with high-altitude balloons (Project Loon or SpaceX), and fixed drones to boost coverage into rural areas.

The AU's aim in the next decade is to [35]

> [e]stablish and improve digital networks and services with a view to strengthening intra-Africa trade, intra-investment and capital flows and the socio-economic integration of the continent, while maintaining a relational balance with other continents in the context of networked economies (digital and collaborative economies).

This objective will face many challenges.

The Alliance for Affordable Internet points out that Africans are charged on average 7.1% of their monthly salary for a gigabyte (GB) of mobile data, more than 3.5 times the threshold considered 'affordable' (2% of monthly income). Data costs in some African countries are the highest globally. The average price of 1GB in Zimbabwe is $75.20.[36] Data costs obviously reduce access to mobile Internet and therefore use of the digital economy. The AU and UNCTAD have warned of an increasing 'digital divide' between rich and poor on the continent if the costs of and access to the Internet are not addressed.

Low Internet connection costs are a major positive contributory factor to the take-up of both the digital economy and ecommerce. Most leading countries for ecommerce in Africa enjoy low costs per 1GB of data – for example, in Rwanda 1GB costs $0.56; in Egypt $1.49; in Ghana $1.56; in Morocco $1.66; in Nigeria $2.22; in Kenya $2.73; in Senegal $3.28; and in Mauritius $3.71. Of the leading African digital economy/ecommerce countries, South Africa has the most expensive data, at $7.19.[37] An example of the effect of cost on use was Ethiopia in 2019, which reduced its data costs to $2.91 and has seen more than 200% increase in use.

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34 GSMA, *The Mobile Economy*, 2019, https://www.gsma.com/mobileeconomy/.

35 AUC, *Draft Digital Transformation Strategy*, 2.

36 Alliance for Affordable Internet, *2019 Affordability Report*, October 2019, https://a4ai.org/affordability-report/report/2019/; Cable.co.uk, "Worldwide Mobile Data Pricing: The Cost of 1GB of Mobile Data in 228 Countries", April 2019 (https://www.cable.co.uk/mobiles/worldwide-data-pricing/). The other African countries with the highest costs per 1GB were Equatorial Guinea ($65.83), Djibouti ($37.92) and Chad ($23.33).

37 Howmuch.net, "How Much Does Mobile Data Cost Around the World?", https://howmuch.net/articles/the-price-of-mobile-internet-worldwide-2019. These are average costs per 1GB. ICASA, the telecoms regulator for South Africa, launched an investigation into the mobile telcos costs in August 2017. Preliminary evidence suggests that there should be price reductions for data in the region of 30–50%. ICASA has threatened to take the mobile telcos to court to reduce tariff levels and has also proposed the partial break-up of the present oligopoly.

Online payments

Online payment systems are a key element of ecommerce, and the serious barriers to cross-border payments in Africa make the online trade of products difficult, or sometimes even impossible. Therefore, many merchants are deterred from trading their goods and services online or are forced to limit sales to specific countries where online payment is possible. This situation deters the application of the AfCFTA and led to a ministerial agreement during the signing of the AfCFTA in May 2019 to set up a pan-African payment system, which will pilot in West Africa.

On the other hand, many African countries, particularly South Africa, Kenya and Nigeria, have taken a leading role in the new fintech developments that are disrupting traditional banking and introducing the previously 'unbanked' population to the mainstream economy. 'Mobile money' has also taken off as the cheapest and most effective way for the unbanked to transfer money from one mobile phone to another. Mobile banking, as seen in countries such as Kenya, has been of enormous benefit to the national economy, and has enabled ecommerce trade at a micro level. As an example of the difference in costs, Ugandan banks charge 3% commission for an online payment while Safaricom's M-Pesa charges 0.7%. However, for the poorest even M-Pesa's low commission rate can be a barrier to paying online, and some large ecommerce players are looking at providing their clients with even lower commission rates.[38]

An additional challenge is currency exchange and fluctuations in exchange rates, which are always an issue for any sales across frontiers. In the case of ecommerce, e-shops have the choice of either offering their products in their own national currency or in an international currency (such as the US dollar or Euro) or offering the buyer their own currency. Studies have shown that online buyers faced with one of the first two options get redirected to a currency exchange system and sales are frequently abandoned at that stage. Offering the consumer's own currency is therefore the best option, with the danger that currency fluctuations can wipe out a seller's profit margin.[39]

In terms of cross-border trade within the AfCFTA, the AU has discussed a single currency, and at present there is a proposal among the ECOWAS[40] countries to introduce a common currency based on the euro. However, until a single currency becomes a reality, exchange fluctuations will remain a problem for cross-border ecommerce within Africa.

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38 Tawah, interview. Many e-shops run on thin profit margins of less than 10%. Bank commissions reduce these profits. An interesting lesson is the fall of American Express, which imposed higher commission rates than its competitors (Visa and Mastercard) and rapidly lost market share in the new online economy. Ecommerce has seen the launch of a number of new online payment systems, including Paga, Apple Pay, Flutterware and World Pay. In South Africa a number of e-wallet solutions are being rolled out, including Ukeshe, Zarga, Selpal, Cellbux and ChatBanking, which is a WhatsApp payment system (WhatsApp has been trialing its online payments solution in India).

39 Most e-merchants are wary of offering the customer their own currency in countries with economic instability. Source for this point, inter alia, Michael Bilotta, Head of Foreign Exchange North America and LATAM, Ingenio.

40 Member states: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

A possible solution to the fluctuations in national currency exchange rates is the use of cryptocurrencies for online payments, but there is an uneven response to these from different countries – some states have embraced them, while other countries have banned or restricted them.[41] If they are to be used for online cross-border payments, the AUC will need to reconcile these differences in approach within Africa.

Another concern for the digital economy is national banking rules on cross-border payments. In Africa some national currency controls complicate accepting payment in foreign currency, for example requiring that all foreign bank transfers have to be justified, which delays purchases. Buyers can use Visa, Mastercard or PayPal to overcome these rules, and benefit from the chargeback policies[42] of the major credit card operators, but this restricts cross-border purchases to those who have access to credit cards or PayPal. The existing restrictions should be seen as NTBs to intra-African trade and need to be tackled and removed as the AfCFTA is introduced.

Tariffs, taxes and non-tariff barriers

Signatories to the AfCFTA recognised that tariffs and NTBs on cross-border trading must be reduced significantly if the free trade area is to be successful. In line with global trends, tariffs on cross-border trade on the continent have decreased over the last couple of decades. In addition, at a regional level most regional economic communities (RECs) operate customs unions between their member states. By far the most effective is the EAC, which has significantly reduced customs clearance times by introducing a pre-customs clearance system and agreements on duties. NTBs will take more time to address, and some pose serious challenges to cross-border ecommerce. UNCTAD has developed a system for companies to report NTBs. The Common Market for Eastern and Southern Africa (COMESA)[43] has already adopted this process and invites businesses to report NTBs imposed by its members.

Another issue the AfCFTA must address is sales taxes (eg, VAT) on products bought online. Globally, policymakers are unsure of how to handle income generated by online merchants and marketplaces, particularly cross-border. There are a number of alternatives. Taxes can be assessed on the basis of the final price of a product or service, or on the value added by each individual party; or a flat tax rate, or a rate that depends on the maturity of the

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41 Cryptocurrencies are currently banned in Algeria, Libya and Morocco, and in effect also in Egypt. Namibia and Burundi do not allow trading in these currencies. The following countries advise discretion in owning or trading in cryptocurrencies: Eswatini, Ghana, Kenya, Lesotho, Uganda, Zambia and Zimbabwe, according to Ventureburn,'African regulators are holding back growth of cryptocurrency on continent' May 25, 2020, https://ventureburn.com/2020/05/african-regulators-holding-back-cryptocurrency-growth-finds-report/; See S Eiselen, "What to Do with Bitcoin and Blockchain", *Tydskrif vir Hedendaagse Romeins-Hollandse Reg* 8 (2019), for an excellent description of South Africa's stance on crypto currencies; Uganda has been particularly affected by cryptocurrency scams, see Godfrey Olukyo, "The Billion Dollar Cryptocurrency Scams You've Never Heard About", *Ozy*, February 24, 2020, https://www.ozy.com/around-the-world/the-billion-dollar-crypto-currency-scams-youve-never-heard-about/266860/.

42 'Chargeback' is the guarantee that online payments are covered in case of fraud or non-arrival of the purchase. In effect it acts as an insurance for the card holder.

43 Member states: Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, eSwatini, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Seychelles, Uganda, Zambia and Zimbabwe.

online business can be applied so as not to inhibit the growth of new sectors. The tax issue is further complicated by the cross-border sales of digital services such as music, games, software or data. The Organisation for Economic Co-operation and Development has struggled to find a solution that is acceptable to its members and that makes it harder to use offshore structures to distort a level playing field.[44]

An example of the wide differences in the approach towards sales taxes and customs duties relating to B2C cross-border sales is the 'de minimis' rule, which applies to an online purchase that is imported from another country and not taxed because it is of too little value to justify taxation. The de minimis threshold (DMT) is a valuation ceiling for imports below which no duty or tax is charged and the clearance procedures are minimal. Customs assessments are costly to carry out and delay timely trade flows. In order to apply this rule, countries should have done an impact assessment to work out the DMT value. However, the impression given by many customs authorities in Africa is that the value is arbitrary and is not even applied in some cases, causing the buyer (the consumer) extra costs that they did not expect. This creates distrust in the process of cross-border ecommerce.

Taxes have been introduced on social media, mobile banking and mobile data in several African countries. These have not proved a success and in most cases have been withdrawn or reduced

Finally, it should be noted that taxes have been introduced on social media, mobile banking and mobile data in several African countries.[45] These have not proved a success and in most cases have been withdrawn or reduced. Their effect is to create a further digital divide between those consumers who can afford the increased costs and the poor who cannot. The number of 'digital poor' is therefore increased.

Regulatory issues

The AfCFTA will make it increasingly important for governments, businesses and consumers to improve their knowledge of the national regulation of ecommerce and the digital economy. A key aim of the AU is to 'enable the coherence of existing and future digital policies and strategies at regional and national levels and mobilize effective cooperation between institutions'.[46] There are, inter alia, rules on electronic transactions (e-contracts and

44 Organisation for Economic Co-operation and Development, International VAT GST Guidelines, Nov 2015, http://www.oecd.org/ctp/consumption/international-vat-gst-guidelines.pdf. The choice of where to impose taxes depends not only on the country of the seller or buyer but also on the country where the warehouse is situated (and the order is fulfilled).

45 For example, Uganda, Benin, Zambia and Tanzania.

46 AUC, *Draft Digital Transformation Strategy*, 2.

distance selling), data privacy, consumer protection, competition law, intellectual property (IP) and trademark law, all of which will need to work in harmony for the AfCFTA to operate effectively. A brief commentary on the differences between relevant regulations in Africa will never cover the multitude of differences that exist either in the laws themselves or in their application (court cases, etc.), while drilling down would require volumes of legal texts. The following captures only the most relevant issues for the digital economy.

In many countries the legal framework for ecommerce is in its infancy, and guidelines for data privacy, consumer protection, electronic contracts and online payments have yet to be implemented. This can result in consumers' distrusting online transactions because they fear fraud, inferior products, or misuse of their financial or personal data.[47] Distrust of ecommerce among some policymakers also remains high.

Consumer protection law in South Africa is well established through the Electronic Communications and Transactions Act (ECTA 2002) and the Consumer Protection Act (CPA 2011). In the rest of Africa, 32 countries have laws on electronic transmissions and 19 other countries have consumer protection laws.[48] Some of the RECs are working to promote consumer protection regulations in their regions. One such example is the COMESA Competition Commission Commitment on Strengthening Cross-Border Consumer Protection Collaboration (May 2019).

These regulations are important to cement consumer trust, but they must be seen to work in the interests of the consumer. Product guarantees, for example, are key to ensuring that products abide by quality standards and are not hazardous.[49] This is a global issue that ecommerce players must face responsibly. Africa deserves a high level of consumer protection to offset low disposable incomes.

Another key element of regulation for the digital economy is data protection or data privacy. There are 28 African countries with privacy laws either in place or in the pipeline. All are based on the principles of the Council of Europe's Convention 108 and the EU's Data Protection Rules. The AU Commission prepared the Malabo Convention on Data Protection and Cyber Security,[50] but this convention has not necessarily been followed by African countries. This failure has resulted in differences in law that will create unintended NTBs for ecommerce in the future.

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47 The South African Banking Risk Information Centre (SABRIC, https://www.sabric.co.za/) publishes data on fraud in South Africa. It published warnings for consumers during the 2019 Black Friday period and worked with the EFSA on tips to help e-shops avoid fraud.

48 UNCTAD, *Summary of Adoption of Ecommerce Legislation Worldwide*, https://unctad.org/en/Pages/DTL/STI_and_ICTs/ICT4D-Legislation/eCom-Global-Legislation.aspx. All quoted numbers of countries with regulations is sourced from this.

49 International product standards, including ISO qualifications. These have become particularly important owing to the global nature of ecommerce. In South Africa the Consumer Goods Council through its GS1 initiative (barcodes, QR Codes and RDIFs) seeks to ensure quality and avoid counterfeit goods.

50 The AU adopted the Malabo Convention on Cyber Security and Personal Data Protection in 2014 "to provide fundamental principles and guidelines to ensure an effective protection of personal data and create a safe digital environment for citizens, security and privacy of individuals' data online".

Because data privacy laws are complex to enforce, such barriers to trade are most likely to affect SMEs, which do not have the resources to follow complicated variations in data protection regulations cross-frontier. In particular, some countries, such as South Africa, include extra-territorial regulations covering their citizens' personal and company data outside the country's frontiers.[51] Many companies use model contracts (corporate binding rules), which are recognised by the EU, to guarantee adequacy of rules on personal data across frontiers. This system allows companies to move their own data between countries with different privacy rules while recognising and applying the country of origin and country of destination regulations. A similar system should be considered by the AU for trans-African data flows.[52]

> Without robust, cutting-edge enforcement, the African ecommerce market is vulnerable to exploitative practices that could harm African businesses and consumers alike

It should be noted that data flows include not only the personal data of customers but also business data essential for the smooth running of companies (order records, accounting, manufacturing data, etc.) and government-related data. The debate on data flows often fails to distinguish between these very different types of data and seeks to impose a one-size-fits-all approach, which is clearly inappropriate. The AU Commission has announced that it is working to address the data flow issue.

As noted, some African governments are wary of opening traditionally closed sectors to online competition, because incumbents claim that ecommerce will harm their country's businesses. While caution is understandable, the extent of the ostensible problem is usually unsubstantiated. For example, in order to perform optimally the AfCFTA will need member states to support strong national competition authorities that can tackle abuses by dominant undertakings. Without robust, cutting-edge enforcement, the African ecommerce market is vulnerable to exploitative practices that could harm African businesses and consumers alike.

Finally, probably the most complex and controversial rules relate to IP and trademark protection. The current models of IP protection usually address the pre-digital economy world, and the rules differ greatly between the AU's 55 member states.[53] New IP regulations

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51 Protection of Personal Information Act (POPIA), signed into law in November 2013 but still not fully implemented. POPIA gives equal protection to both personal and company data.

52 European Commission, "Binding Corporate Rules (BCR)", https://ec.europa.eu/info/law/law-topic/data-protection/international-dimension-data-protection/binding-corporate-rules-bcr_en, negotiated on behalf of business by the International Chamber of Commerce.

53 Lisa McIlwaine-Hill, "Important Considerations of Protection in Africa", *GoLegal*, July 16, 2018, https://www.golegal.co.za/ip-protection-africa/.

are needed to cater to the interactions between all stakeholders – artists, tech innovators, entrepreneurs, marketplaces, vendors, consumers and support functions. This is an issue (similar to data privacy) where ideally a global level playing field should be sought. To achieve this Africa must ensure that it has its say.

Increase in cybercrime

Cybercrime continues to increase globally each year and is becoming ever more sophisticated. It is estimated that billions of dollars have been lost worldwide by companies, citizens and governments from a wide variety of scams, ransomware, phishing attacks and viruses. Personal and company data is particularly at risk. African consumers and business also have to put up with some of the highest global levels of phone spam.[54] Cybercrime attacks the digital economy through theft and by distorting digital products, and undermines consumer trust in the online environment. It therefore affects the benefits of the digital economy. Of the 55 AU member states, only 28 have cybercrime regulations.

Security risks (real or perceived) in payment channels and lack of knowledge around fraud detection are affecting take-up of the digital economy. African businesses are not sufficiently ready to deal with cybercrime and, crucially, there is a major lack of cybersecurity specialists on the continent. A recent study of businesses in South Africa, Kenya, Nigeria, Ghana, Egypt, Morocco, Mauritius and Botswana found that 65% of the respondents were concerned about cybercrime and 55% believed that they would recognise a security incident, but when pressed most could not identify a cybercrime and 25% did not know what ransomware was. Many respondents did not recognise the dangers of opening attachments to emails without verifying the source.[55]

Africa is attractive to cyber-criminals because of a lack of legislation and law enforcement, and because both consumers and business are still relatively new to the tricks cyber-criminals get up to. SME e-merchants are particularly vulnerable to credit card fraud.

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54 Truecaller, the caller identification app, claims that nine of the top 20 countries for spam are in Africa – Ethiopia (at 120 spam texts a month), Kenya and South Africa are the top three countries for spam worldwide.

55 KnowBe4, *African Cyber Security Report 2019*, https://www.knowbe4.com/press/the-knowbe4-african-cybersecurity-awareness-report-heads-up-africa.-youve-been-phished. A current example of international cybercriminal activity found in different countries is SMS scams on COVID-19 that impersonate the government and claim to provide information about how to get tested. These SMSs contain malware or viruses that attack mobile phones.

Lack of finance

A major barrier to the development of the digital economy in Africa is the lack of finance. Compared with Asia, where only 11% of start-ups consider that lack of finance is a barrier, or Europe where 17% list finance as a concern, in Africa 39% of companies report that a lack of finance is a serious barrier to operations. This situation is made worse by the fact that 90% of funds invested in ecommerce operations in Africa are concentrated in only five countries – Egypt, Kenya, Morocco, Nigeria and South Africa.[56] As UNCTAD has pointed out, global development aid funding only dedicates 1% to investment in ICT.[57]

One thing that Africa has no shortage of is entrepreneurs. Entrepreneurial activity in Africa is 13% higher than the global average, according to the WEF. However, it also points out that 60% of Africa's 420 million young people are currently unemployed, and more than 11 million job seekers are entering the market every year. The WEF believes that owing to a lack of support and infrastructural inadequacies, African start-ups are 14% more likely to fail than the world average. It proposes that a solution could be more public–private partnerships, innovation and accelerator hubs.[58]

Borrowing funds through formal financial institutions to set up an ecommerce business or carry inventory remains extremely challenging. This means that many entrepreneurs fail to secure the necessary funding to enter the market. This is particularly true for women, the young and people from poor areas, simply because of their age, gender or redlined community. While some online marketplaces offer assistance to merchants in one form or another, it is obvious that much more progress is needed to open formal financial markets to small enterprises and to attract foreign direct investment (FDI). It does not help that about 40% of African nations do not have FDI promotion agencies, which disadvantages entrepreneurs in those countries. One country that has greatly benefited from FDI is Uganda, which has received the most FDI on the continent over the past three years.[59]

The good news is that over the last 12 months there has been a marked improvement, with greater investment being attracted by African companies. There are three annual studies of investments (all with different findings), but the latest, Partech Africa on venture capital investments in 2019 of over $200,000, finds that 243 African tech start-ups raised a total of $2.02 billion in equity through 250 rounds, representing more than 74% growth year on year. Eighteen countries saw at least one equity tech deal above $200,000.[60] Thanks to

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56 Data supplied by the Boston Consulting Group (BCG) and the World Association of Investment Promotion Agencies (WAIPA).

57 Mukhisa Kituyi, Opening Speech at the 2019 UNCTAD Ecommerce Week, Geneva, April 1, 2019.

58 28th WEF Africa Conference, Africa Growth Platform, Press Release, Cape Town, September 4–6, 2019. As an example, the World Bank has launched a public–private partnership project, l'Afrique Excelle. This is an investment-readiness accelerator programme designed to support the expansion of 20 start-ups from francophone Africa, offering between $250,000 and $5 million in seed funding.

59 WAIPA, quoted in UCTAD, *World Investment Report 2019*. "Foreign direct investment is an investment in the form of a controlling ownership in a business in one country by an entity based in another country".

60 Partech Africa, *4th Annual Report: VC Funding for African Startups*, January 29, 2020, https://partechpartners.com/news/2019-partech-africa-report-here-and-its-best-yet-us-2-02-b-raised/. The leaders were: Nigeria, which raised $747 million; Kenya, $564 million; Egypt, $211 million; and South Africa, $205 million. In French-speaking Africa, Senegal led with $16 million raised in six deals. The report only focuses on African start-ups – companies with their primary market in Africa in terms of operations and (continued overleaf)

the EAC, East Africa is expected to be the main growth driver on the continent for the next decade. Ethiopia made it onto the list of the top 10 African countries in which to invest, mainly because it is starting to open its borders to international investors and is one of the fastest growing economies on the continent and in the world.[61] Other countries attracting attention are Mauritius, Botswana and Namibia.

An important element in the growth of investment confidence has been the rapid development of technology hubs across the continent. According to Disrupt Africa, there are 640 such hubs and start-ups, which raised almost $500 million in funding in 2019 – showing year-on-year growth of almost 50%. The most popular are fintech start-ups, raising $107.4 million in 2019 (25% of all funding).[62] But Disrupt Africa also noted that women-led start-ups only received 2% of all venture capital funding.

Despite these hopeful signs, most African start-ups in the digital economy and ecommerce struggle for funding from either the public purse or private equity. African financial angels are appearing (in 2019 one of the largest groups, ABAN, joined with AfriLabs, the grouping of 209 innovation hubs from 46 countries, to help fund new start-ups). Crowdfunding has also started. Clearly Africa needs more and greater consistency in funding for the digital economy.

Bureaucracy as a hurdle to success

Finally, it is worth noting that entrepreneurs often encounter red tape, which adds to costs and reduces efficiencies. In the latest World Bank's Ease of Doing Business Index, Mauritius is the highest ranked sub-Saharan African economy, followed by Rwanda, Kenya and South Africa.[63] On the other hand, the Trade20 Index by Standard Chartered considers Côte d'Ivoire to have the greatest potential for future growth out of 66 countries. Kenya ranked third and Ghana 13th, based on metrics such as economic dynamism, trade readiness and export diversity.[64]

(cont.) revenues – and includes both disclosed and undisclosed deals. The other two annual reports on investments are WeeTracker and Briter Bridges. It is estimated that 90% of investment in Nigerian start-ups comes from non-Nigerian sources, which illustrates the challenges faced by start-ups trying to attract funding.

61 Celeste Fauconnier, presentation at International Federation of Freight Forwarders Associations (FIATA) 2019 conference, Cape Town.

62 Disrupt Africa, *Finnovating for Africa 2019: Reimagining the African Financial Services Landscape*, June 20, 2019, https://disrupt-africa.com/finnovating-for-africa/. Many ICT leaders have also committed funding to African start-ups. For example, Amazon Web Services Equity Equivalent Investment Programme has committed over ZAR 365 million to invest in the development of black-owned South African small businesses in the ICT sector.

63 World Bank, *Doing Business 2020: Sustaining the Pace of Reforms* (Washington DC: World Bank, October 24, 2019), https://www.worldbank.org/en/news/feature/2019/10/24/doing-business-2020-sustaining-the-pace-of-reforms. This index measures, inter alia, getting a building permit, obtaining an electricity connection, transferring property, getting access to credit, protecting minority investors, paying taxes, engaging in international trade, enforcing contracts and resolving insolvency. According to this Index, Rwanda is one of Africa's most interesting countries, offers access to the EAC and has become the African hub for Alibaba. Meanwhile, Tanzania lost its place among the top 10 countries thanks mainly to government interventions.

64 Standard Chartered, "Trade20 Index: Mapping the Rising Stars of Trade", September 23, 2019, https://www.sc.com/en/trade-beyond-borders/trade20-meet-rising-stars-of-trade/.

CHAPTER 4

Growing pan-African trade through online marketing

Although, as we have seen, the e-merchant faces many challenges in pursuing cross-border ecommerce, there are many SME ecommerce companies selling globally – mainly to the European and North American markets, offering agricultural products, African fashion, crafts, artisanal goods and so on. Trade agreements like the African Growth and Opportunity Act, which offers free access to the US, are a great help, and there is assistance for ecommerce exporters to these developed markets, including national export trade bodies and courier companies.[65] But competition is fierce and the cost of marketing is high.

Stimulating African trade and the manufacturing base

As a result, most ecommerce in Africa today is national and B2C. The large ecommerce platforms that do operate in more than one market, like Jumia or MallforAfrica, offer different national platforms. For example, Jumia is present through Zando in South Africa.

> At some point ecommerce in African countries will only grow and expand if it can sell across national borders. This point in time obviously differs between countries – for example, the national marketplace in Botswana is much smaller than in South Africa, requiring Botswanan e-shops to look for foreign markets long before South Africa's e-shops have to do so

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Presently, about 18% of the continent's trade is intra-African. That compares to 59% intra-regional trade in Asia and 69% in Europe, according to Brookings.[66] At the same time the

65 Carroll, "*Grow Global*", for a clear outline of the steps needed to sell successfully across frontiers.

66 Dhruv Gandhi, "Figures of the Week: Increasing Intra-Regional Trade in Africa" (Washington DC: Brookings, February 23, 2020). UNCTAD estimates formal intra-African trade at 16–18%. Cross-border trade by informal traders is not measured.

UN Economic Commission for Africa (UNECA) points out that manufacturing output has fallen in Africa over the last decade (the 'de-industrialisation' process).

For some time economists have pointed out that Africa lacks a diversity of manufacturing goods. The result is that African countries export in value far more raw materials and agricultural produce than they do finished manufactured products. There are assembly plants for the automobile sector, foodstuffs and (increasingly) electrical goods, but textiles, pharmaceuticals, clothing, household appliances, and office, medical and work supplies are usually imported into Africa. As policymakers at UNECA and the AU have recognised, economically this is not sustainable for Africa, with its high population growth and pressing need for employment. In order to re-stimulate African manufacturing and rapidly reverse the trend of the last decades of de-industrialisation, the most effective approach is to increase intra-African trade by means of a free trade agreement.

The AfCFTA potential – benefiting from economies of scale

There are obvious benefits to an African customs union. If trade can flow freely between AU member states (as it is now doing between the six EAC member states), companies can benefit from economies of scale to grow their sales and therefore their production capacity.

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As the DETF pointed out,[67]

> eCommerce will unfold its full potential once markets achieve a significant size. In many parts of Africa, this entails regional market integration, as domestic markets will not be of sufficient size for all goods. At the same time, eCommerce will also trade physical goods mainly, and these goods will need to be shipped across borders.

Without a customs union an SME manufacturer is more or less confined to its national market, as exporting costs money and probably offers a low return on investment. The larger the market grows through removal of tariffs and NTBs, the greater the opportunities the company has and the more it can grow ("scalability"). This has all sorts of advantages for the company, its staff and the state – greater employment, more exchange of skills,

67 DETF, *Final Report*, 51.

increased flexibility of production (eg, just in time), lower delivery costs, and more taxes for the state.[68]

Ensuring that governments do not go short

Generating revenue for governments is crucial in this debate on the digital economy and the AfCFTA. The adoption of ecommerce will benefit national revenues by bringing new businesses into the economy, which should handsomely off-set any loss of customs duties caused by the AfCFTA customs union. However, some governments are concerned that

> The adoption of ecommerce will benefit national revenues by bringing new businesses into the economy, which should handsomely off-set any loss of customs duties caused by the AfCFTA customs union

the removal of tariffs on intra-African trade will reduce national revenues. Customs duties can represent a significant percentage of the national fiscus. It is important to note that the removal of tariffs required under the AfCFTA customs union relates only to intra-African cross-border trade. The adoption of the free trade area should not affect customs duties on imports into the AfCFTA from non-African countries. Two important factors come into play: first, as the free trade area stimulates the manufacturing base, other tax sources will appear; and, second, AU policymakers can use the free trade area to stimulate growth by applying duties and processes to those products from outside the continent that compete with African producers or reduce the competitiveness of African manufacturers.[69]

> It is important to note that the removal of tariffs required under the AfCFTA customs union relates only to intra-African cross-border trade. The adoption of the free trade area should not affect customs duties on imports into the AfCFTA from non-African countries

68 Studies done in the 1990s by European economists after the creation of the Single European Market showed that economies of scale greatly benefited European SMEs – see European Economic and Social Committee, Single Market Observatory, *Recherche Documentaire du Secretariat dans le Cadre des Travaux de l'Observatoire du Marche Unique sur les Nouveaux Modeles Economiques* (Brussels: EESC, January 14, 2020).

69 While this might appear to conflict with the WTO's rules on discriminatory trade practices, there is a clear line between being excessively discriminate, for example by increasing duties on certain metals or other products as a specific protectionist measure, and the continuation of existing tariffs to non-African produced products while removing tariffs within the continent. The EU has applied this approach very successfully, thereby stimulating growth particularly of SMEs within the union.

Trade policy commentators complain that while tariffs on the whole have decreased in Africa, NTBs have increased. For example, importers are discriminated against by being required to use a local agent or to register as a company in the importing country, and/or to register for VAT once their turnover reaches a level that is very low compared to that of a local company, and so on.[70] In addition, it is common to find that certain traditional business sectors are protected from competition, receive government incentives, and/or are tightly regulated. The argument goes that online business, which is unfettered by national frontiers, could avoid these restrictions. In order to protect national business, therefore, governments use customs procedures and nomenclatures to impose fiscal penalties on importers and exporters alike. Unless the AfCFTA can dismantle NTBs, these will continue to distort both online and offline intra-African trade.

How the AfCFTA will work

The creation of an AfCFTA customs union is certain to be slow. The first phase will reduce tariffs by 90% and start the process of removing the far more invidious NTBs. According to UNCTAD, the initial reduction in tariffs should boost intra-African trade by 52.3%. Once countries drop the remaining 10% of tariffs (which they can maintain for 10 years to protect key industries) UNCTAD forecasts that intra-African trade will double. UNECA estimates that by 2040 intra-African trade in agricultural and food exports will increase by $16.8 billion, energy and mining exports by $9 billion and industrial exports by $43.3 billion. The main industrial sectors to benefit will be textile, wearing apparel, leather, wood and paper, vehicle and transport, and electronic (all increasing by over 25%).[71] Cross-border ecommerce will flourish as this trade grows.

An essential issue that needs to be tackled soon by the AU is rules of origin. This is key for ecommerce when selling cross-border. The issue is whether the goods are 100% locally made, or imported from a non-AU country, or assembled by a local manufacturer from non-African made components. The issue lies at the heart of Nigerian President Muhammadu Buhari's reluctance in early 2019 to sign up to the AfCFTA. Rules of origin are critical in determining whether a product can carry the 'made in Africa' label.[72]

Related to this point, a major digital economy innovation is the 3D printer, which has been hailed as a means to reintroduce manufacturing to Africa. Spare parts and other goods can

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70 For example, see EFA, "Submission to the South African Davis Commission on Ecommerce and Indirect Tax in South Africa", 2017, https://ecomafrica.org/2017/wp-content/uploads/2015/08/EFA-DTC-VAT-comments.pdf.

71 Lily Sommer, "Bridging the Policy-Dialogue for Digital Transformation in Africa" (UNECA and EFA Working Session, WTO Public Forum, Geneva, October 10, 2019).

72 See Junior Davis, Chief of the Africa Section, UNCTAD, "Rules of Origin and the AfCFTA", *YouTube*, June 27, 2019, www.youtube.com/watch?v=A_ERxhGjsMw by for a good explanation of the issue. Bukari pointed out that in a free trade area or customs union problems will occur when one of the member countries imports goods from outside the customs union and then circulates those goods within the union under its own "made in …" label. This is further complicated if a country imports components from outside the union and assembles them. In which case the question arises, when can a product claim to have been "made in Africa"? AfCFTA will need some form of arbitration court to iron out the many problems that will appear on basic rules for trade; harmonisation; mutual recognition of national laws; the legal effect of AfCFTA decisions; dispute resolution; the level of common tariffs; rules of origin; customs procedures; and trade defence instruments.

be ‘printed’ based on licences bought from the IP owner. There remain questions on where responsibility for the quality of the product rests, and what rules of origin apply. Once these issues are resolved and the cost of 3D printers is reduced, these ‘mini-factories’ are set to contribute to Africa’s re-industrialisation.

CHAPTER 5

Towards policy and practice shifts

The South African government has already spotted the benefits of the AfCFTA and the digital economy. The Minister for Communications and Digital Technologies made government policy clear in 2019:[73]

> We encourage South African companies to consider the rest of Africa as a key Market, especially for trade in value-added products that will form part of the Fourth Industrial Revolution value chains. Intra-African trade remains low compared to other major regions in the world such as the EU and Asia. Africa needs to increase its production base of export manufacturing and focus on facilitating the movement of goods across borders in competitive ways.

Arguments against a digital economy-driven free trade area

However, the objectives of the AfCFTA are not universally accepted. In a presentation to UNCTAD's 2019 Ecommerce Week, Michael Akuupa of LaRRI stated that Africa 'is experiencing premature de-industrialization much earlier than other countries because there is less tariff protection for manufacturing today'. He continued that Africa is 'not gaining much from automation because it has less absorptive capacity for technology due to a lower skills base' and warned policymakers that 'fast-tracking ecommerce alone does not guarantee positive outcomes for employment. Recent research has warned of the risk of a "race to the bottom" through gig work, a growing sector of ecommerce in Africa'. He also called for labour safeguards on ecommerce and other digital economy sectors.[74]

As we have seen, some believe that online marketplaces pose challenges to financial sector players, or to brick-and-mortar businesses. Regulators point out that it is unclear which parties are liable in cross-border disputes, and question how consumers can be protected from fraud, or how to check whether merchants and marketplaces are complying with established norms and standards. There is concern that the loss of unskilled jobs will result in 'premature de-industrialisation', which in turn might lead to political instability. These are all valid points that need to be discussed by stakeholders at the national and AU level in order to reach decisions that provide consumers with a high level of protection and help promote trust in ecommerce.

73 Stella Ndabeni-Abrahams, Minister of Communications and Digital Technologies, Speech, Davros, January 22, 2019.

74 Michael Usikuu Akuupa, Director of the Labour Resource and Research Institute, Namibia, quoted at Third World Network, April 2019, (https://www.twn.my/).Gig work refers to temporary jobs, which can become permanent over time but without worker benefits like medical aid. Postal operators often use gig workers to deliver the mail.

Other observers believe that the AfCFTA has arrived too soon for Africa, and that industrialisation is needed first before such a major step should be taken.[75] There is also a debate on whether manufacturing has now become less relevant for low-income countries.[76] There is clearly a close synergy between generating revenue through manufacturing (as well as agriculture, minerals or services) and closing Africa's huge digital gap. Economic activity is essential to grow Africa's digital knowledge production, and vice versa.

Youth optimism and the mutual benefits of the AfCFTA

Celestin Monga of the World Bank in his keynote speech to the AfriLabs Annual Gathering on 28 October 2019 said: 'Africa needs visionary leaders who can drive through the necessary policies.' The execution of the AfCFTA will require greater trust between countries and a new generation of leaders who see Africa's collective advantage. The youth are certainly far more optimistic of a technologically driven future for the continent, if the Africa Youth Survey is to be believed. This took a sample of 4 200 people aged between 18 and 24 from 14 countries and noted a growing belief in 'Afro-optimism' and 'Afro-capability', which counters the persistent negative stereotypes of the continent. This age range represents the voters of today, among whom, hopefully, are the visionary leaders so urgently needed.[77]

An essential element of policy must come from a general acceptance of the mutual benefits for each state. In an example, Togo has realised that, since Lomé is the largest natural port in West Africa, it can become the hub for ecommerce logistics in the ECOWAS region. There are many beneficial policies that spring from that logistics role. If the other ECOWAS countries support this policy, Togo will develop. Other ECOWAS member states will have different national policies that define their economies. As long as there is a mechanism to defuse potential trade clashes (which was not the case when Nigeria closed its border with Benin for some weeks in 2019) mutual benefits can be achieved.

The RECs will play a vital role in ensuring the benefits of closer cooperation between member states. The AU is unwieldy and has too many political checks and balances to drive the whole AfCFTA process forward over the next decade or more. The RECs, on the other hand, are better placed to move their member states forward at a pace that suits them. A blueprint will be agreed on at the AU/AfCFTA and then monitored as the policies move through the RECs. Many countries belong to more than one REC, which will also aid the process. With this in mind, the AU plans to establish a trade observatory.[78]

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75 For example, the research of Michael Odijie at the Institute of African Studies, University of Cambridge, UK.

76 World Bank, *Trouble in the Making*.

77 *The Guardian*, "Afro-Optimism' on the Rise Among Continent's Youth, Finds Survey", February 20, 2020. This positive view was also well expressed by Tebogo Loate, founder of Lefa Cooperative, to Alastair Tempest: "As the borders give way to digital networks and communities that have very little respect for restraints, I believe the self-appointed gatekeepers and red tape makers and the like will find themselves being obsolete cogs in a non-existent system of protectionism."

78 The African Trade Observatory (ATO) will be the "[m]ain repository of qualitative and quantitative African trade data and information. Collect trade and trade-related qualitative and quantitative data and information from Member States and other sources. Analyse trade and trade-related data and information, focusing on emerging issues such as regional value chains. (continued overleaf)

The customs union created by the EAC showcases the benefits of such a move and should encourage other RECs to follow suit. Opinion makers might be advised to consider alternative ways to build confidence in RECs and form relations of mutual respect/benefit. For example, RECs might represent their members at the WTO in the same way as the EU represents its members at WTO negotiations. This would also ensure that African states are adequately represented at the WTO. Presently, civil society justifiably criticises the WTO for not having a more active African presence in its negotiations on global trade.[79]

As public and private debate sways between support and uncertainty, the time has come for those government economists involved in national economic strategies from around the continent to start exploring the key question: 'What will Africa lose if it doesn't create a free trade area?' Presently, there is very little available about the economic benefits (or disadvantages) of the AfCFTA to enlighten, warn or guide policymakers. This is a relatively simple step that could be taken without delay.

Training for the digital economy and ecommerce

Finally, policy will only shift if education is addressed. Education, training and skilling for the digital economy raise four separate issues – first, training people who wish to enter the digital economy or improve their expertise; second, re-skilling those who have lost their jobs; third, providing academic teaching on the digital economy; and fourth, preparing school children for their future. As the DETF pointed out:[80]

> To become tomorrow's innovators, entrepreneurs and leaders, Africa's population – and particularly women and the youth – need to acquire relevant skills and access to technology and markets that will allow them to thrive in an increasingly digitised global economy.

As discussed, ecommerce is made up of many moving parts. These mechanisms require specific skillsets and are employment generators. The continent's online marketplaces in the past often had to look outside Africa for digital marketers, marketing analysts, data scientists, user interface and user experience designers, and other skilled workers. This situation is slowly being resolved, but the visa requirements that some African countries impose can prevent the movement of expertise from country to country on the continent. The AfCFTA promises free movement of people between the signatories, which should go a long way to alleviate shortages of skilled personnel.

(cont.) Establish a data base for African trade that is used to publish and disseminate information on intra-African trade. Monitor and evaluate the implementation process and impact of the AfCFTA and the BIAT. Provide relevant and detailed trade and trade-related information for the private sector." AU, "Launch of the African Trade Observatory Dashboard", Press Release, July 7, 2019, https://au.int/en/pressreleases/20190707/launch-african-trade-observatory-dashboard-he-moussa-faki-mahamat-auc.

79 This point is particularly relevant to ecommerce. The WTO is presently negotiating ecommerce trade rules in a Working Group (JSI). Only four African states are members: Benin, Kenya, Nigeria and Côte d'Ivoire. The WTO's rules do not allow collective representation by groups of states. The EU has managed to overcome this rule, and African states should consider using the same mechanism.

80 DETF, *Final Report*, 3.

Several online marketplaces, as well as a growing number of public–private initiatives in Africa, offer training programmes to address the digital talent shortage. Jumia, for example, offers online training that includes video tutorials and tests in topics such as pricing, search engine optimisation, stock management and order fulfilment. Alibaba offers young ecommerce entrepreneurs scholarships in China.[81] In other countries, local education institutions, such as the 1337 School in Morocco, specialise in teaching computer programming and offer innovative formats to bridge the digital skills gap. Such initiatives are not yet sufficient, however, to meet the region's skills needs.[82]

There are also some helpful online training courses, such as the Google and Facebook courses. DHL offers an extensive series of on- and offline courses in many countries on how to be an e-merchant. In the Americas an initiative started by the American Development Bank called ConnectAmericas provides a directory of businesses selling online, as well as tutorials on how to sell online – an excellent model for Africa to follow. In order to optimise training in ecommerce and the digital economy, train-the-trainer programmes aimed at innovation and accelerator hubs are probably one of the best solutions for Africa.

Education on the digital economy should start at school. Young students need life orientation and business studies courses on how the digital economy and ecommerce work. There are already some excellent examples of high school modules in digital skills. Universities are starting to recognise the need to include ecommerce in their marketing/ communications courses. Training specialists are also looking at how best to skill students in ecommerce. Further research is required to determine the skills gap through the entire value chain of the ecommerce sector.

81 The Alibaba Business School/UNCTAD eFounders Fellowship Programme.

82 UNCTAD, *The Impact of Rapid Technological Change on Sustainable Development*, February 2020, recommends: - 71(d) "Foster closer collaboration among different international organizations and with civil society organizations regarding initiatives designed to build skills for rapid technological change."

CHAPTER 6

Conclusion and recommendations

This report explored the benefits and challenges of creating a digital economy, spearheaded by ecommerce, in the AfCFTA. The benefits are obvious, so long as the challenges are overcome.

Inevitably, given the subject of this report, any conclusions and recommendations reflect a shot in time. What we know in March 2020 about the progress of the AfCFTA may be totally altered when the real work of reducing tariffs and NTBs starts. As they say, a week in politics is a long time, and so too in the digital economy. New technologies are certain to be invented and become the norm by March 2021. Perhaps some of these will have a fundamental impact on the digital economy and ecommerce in Africa as we perceive it today.

What is certain is that Africa must make policy decisions for Africa. Therefore, within the discipline of global trade economics, Africa has to forge its future identity, not only as 55 sovereign states but also as one trade block. A journalist recently put it very nicely: 'The simple fact is that in today's global economy, rulemaking is the property of the most powerful players.'[83] Or as the director general of the WTO said, 'countries have two choices – to be rule makers or rule takers'.[84] In order to be rule makers on the global stage, African nations must decide on policies at a central level and demand that either the new AfCFTA Secretariat or the RECs have the right to attend and contribute to international decision-making at the WTO and other international forums, just as the European Commission speaks for its member states.

If Africa is denied that opportunity, trade agreements will remain unfairly weighted in favour of developed countries, and employment on the continent is likely to be stunted. The results will be unfortunate not only for Africa, with its fast-growing population, but also for Europe, which will face an ever-increasing flow of young Africans desperate to find work.

This report has also pointed out that the AU Commission and its member states have the opportunity to use the AfCFTA to protect African industry and avoid being swamped by non-African trade partners. A stable and re-industrialised Africa may not suit all global interests in the short term, but in the long term there is no doubt that the AfCFTA will benefit all global parties by ensuring that Africa has a thriving economy that both produces and consumes in a sustainable and inclusive way.

83 Philip Stephens, "After Brexit, Britain Will be a Rule Taker", *Financial Times*, March 7, 2020. He went on to say: "Liberalising trade across national frontiers requires shared standards to ensure a level playing field. The single market has had great success in promoting trade because the EU has been able to harmonise the rules." The AfCFTA would do well to heed that point.

84 Roberto Azevêdo, WTO Director-General, to Alastair Tempest at a meeting at the WTO, April 2, 2019.

A stable and re-industrialised Africa may not suit all global interests in the short term, but in the long term there is no doubt that the AfCFTA will benefit all global parties by ensuring that Africa has a thriving economy that both produces and consumes in a sustainable and inclusive way

This report has also explored the needs of the AfCFTA in terms of the digital economy and specifically ecommerce. These are the main recommendations:

- Build trust in ecommerce and reliable payment systems for both consumers and businesses. Use trustmarks on e-shops to guarantee a consumer-friendly level of trust, supported by alternative dispute resolution services.
- Public and private funding needs to be encouraged to support the digital economy. Achieving a robust and successful SME environment requires proper funding.
- Training for the digital economy and in particular for B2B ecommerce is essential.
- Students should be taught how the digital economy and ecommerce work from an early age; universities should also be encouraged to introduce courses on the digital economy to ensure that Africa can exploit the future.
- Women, the youth and entrepreneurs from rural areas should be encouraged to enter the digital economy.
- It is vital to ensure that addressing the unaddressed is achieved throughout Africa. All Africans should have an address.
- Major improvements in communications infrastructure are essential for ecommerce to fulfil its potential to create jobs and boost economic growth. Despite dramatic growth over the past decade, only a quarter of Africans are connected to the Internet, leaving the majority of consumers unable to shop online at home, access delivery services, benefit from eGovernment, or make electronic payments.
- Efforts to ensure that data costs are kept to an affordable level are essential for a digitally empowered Africa.
- Transport logistics must be improved across the continent to ensure the effectiveness of the AfCFTA and of ecommerce deliveries.
- eIDs are aids to both governments and business to verify the identity of citizens and residents without discrimination. eID regulation should enable innovation and remain technology neutral.
- An annual convention of national government economists to study and provide guidance to policymakers on the AfCFTA is recommended.

- The AfCFTA must include negotiations on cross-border ecommerce in Phase 2 under services to ensure that intra-African trade grows and flourishes.
- The AfCFTA must address and remove NTBs in order to ensure the free movement of goods and services within the single African market, and thereby encourage ecommerce trade across borders. The EAC sets an example.
- Cross-border customs duties and sales tax must be tackled, otherwise business will be justifiably wary of cross-border trade and consumers will lose trust in ecommerce.
- Currency exchange controls can act as NTBs and should be subject to scrutiny to ensure that they are not abused.
- The AfCFTA Secretariat should examine cryptocurrencies to explore where these can aid cross-border trade, and where controls to prevent fraud are justified.
- The AfCFTA needs consistent consumer protection, data privacy, cybersecurity and IP laws within Africa that protect consumers but do not serve to create NTBs.
- The Malabo Convention is a start for data privacy and cybersecurity. Pressure from trade partners to adopt excessively sophisticated and complex laws should be resisted.
- The AU Commission should agree to mutually acceptable 'model contracts' under the Malabo Convention to assist cross-border flows of personal data within the AfCFTA.
- Product standards and guarantees are vital for consumers. Ecommerce operators have a duty to themselves and their customers to ensure they do not carry substandard or hazardous products.
- Robust competition authorities are needed to ensure a level playing field for businesses of all sizes.
- Comparable statistics from government and private sources on the size of ecommerce and its role in the African economy are needed.

Many different elements are at play that will influence and change the relationship of the digital economy to government, business and citizens over the next few years. There are indications that the initial ecommerce boom in Africa is settling in with mergers and reorganisation of the major players. New digital technologies are coming into play that will reduce overheads and develop the sector further. In Africa selling goods online, particularly across borders, is still new.

One of the DETF's recommendations sums up the aim of this report: 'Encourage intra-African integration in digital trade to achieve wider participation by enterprises in national, regional and international eCommerce (especially cross-border) as an enabler for unprecedented market opportunities for all.'[85] These challenges have been explored, and

85 DETF, *Final Report*, 57.

the entrepreneurial spirit that is driving ecommerce and the digital economy in Africa is apparent.

In this vision of a proactive and economically active Africa, there are strong reasons to believe in a progressive 'common market' (AfCFTA) driven by the digital economy and ecommerce to re-industrialise the continent. In particular, ecommerce will generate secondary economic activities, creating employment for both skilled and unskilled labour. The tasks ahead will take time and a conscious effort by all the stakeholders. There will be many delays and stumbling blocks – but the vision is attainable. The combination of the digital economy and the AfCFTA is potent – a recipe for the future of a stronger, inclusive and richer Africa.

Since this paper was completed at the beginning of March 2020, the COVID-19 pandemic greatly accelerated the up-take of the digital economy throughout the world, in particular in Africa. The COVID-19 lockdown thrust both the digital economy and the need for the AfCFTA into the spotlight. (See the SAIIA opinion piece on this development that complements this paper.[86])

86 Alastair Tempest et al., "Renewed Urgency to Implement the African Continental Free Trade Area: How Can Africa Prepare now?" (Opinion Piece, SAIIA, Johannesburg, April 21, 2020), https://saiia.org.za/research/renewed-urgency-to-implement-the-african-continental-free-trade-area-how-can-africa-prepare-for-a-post-covid-19-world/

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