

The Ecommerce Forum Africa ‘White Paper’ on the role of Ecommerce in the AfCFTA

Introduction

The Ecommerce Forum Africa (EFA)¹ believes that the African Free Trade Area (AfCFTA) provides a unique opportunity over the next decade for Africans to cooperate and create economies of scale for SMEs to grow and develop. African ecommerce platforms are a driving force for both Business-to-Business (BtoB) and Business-to-Consumers (BtoC) to develop within the Continent. It is in our interest to see SMEs develop ecommerce businesses through existing policies, learning best practices and collaboration.

We believe strongly that Governments should beware of attempting to either stop or slow down technological developments. Barriers to technological development have never worked but they do distort competition and the economy.

Our Continent needs to shed the legacy of exporting our resources and our labour, and instead cooperate to harness the beneficial aspects of new technological developments. 3D printing will return manufacturing to the local level; AI and the Internet of Things will improve the lives of Africans; ecommerce offers products to businesses and consumers, and jobs in the long tail of the ecommerce supply chain. Africa must become the global leader in the next two decades, and no longer the lead. We can do that by embracing and developing the digital economy to our requirements.

Africa is the Continent of the young. Business and Government owe it to the young to provide a stable and expanding economy at community, local, national, regional and Continent level. If we fail in this task, our failure will have terrible consequences.

Ecommerce has an enormous potential in Africa to provide employment, develop SMEs² and to empower previously disadvantaged sections of the population, including women, the young, people in the rural areas, the disabled.

¹ The EFA was set up as the pan-African voice of the ecommerce sector in January 2019. Its mission is to grow trust in ecommerce for consumers and businesses; facilitate skills and training in the ecommerce sector; build a supportive ecommerce community; represent the ecommerce industry to national and international governments and regulators; and promote the orderly development of ecommerce throughout Africa.

² According to the World Economic Forum (2019) SMEs provide 80 % of jobs and represent 90 % of all companies in Africa today. E-platforms depend on SMEs to sell products online.

It is important to note that ecommerce is not a simple process. It requires a series of interlocking procedures to operate effectively – from adequate resourcing/financing, to being able to offer desirable products, marketing solutions, payments techniques, robust logistics/delivery, customer care, and so on. Some aspects of ecommerce will only function efficiently if governments appreciate the issues and help solve them – e.g. telecoms, delivery infrastructures, cross-border trade.

We believe that the economic benefits of online marketplaces will be intensified in Africa - and that the potential downside risks to established businesses and workforce norms are low. This is largely because many of the Continent's economies and formal job markets remain relatively underdeveloped.

Africa's bricks and mortar retail sector is lagging behind other regions of the world. As an example, in 2018 there were 136 physical retail stores per 1 million inhabitants in Latin America, 568 per million in Europe, and 930 in the US. In Africa, there were fewer than 15 formal retail stores per million people. This extremely low penetration suggests that ecommerce will not displace existing employment levels or sales in the formal bricks and mortar retail sector³.

In developed economies, where labour laws and regulations are structured to fit a historically validated model, the rise of online platforms has disrupted labour markets by blurring the lines between employees and freelancers. In Africa, however, the vast majority of workers are in the largely undocumented informal sector and thus will not replicate the developed countries' employment experience.⁴ As a result, much of Africa is in a position to develop labour norms for ecommerce from scratch in order to align them with the needs of online employees and employers.

In the medium to long term, bringing more people into the formal workforce via ecommerce will help governments enforce regulations, measure economic activity better, and improve taxation. There will be more transparency of economic activities. For workers, formal employment will provide the resources they need to save, and to improve their skills and experience.

The Long Tail of Ecommerce

We believe that the number of Africans directly employed by online marketplaces by 2020 will exceed 100,000 on the Continent. These include entrepreneurs, platform developers, online payment providers, operations and marketing personnel. Indirect employment generated by marketplaces, such as merchants, warehousing, logistic/delivery vehicle

³ ESCAP World Bank trade Cost Database and BCG analysis 2019. Very few African countries have a large bricks and mortar retail sector – the exception is South Africa. It is sometimes claimed in the Developed countries that ecommerce has displaced bricks and mortar outlets and thus resulted in loss of jobs, however, Bloomberg in an article on 20 Sept 2017 entitled 'Amazon is a lifeline for retail workers' points out that over 444,000 jobs were created in the USA in warehousing alone. This number of new jobs created was almost the same as the number lost through the closures of retail outlets.

⁴ According to the International Labour Organization (ILO) 71% of Nigerian workers are self-employed and another 9% contribute labour as family members, The International Monetary Fund (IMF) estimates that the informal economy accounts for 38% of GDP in sub-Saharan Africa.

drivers, web-designers, illustrators, marketing agencies, trainers, academics, will amount to over 1 million more jobs.

An additional 1.8 million jobs will be “induced,” or created through the additional economic activity stimulated by online marketplaces. Occupations involved include finance, manufacturing, agriculture, tourism, hotel staff, postal workers, telecoms, and crafts/artisans⁵.

The economic activity generated by online marketplaces will boost employment and incomes in several ways. It will create entirely new jobs, stimulate skills development programmes, and increase demand for goods and services in locations currently beyond the reach of conventional retail networks. It can also bring new people into the formal workforce, such as women and youth, who have been excluded from the labour market in some countries.

We welcome that Digital platforms make it easier for women to enter the formal workforce and to build their own businesses. Ecommerce presents huge opportunities to sections of the society which traditionally have not enjoyed freedom to work in the formal economy in Africa. There is a need to prepare women entrepreneurs as champions to excel in their area of work and also to mentor other underrepresented sections of the society to benefit from e-trade.⁶

The biggest employment gains may come in the consumer goods sector, where online marketplaces are projected to account for 58% of jobs created - direct, indirect, and induced - by 2025, followed by mobility (18%) and the travel and hospitality sector (9%).⁷

In our view, employment created by ecommerce is likely to be greater if other forms of ecommerce are included. However, at present there is virtually no research data in Africa on Business-to-Business (BtoB)⁸ ecommerce, which we believe is set to become a major driver of intra-Continental trade over the coming decade. Data is also lacking on the activity of Consumer-to-Consumer (CtoC) trade, and Government to Business/Citizen (GtoB/C), which is rapidly increasing with the introduction of eGovernment throughout Africa.

Ecommerce depends on a stable, robust, accessible and reasonably priced internet.

Major improvements in communications infrastructure are essential for ecommerce to fulfill its potential to create jobs and boost economic growth. Despite dramatic growth over the past decade, only 20% of people in Africa are connected to the internet, leaving the great majority of consumers unable to shop online at home, benefit from eGovernment, or make electronic payments.

⁵ Employment data supplied by Oxford Economics and various other sources analyzed by BCG 2019.

⁶ This point has been stressed by the creation in April of a Women’s Forum in the UNCTAD E-Trade for All project; by the work of the Commission on the Status of Women and by the AUC’s Ecommerce Conference in Nairobi in July 2018. EFA strongly encourages the inclusion of women in African ecommerce enterprises.

⁷ Ibid BCG estimates.

⁸ Ecommerce BtoB also known as Digital BtoB

Connections to the internet in Africa will depend increasingly on mobiles and not PCs (this is one of the areas in which Africa has leapfrogged over the developed economies). 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 outside coverage, however, GSMA expects that there will be 165million new subscribers by 2025, and that the number using smart phones on the Continent will double in that time.⁹ This development will aid the continuing uptake in ecommerce throughout the Continent.

The costs of mobile internet in Africa varies enormously. Low internet connection costs are, in our view, a major contributory factor in the take-up (or not) of the ecommerce. We note that most leading countries for ecommerce in Africa enjoy low costs per 1GB of data – e.g.: Rwanda \$0.56; Egypt, \$1.49; Ghana, \$1.56; Morocco, \$1.66; Nigeria, \$2.22; Kenya \$2.73; Senegal, \$3.28, Mauritius \$3.71. South Africa has the highest cost of data, at \$7.19¹⁰.

In order to assist with the uptake in internet, the draft report of the EU-AU New Africa-Europe Digital Economy Partnership points out the taxation restrictions faced by telcos, and calls for “Reduce overall uncertainty and unpredictability in the tax system and focus general taxation on profits rather than revenues and introduce direct incentives for rural area investment such as import duty exemptions on mobile equipment.”¹¹

Universal access and services will be key to driving ecommerce in Africa. Governments should address the demand and supply issues to deliver an Africa where ecommerce will thrive. Ecommerce depends on a stable, robust, accessible and reasonably priced internet. Telecommunications Regulators throughout the Continent must strive for the best ICT infrastructure possible, given national economic considerations.

We call on governments to ensure that their Telecom Regulators have the necessary powers to create a level playing field for operators, ensure that subscriptions for data reflect costs to the Telcoms, and to prevent distortions in coverage or competition.

A major issue in many countries on our Continent is lack of transport logistics.

The Continent's geography, sparse transportation infrastructure, and thin capital markets have inhibited the rapid expansion of brick-and-mortar retail. Whereas in Europe the average distance between major cities is 1,300 kilometers, in Africa it is 4,100 kilometers. The cost of getting a product from the factory to an end user within Europe adds around 90% to that product's manufacturing cost. In Africa, logistics add an average of 320% to a manufactured good's cost.

Even when online orders are placed, inadequate roads and rail links between cities, let alone remote villages, make it very difficult to deliver goods to consumers - especially over

⁹ GSMA: The Mobile Economy 2019 -

<https://www.gsmaintelligence.com/research/?file=b9a6e6202ee1d5f787cfebb95d3639c5&download>

¹⁰ These are average costs per 1GB. Source <https://howmuch.net/articles/the-price-of-mobile-internet-worldwide-2019>

¹¹ Page 16 EU-AU New Africa-Europe Digital Economy Partnership draft report.

the “last mile” to buyers’ homes. We call on governments and international development to assist in prioritizing investments required to build the necessary infrastructures (roads, airports, ports, railways) to link our Continent effectively. If better transport infrastructure is not achieved, in our view, the AfCFTA will not achieve its full potential.

We note that presently about 18% of the Continent’s trade is intra-African¹², many products are exported from one African country to 3rd countries to be re-exported back to neighbouring African countries, adding unnecessarily to costs. National Transport Ministries should consider what policies and funding is necessary to overcome the present challenges (this may, for example, include licenses for transporter drones, rather than major transport infrastructure projects). The ecommerce sector offers its experiences in logistics. But in the end, there is no escaping the fact that over the next decades significant investment in roads and rail is required.

Addressing the Unaddressed and the “last mile” delivery of goods purchased online.

Another logistics challenge we face is the lack of accurate addresses and detailed postal codes. There are effective geo-based solutions to solve this issue. Experiments, for example in the slums of India, have shown that providing addresses not only assists in delivering products but also encourages banking the unbanked and registering citizens for elections¹³.

Poor coordination of distribution networks is another problem. As a result, some online marketplaces report that 30% to 40% of products ordered are returned because delivery services cannot find the destination. In India, which also struggles with poor infrastructure, some online marketplaces are seeking to address such obstacles by operating their own logistical services in major cities and forming local partnerships in smaller ones.

In Africa, logistics startups such as Ace and Exelot seek to resolve bottlenecks in last-mile delivery to customers. However, in some countries the nationally-owned postal operator claims a monopoly over last mile deliveries¹⁴. This creates an unnecessary non-tariff barrier, increases costs and prevents innovation. We note that there are some extremely innovative national postal operators in developing countries which can serve as models for Africa, including Brazil Post, and both the Nigerian and Kenyan Postal services.

Lack of Regulatory Clarity.

It is clear that there are many differences in the way legislation relevant to ecommerce exist and is applied throughout our Continent. In many countries the legal framework for ecommerce is in its infancy, and guidelines for data privacy, consumer protection, and online payments have yet to be implemented. This can result in consumers’ distrust of

¹² WTO/UNCTAD figures vary between 16-18%. It should be noted that informal cross border trade is not included.

¹³ <https://www.addressingtheunaddressed.org/> A presentation on this system was given by Google at the UNCTAD Ecommerce Week 2019

¹⁴ The Universal Postal Union (UPU), a UN body, supports the last mile monopoly, however it has also fully recognised the need for alternative delivery systems so long as these do not threaten to undermine the national postal operators, which are the members of the Union.

online transactions, fearing fraud or misuse of data. Distrust of ecommerce among some policymakers also remains high¹⁵.

We wondered if Government has a role as we move towards a “Common Market” (the AfCFTA). And we concluded that the AfCFTA will make it increasingly important to have a better knowledge of the national regulations which exist of relevance to ecommerce – these are, *inter alia*, rules on electronic transactions, data privacy, consumer protection, effective competition law, IP and Trademark law. We recognise the vital role for consumer trust that these laws play when applied effectively. We believe it is necessary to have a full study of the existing laws, and economic impact in order to identify beneficial requirements or barriers, and we call on the AUC and UNCTAD to carry this study out.

We recognise that some policymakers and opinion formers believe that online marketplaces pose challenges to their financial sector players, and to their brick-and-mortar businesses. Regulators also point out that it is unclear which parties are liable in disputes, how to protect consumers from fraud, and how to check whether merchants and marketplaces are complying with established norms and standards. These are all very valid issues, which need to be discussed by the stakeholders in order to reach decisions which allow consumers a high level of protection and also help promote and encourage trust in ecommerce.

Alternative Dispute Resolution and Trustmarks

We recognise that as the industry grows, the need for consumer and seller protection with structured conflict resolution becomes inherent to promote trust. We recommend that Trustmarks, and the alternative dispute resolution (ADR) systems that these bring, are encouraged by regulators. As the major stakeholder for the sector, EFA offers to work with the AUC on these issues.

Intellectual Property (IP) Rules

The current models of IP protection frequently serve the pre-digital economy world. New IP regulations are needed to cater to the interaction between all the stakeholders – artists, software developers, marketplaces, vendors, consumers and support functions. This is an issue (similar to data protection) where ideally a global solution should be sort. However, to achieve this, Africa (through the AUC) must have its say.

As in all the legal issues, Africa must sit at the global table as a rule maker – not a rule taker.

Personal Data Protection and Flows of Data between Countries.

Gathering and using customer data is at the core of online marketplaces’ business models. Many policymakers are concerned about how such data on their citizens and businesses is handled. Is data processed inside the country, for example? Is it stored abroad or processed by subcontractors? Some stakeholders argue that crucial financial data, for example, may be

¹⁵ In Europe and North America, the traditions of distance selling (mail order) were very entrenched – moving from paper-based offline selling to online selling was therefore relatively smooth. Africa had no such traditions of offline distance selling. The process of buying at a distance is therefore very novel for consumers.

moved beyond the control of or become inaccessible to central banks. A number of high-profile cyber-attacks have also heightened concern over data security.

We would like to point out that data processing technologies have shifted the physical aspect of data storage from traditional fixed data storage to 'the Cloud', which provides for data flows across countries or even continents. However, this never alters the responsibility of the processor¹⁶ to ensure that the data protection laws of the country of establishment (or in the case of extra-territorial reach, of the country whose citizens' data is being processed) are applied.

We would also like to point out that data flows include not only the personal data of customers, etc, but also business data which is 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.

We welcome that the AUC is working to address the data flow issue, and that it will establish a trade observatory. There are 24 African countries with data protection (privacy) laws either in place or in the pipeline according to UNCTAD's Research Partnership Platform¹⁷. All are based on the principles of the Council of Europe's Convention 108 and on the European Union's Data Protection rules. We note, however, that the AUC's 2014 Guidelines on Data Protection and Cyber Security¹⁸ have not necessarily been followed by African countries, which have resulted in differences which can create unintended non-tariff barriers for ecommerce.

We support the use of solutions such as the Model Contracts (Corporate Binding Rules) which are recognised by the EU, for the movement by companies of personal data across frontiers¹⁹. This system allows companies to move their own data between countries with different data privacy rules while recognizing and applying the country of origin regulations. A similar system could be considered for trans-African data flows by the AUC.

We strongly recommend that easy to follow and understand rules based on Convention 108 are recognised and accepted by the Data Privacy Regulators in Africa²⁰, in order for e-merchants to be able to sell online across Africa's frontiers. If complex national regulations are implemented (particularly if applied extra-territorially), non-tariff barriers could be created. We are concerned that such barriers to trade will specially affect SMEs as they do not have the resources to follow complicated variations in data protection regulations cross-frontier.

¹⁶ Data "processor" the legal term for the entity which collects, processes and/or stores the data.

¹⁷ <https://unctad.org/en/pages/ditc/competitionlaw/competition-law-and-policy.aspx>

¹⁸ The AUC 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.

¹⁹ 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.

²⁰ For example, we recommend the Civil Society body, Access Now, Guide for Regulators as a very positive contribution to the debate:- <https://www.accessnow.org/cms/assets/uploads/2018/01/Data-Protection-Guide-for-Lawmakers-Access-Now.pdf>

The Dangers of Cyber-crime

We strongly support initiatives to reduce cyber-crime, and to encourage cyber-security. We call on governments to cooperate to track down and stop cyber-criminals both on the Continental and global levels. As we have stated above, cyber-crime has been linked to the lack of trust in ecommerce in Africa and is therefore of concern to the ecommerce sector.

Unfortunately, a number of African states have used cyber security as a means to restrict political opposition, rather than to pursue cyber-crime. We believe that it is becoming increasingly important that the AUC's guidelines are followed by its Member States in order to protect consumers and ensure a level playing field for business in Africa.

We are also concerned with the increase in online fraud by both unscrupulous merchants and by customers using false or stolen credit cards. Fraud can only be countered by the application of criminal law, which is common to all countries, however, we note that many countries struggle with the application of offline criminal laws to online (digital) criminal activity. More training and cooperation between law-enforcement bodies is needed.

Ecommerce depends on smooth, secure and effective online payments systems.

The cost and complexity of moving money in our Continent deters a lot of merchants from trading their goods and services online. The inherent security risks in most payment channels and lack of knowledge around fraud detection has really affected our business. We call on governments and their Financial Services Regulators to find ways to reduce security risks and cooperate on reducing cyber-crime. A solution which needs to be explored more fully are escrow systems.

We call on policymakers to recognise and support the new Fintech developments which are introducing the previously 'unbanked' population to the main-stream economy. This process, as we see in countries such as Kenya, has been an enormous benefit to the national economy, and has introduced ecommerce trade at micro level. We recognise that the disruption of the traditional banking structures creates challenges for the establishment, but we believe that competition policy must be applied rigorously to prevent outdated structures from smothering benefits to the African people.

An area of concern for our sector are the national rules on cross border payments. The existing rules should be seen as NTBs to intra-African trade and need to be tackled and removed as the AfCFTA is introduced.

Currency exchange and fluctuations in exchange rates is another concern our sector has when preparing for the AfCFTA, however, until such a time that the Continent adopts a single currency (as the EU did for most of its Member States in 1999), currency exchange fluctuations will remain a problem for cross-border ecommerce within Africa.

A possible solution to the fluctuations in national currency exchange rates is the use of cyber currencies, but there is an uneven response to these from different countries – some

states have embraced them, while other countries have banned them. The AUC needs to consider how to reconcile these differences in approach.

Tariff and non-tariff barriers (NTBs) on cross border trading.

In line with global trends, tariffs on cross-border trade have decreased in our Continent, which is welcomed. We are also seeing pre-customs clearance systems being introduced which ease cross-border trade. We welcome that the Courier sector, which increasingly relies on ecommerce, is working with governments on cross-border clearance. We also welcome the effective regional customs unions of the East African Community and ECOWAS.

However, we deplore the increase in NTBs introduced by some countries. 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 required to register for VAT once their turnover reaches a very low level compared to a local company, and so on²¹.

In many African economies, certain traditional business subsectors are protected from competition, receive government incentives, and/or are tightly regulated. Governments are frequently concerned that online marketplaces could disrupt the domestic equilibrium. Online business which is unfettered by national frontiers could avoid these restrictions, in the view of some policymakers. Therefore, customs procedures and nomenclatures are used to impose fiscal penalties on importers and exporters alike.

In order to be effective, particularly for BtoB pan-African trade, ecommerce requires a stable and open market, freed of unnecessary trade barriers. This is a key element in the application of the AfCFTA. If tariff and non-tariff barriers are not dismantled, the AfCFTA will simply remain a “nice to have had” set of good intentions.

We recognise that some governments are concerned that the removal of tariffs on intra-African trade will reduce national customs duties/tariffs revenues. Customs duties in some countries represent a significant percentage of the national fiscus. In our view 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.

We also would like to point out that the removal of tariffs required under a customs union relates only to intra-African cross border trade. The adoption of the AfCFTA common market will not affect customs duties on imports into the AfCFTA from non-African countries.

We would like to stress that states should consider the balance between import tariffs or duties and the exporting of their products. If a country applies stringent tariffs to imports, it should not be surprised to have similar tariffs being levied on its exports. We therefore call

²¹ For example, see the EFA's Position Paper addressed to the South African 'Davis Commission' on tax <https://ecomafrika.org/2017/wp-content/uploads/2015/08/EFA-DTC-VAT-comments.pdf>

on governments to continue to reduce tariffs on imports and to avoid or dismantle NTBs which distort intra-African trade.

In particular, we regret that the “de minimis” rule applied to cross-border trade varies greatly across the African Continent. This rule applies to an ecommerce purchase which is imported from another country and is not taxed because its value is too small to justify it being taxed. 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 and applying tariffs to products with low thresholds can hinder 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 some customs authorities is that the value is arbitrary and is not even applied in some cases, thus causing the buyer (the consumer) extra costs which s/he did not expect. This creates an issue of trust in the process of ecommerce.

We also call on governments to continue to support the WTO moratorium on customs duties for digital products which has encouraged the adoption of the digital economy over the last two decades.

Sales Taxes

In the case of sales taxes (eg VAT) on products bought on line, it can be seen that policy-makers are unsure of how to handle income generated by online merchants and marketplaces particularly cross-border. Should taxes be assessed on the basis of the final price of a good or service or on the value added by each individual party? Or should a flat tax or a rate that depends on the maturity of the online business so as not to inhibit the growth of new sectors be applied?

While underlining our companies' contribution to employment and economic activity, we recognise that all profitable businesses have a moral responsibility to contribute to public revenues through taxes. In this regard, we urge African governments to look to regional or global approaches to taxation of ecommerce activities, because these offer African businesses the best chance of growing rapidly across the Continent and beyond.

We support the current multilateral efforts to ensure a level playing field²² and urge African governments to engage in these efforts, which will make it harder to use offshore structures to distort the level playing field we rely on.

We would also like to express our concern that taxes have been introduced on social media, mobile banking and mobile in several African countries. These have not proved a success and in some cases have been withdrawn or reduced. Their effect is to further create a divide between those consumers who can afford the increased costs, and the poor who cannot. The “digital poor’ is therefore reinforced.

The Role of Competition Policy

²² For example, at the OECD BEPS regime: <http://www.oecd.org/ctp/consumption/international-vat-gst-guidelines.pdf>

Some African governments are wary of opening traditionally closed sectors to online competition, as incumbents claim that ecommerce will harm their businesses. While caution is understandable, the magnitude of the problem claimed by some parties is usually unsubstantiated. This approach ensures that entry barriers for ecommerce remains high in much of the Continent.

We draw attention to the importance of having strong national competition authorities that can tackle abuses by dominant undertakings, where they occur. Without robust, cutting-edge enforcement, the African ecommerce market is vulnerable to exploitative practices that can harm African businesses and consumers alike. Competition regulators need to have a strong legal mandate and sufficient financial and human resources to invest in the data-intensive investigations that characterise modern digital antitrust enforcement.

Achieving a robust SME environment requires proper funding.

Another important issue is funding for entrepreneurs - in Europe, 17% of companies cite access to finance as a major constraint to their business; in East Asia 11% of companies cite financial access as a constraint, but in sub-Saharan Africa, 39% of companies complain of limited access to finance.²³

Less than 30% of African ecommerce startups are profitable. A high percentage of small enterprises and entrepreneurs in Africa report that limited access to capital seriously constrains their ability to expand into online marketplaces. Of all the funds raised for ecommerce in Africa, 90% are concentrated in just five countries—Egypt, Kenya, Morocco, Nigeria, and South Africa²⁴. Development aid to support the ICT sector as a whole (including ecommerce) is now barely 1% of total aid funding, at a time when such aid is invaluable for the development of a sector which offers skilled employment to Africa.²⁵

Borrowing funds through formal financial institutions to set up an ecommerce business or carry inventory is extremely challenging. While some online marketplaces offer assistance to merchants, in some form or another, greater progress is needed in making formal financial markets accessible to small enterprises and to attract foreign direct investment. We note that about 40% of African nations do not even have FDI²⁶ promotion agencies.

We call on governments, national development banks, the financial sector and private funders to appreciate and respond to the needs of entrepreneurs who wish to enter the ecommerce sector.

Many entrepreneurs fail to gain the necessary funding to gain a foothold in the market. This is particularly true for the young, women and people from poor areas, simply because of their age, sex or red-lined community. We offer to assist governments and the financial

²³ Data quoted supplied by the Boston Consulting Group (BCG)

²⁴ According to the World Association of Investment Promotion Agencies (WAIPA).

²⁵ According to UNCTAD – quoted at the annual UNCTAD Ecommerce Week, 1-5 April 2019.

²⁶ WAIPA. Foreign direct investment (FDI) is an investment in the form of a controlling ownership in a business in one country by an entity based in another country.

sector to select potential ecommerce enterprises. However, we also wish it to be noted that failure is a reality, and that the stigma of failure should not be used to prevent entrepreneurs from trying again.

Education, training and up-skilling for ecommerce.

1) Training and Up-skilling for Ecommerce

Ecommerce has many aspects, from the production and marketing of a product, through the sale to the delivery and subsequent customer relations. These aspects require specific skill-sets and are employment-generators. There is a need for education at a number of different levels – and we call on governments, official training bodies and academics to work with us to achieve the necessary professionalism for the sector.

Online marketplaces in the past have often had to look outside Africa for the digital marketers, marketing analytics, data scientists, user interface and user experience designers, and other skilled workers they need to succeed. This situation is slowly being resolved, but the barriers that some African countries impose on foreign workers prevents movement of expertise from country to country within the Continent. The AfCFTA promises free movement of people between the signatories, which in our view will go a long way to alleviate existing shortages of skilled personnel.

In addition, 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 optimization, stock management, and order fulfillment. Alibaba offers scholarships in China to young ecommerce entrepreneurs. In other countries, local education institutions, such as the 1337 School in Morocco²⁷, specialize 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.²⁸

One of EFA's key objectives is to seek for funding to provide train-the-trainer projects for innovation hubs, technical colleges and other government funded programmes, and private training initiatives throughout Africa. We call on the AUC to support this objective.

2) Education fit to Meet the Digital Economy

As we have seen, despite the rapid growth in mobile phone subscriptions, many Africans lack access to online platforms. With high illiteracy rates in some African nations, many consumers in the region cannot exploit the opportunities offered by online content or use digital technologies to make transactions. Digital illiteracy among African consumers and vendors presents a number of obstacles to growth for online commerce. Merchants lack the knowledge needed to adapt their value chains to the digital world.

²⁷ EFA thanks the Boston Consulting Group for providing examples for this Paper.

²⁸ As the recent UNCTAD report on "The impact of rapid technological change on sustainable development" 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".

In our view, education on the digital economy must start in the high school. Young students need to be taught in Life and Business Studies courses how ecommerce works. There are already some excellent examples of High School education in digital skills. We call on the Education Ministers of the Continent to introduce courses in the digital economy for all high school children.

Universities are starting to recognise the need to include ecommerce into their marketing/communications courses. Training specialists are also looking at how best to skill students in ecommerce. We call upon training and upskilling of educators from basic education right through to higher learning. Innovation hubs also play a very important role. Further research is required to determine skills gap through the entire value chain of the ecommerce sector.

There is a need for proper statistics from government and private sources on the size of ecommerce and its role in the economy.

As we have noted, there is only a very imperfect view of the size of BtoB ecommerce, and no idea of the growing Government to Business/Government to Consumer (eGovernment) sectors in Africa. We note that there was a recommendation from the UNCTAD Annual Ecommerce Week in April 2018 calling for all member states to collect statistics on ecommerce, and we hope that African governments will work with us to produce official, verifiable statistics on all aspects of ecommerce, including BtoC, BtoB, CtoC and GtoB/C..

Conclusions

Ecommerce will be a major driver for the AfCFTA. We call on Governments to support ecommerce in order to ensure that the Continent and its citizens benefit from the AfCFTA.

We recognise that there is criticism leveled against Africa that its manufacturing base lacks diversity. Therefore, it is claimed, Africa will not be able to benefit fully from the AfCFTA and ecommerce will continue to carry mainly non-African products. We do not subscribe to that view. We believe that the entrepreneurial spirit in Africa will rise to the challenge of increased intra-African trade and that that will increase the diversity of African goods produced and sold both online and offline.

Gaining access to markets is challenging in much of Africa. The region's highly fragmented markets and heterogeneous legal frameworks make it difficult for e-merchants to build scale. The differences in traditions, languages, practices, and habits require suppliers adapt their value propositions to many local markets. However, the AfCFTA promises to provide e-merchants with economies of scale by opening up Africa as one marketplace.

As the AUC has recognised, in order to resolve the obstacles and concerns that presently constrain ecommerce, both the private and public sectors must work together to develop an environment in which ecommerce can become a win-win proposition for the sector and the Continent's governments.

Both sides must clearly understand each other’s concerns and needs—as well as the impact that can be achieved by addressing them. The ecommerce sector and government organizations should work together to build a healthy digital environment by taking actions that remove the hurdles facing the ecommerce and alleviate the concerns of the public. For example, we should collaborate on skill-training programmes. We applaud that the AUC and UNCTAD have stressed (eg in the Nairobi Manifesto) the need for close cooperation between the stakeholders and government.

The low level of online marketplace usage across Africa means that considerable work must be done at many levels to ensure that ecommerce fulfills its potential as a driver of intra Africa trade under the AfCFTA common market and becomes an important source of new jobs particularly for the youth. Instead of being seen as a force of chaotic disruption, ecommerce should be allowed to develop in an environment that is designed from the outset to bring economic and social benefits to all.

The Ecommerce Forum Africa believes that all the aspects we have identified in this paper eventually revolve around the central need for trust. A cheap, efficient and robust ITC infrastructure; a secure internet, policed to prevent cyber-crime; better transport infrastructure; good and effective consumer rules; active education/training; proper funding; efficient and secure online payments; a common trustmark, and so on. Solutions to these issues will help build trust in ecommerce for both consumers and businesses.

We welcome the AUC’s invitation to engage in discussions in order to achieve a common understanding of the opportunities for job creation, skill development, and inclusive growth, and we offer this White Paper as our contribution towards the first steps in this dialogue with the AUC and also with the other international organisations which are addressing the continuing development of trade in Africa, including the UNCTAD, the UN Industrial Development Organisation, the UN Economic Commission for Africa, the World Trade Organisation, The EU.

30 May 2019.

Ecommerce Forum Africa.

Interim address: 7 Ruth Av., Douglasdale, Gauteng, 2191 South Africa

Tel +27 71 790 9967

Email: alastair@ecomafrika.org

© Ecommerce Forum Africa