African Union

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E-Commerce Strategy

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Abbreviations

2IPD	Integrated Index for Postal Development
3PL/3PF	Third Party Logistics / 3rd Party Fulfillment
ACP	Africa, Caribbean and Pacific
AfCFTA	African Continental Free Trade Area
AFD	Agence Française de Développement
API	Applications Programming Interface
ATAF	African Tax Administrative Forum
AUC	African Union Commission
B2B	Business to Business
B2C	Business to Consumer
BEPS	Base Erosion and Profit Shifting
CEN-SAD	Community of Sahel-Saharan States
CEMAC	Economic and Monetary Community of Central Africa
CERT	Computer Emergency Response Team
COD	Cash on Delivery
COMESA	Common Market for Eastern and Southern Africa
DFS	Digital Financial Services
DFTA	Digital Free Trade Area
DPA	Data Protection Authority
DRE	Digital Readiness
DRM	Domestic Resource Mobilization
DST	Digital Services Tax
EAC	East African Community
EAPS	East Africa Payment System
ECCAS	Economic Community of Central African States
eCO	E-certificate of Origin
ECOWAS	Economic Community of West African States
EF	Expertise France
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
IGAD	Intergovernmental Authority on Development
GSMA	Global System for Mobile Communications Association
IMF	International Monetary Fund
IP	Intellectual Property
ITC	International Trade Centre
IXP	Internet Exchange Point
LPI	Logistics Performance Index
MNE	Multinational Enterprise
M/SME or MSME	Micro, Small and Medium Enterprises
NTFC	Establish National Trade Facilitation Committee
ORE	Operational Readiness
PAPSS	Pan-African Payments and Settlement System

Abbreviations

PPD	Public Private Dialogue
QR Code	Quick Response Code
REC	Regional Economic Communities
REPSS	Regional payment and settlement system (REPSS)
RVC	Regional Value Chains
NSW	National Single Window
SAATM	Single African Air Transport Market
SADC	Southern African Development Community
SAATM	Single African Air Transport Market
TRIPS	Trade related aspects of Intellectual Property Rights
TVET	Technical and Vocational Education and Training
TVSD	Technical and Vocational Skills Development
UMA	Arab Maghreb Union
USAF	Universal Service and Access Funds
UNCTAD	United Nations Conference on Trade and Development
UPU	Universal Postal Union
USD	United States Dollar
WTO-TFA	World Trade Organization – Trade Facilitation Agreement

Executive Summary

Harnessing the latent potential of intra-Africa trade is key to AfCFTA's success.

No discussion on African trade, or even E-commerce for that matter can be held without keeping the AfCFTA front and center. The AfCFTA is striking in terms of scope and ambition. Billed as the largest free trade area in the world, it aims to integrate 1.3 billion people across 55 countries with a combined gross domestic product (GDP) assessed at US$3.4 trillion. It is estimated that by 2035, total production of the continent would be almost US$212 billion higher than the baseline, and the share of intra-African exports[1] will rise by 40 percent by 2035. These are indeed lofty projections and will require sustained efforts at the policy, institutional, and enterprise levels.

As the vision of a continental market for Africa materializes, policymakers are likely reminded of the underlying business case that necessitates this single market.

1. **Trade-led inclusive growth has hitherto not materialized for the majority of African countries and Africa remains a marginal player in the global trade in goods.[2]**

   Despite gains between 2000-2010, the African continent's contributions to global trade and GDP have weakened significantly and have hovered around 2 and 3 percent respectively in recent years. Despite accounting for almost 17 percent of the global population that is located in one of the most resource rich regions in the world, the continent has not kept pace with the rest of the world in terms of overall economic and socio-economic growth. Export diversification is marginal, and remains skewed towards low-value exports and commodities. In the services space as well, Africa underperforms, accounting for only 0.9% of global digitally-delivered service exports.

1 (World Bank Group, 2020) and United Nations Economic Commission for Africa. 2015. "Industrializing through Trade: Economic Report on Africa 2015." UNECA.

2 (UNCTAD, 2019)

2. ***Intra-Africa trade remains weak, but there is significant latent potential.***

   Consider that almost 80-90 percent of Africa's trade is with the rest of the world, with the remaining as intra-Africa trade. Regional trade will not pick up just by forming a free trade area or customs unions. There is evidence that trade preferences granted at the REC level have not yielded the results that were expected and hoped for. For instance, despite the adoption of COMESA's FTA in 2000, intra-COMESA trade stands at 8% of total trade, compared to 15% for Africa 15%, 47 % for US, 61% for Asia, and 67 % for Europe's. This is likely because there are deeply entrenched structural issues obstructing trade, including logistics, regulatory uncertainty, and supply side weaknesses.

   Trade analysis reveals that when African countries do trade with each other, the overall mix is lesser concentration on extractives and greater intensification involving manufactures, suggesting that they are seeking out meaningful products based on market demand created by gaps in categories such as consumer goods, rather than dealing in extractives.

3. ***Market-fragmentation and a firm entrenchment of African countries as suppliers of low-value added inputs and then as consumers of finished goods has required decisive action in the form of AfCFTA.***

   A continental market which can provide robust market-access and a streamlined business environment, with a gradual phasing out of 90 percent of tariff lines over the next five to ten years (and ultimately another 7 percent considered sensitive) is considered as the best negotiated solution to the status quo. African companies need other African markets to thrive and develop capabilities to build more value-added products, however the current fragmentation in terms of regulations combined with the business environment, infrastructure and enterprise level challenges simply do not allow this. It is envisaged that the harmonization and compatibility of regulations as well as the open market access among other aspects will afford African firms the opportunity, while allowing countries to maintain domestic policy space.

AfCFTA's success is inextricably tied to E-commerce growth in Africa

E-commerce is increasingly becoming a critical lever of growth for Africa, rather than simply an option.

The COVID-19 pandemic may have accelerated the inclusion of E-commerce in phase 2 negotiations, but African policy makers have little doubt on the importance of expediting the collective policy introspection and negotiations on the topic, especially in terms of the implications on AfCFTA implementation.

First, there is a real possibility that E-commerce can organically help African enterprises develop capabilities to a) better understand their own comparative strengths, b) understand the opportunities in regional markets for selling their products to consumers and other companies, and c) develop strategic alliances with other enterprises across borders, which over time can lead to regional value chain (RVC) upgrading. This may well be the missing piece of the puzzle that governments, full forms (RECs) and development partners have been grappling with – why has overall regional integration not grown in lockstep with resources and effort that has been expended?

Over the medium-long term, the trading activity by lead firms and successive waves of M/SMEs may help entrench networks of buyer and seller firms benefiting from each other for strategic sourcing. Buyer firms can benefit from the sourcing relationships to upgrade their competencies further and progress up the value chain. E-commerce will function as an organic mechanism for developing specializations within, and deepening regional value chains, and this will help in enhancing value-addition across African industries.

Second, East Africa's successful foray into mobile money has now expanded to a multi-layered model where a wide variety of models have been developed as 'stacks' over and beyond the mobile-money solutions. Interoperability between various forms of payments whether mobile-money or cards is emerging as a strong reality. Solutions such as Mowali, Mojaloop, and the Orange-MTN/Orange tie up with Mastercard are facilitating interoperability on a significant scale. Regulations such as in Ghana are allowing full interoperability between digital payment solutions, and with the emergence of regulatory sandboxing models, more and more fintech innovation, with direct E-commerce applications can be expected.

Third, Regional trade agreements, or even continental ones such as AfCFTA will not alone result in enhanced trade. As noted earlier, the experience with the RECs in Africa for boosting regional trade is at best, uneven. They make the conditions for trade easier, but as the experience with multiple RECs indicates, treaties and market access alone does not result in increased and meaningful trade. E-commerce can be the lubricant for accelerating the demand-supply gears of intra-African trade. The example of Mercado libre in South America and many others in South East Asia is instructive in terms of how an E-commerce marketplace can bridge demand with supply at a continental level.

Fourth, E-commerce adoption contributes to socio-economic and sector-development efforts like no other technology can. Take **digital literacy** for example. E-commerce will ultimately drive consumer sophistication and appetite for digital content/transactions, ultimately contributing to digital literacy growth as well as spillover effects across the digital economy. While it is challenging to quantitatively estimate how individuals absorbing digital content and participating in online shopping will become adept in single window initiatives and other online mechanisms relevant for trade, it seems viable to draw a logical conclusion to that effect.

The example of mobile money in Kenya serves to show that when consumers see the value in a product, and when the product is designed organically around user behavior - for instance, consumers were already utilizing airtime as a way to send money to relatives, Safaricom simply but astutely built a product around this use case – digital literacy will be developed from the ground-up.

Another example is that of developing **export capabilities for productive sectors** via traditional sector-development initiatives, which focus on supply side issues aimed at developing productive capacities in the sector. Even if the initiative involves market-side dimensions, the focus is on limited to relatively conservative activities such as bidirectional B2B delegations, enterprise trainings, grant support mechanisms for export promotion among other aspects. In contrast, SMEs are drawn to the value proposition of marketplaces and other platforms due to the sheer drop in barriers to directly accessing large buyer bases. There are currently 631 marketplaces across the continent, concentrated in the key markets in Nigeria, South Africa, Kenya and North Africa.

The effect of E-commerce on spurring entrepreneurship cannot be underestimated. The access to markets facilitated via E-commerce allows entrepreneurs to test new products and bring them to market easier. There are growing examples of African firms which test, and scale incrementally via marketplaces and have experience significant growth as a result.

The appeal of social-commerce platforms for buyer-seller matching is yet another example. The bottom line is that it is a fallacy to blame the weak SME growth in domestic and international markets on their weak capabilities – there is plenty of evidence showing that when the markets are developed, African entrepreneurs and supporting private sector services have forged a way often innovatively to penetrate those markets.

Yet another factor is the role that E-commerce can play in **bridging the rural-urban divide.** E-commerce can help in helping M/SMEs in the hinterland conduct business with the rest of the country. In Bangladesh for example, the Ek Shop initiative is a government/UNDP funded marketplace which has tangibly integrated enterprises of all sizes and individual entrepreneurs with the nationwide buyer base.

Fifth, The e-commerce sector is on a sharp growth trajectory in Africa, and has further been boosted as a result of the pandemic. Beyond just marketplaces and IT sector growth, the entire ecosystem ranging from fintech to digital entrepreneurship has growth, albeit unevenly. The good news is that much of the regulations on E-commerce and the digital economy are in the early stages of development. This 'clean slate' can help countries weave together comprehensive, flexible and fit-for-purpose regulations which are harmonized with other African countries, and better still, with those in key international markets.

There are many other areas where the strategy assesses alignment between E-commerce and the overall goals of the AfCFTA; Overall, there is a growing realization that intra-regional trade and E-commerce share a symbiotic relationship Africa's trade competitiveness is directly tied to the extent that the E-commerce ecosystem grows in lockstep.

E-commerce is not a Panacea, and there are important considerations

In-spite of E-commerce's potential, there are some key challenges that the strategy has identified and must be tackled. Some key challenges include the following:

1. A 'digital-fog' exists in front of policymakers and will certainly serve to slow down policymaking**:** The fast paced and dynamic nature of E-commerce, coupled with the relatively technical nuances, pose significant challenges for policymakers, who have hitherto focused their energies on traditional trade mechanisms and are finding it challenging to understand and address regulatory matters in a fast moving ecosystem. For them E-commerce is a relatively new force, albeit with considerable benefits. They may understand the benefits of E-commerce on paper, but are certainly less cognizant of the actual complex considerations and best practices related to E-commerce. They will be hesitant to engage in policymaking and negotiations without knowing the full implications of their commitments. Above all, there is always the fear of giving up valuable domestic policy space in negotiations.

2. Risk of shifting import-dependencies for lesser development and e-ready countries: The Ecosystem diagnostic has revealed over and over that African E-commerce resembles select islands of activity, directly driven by the state of the internet infrastructure and overall economic growth status. There is a real risk that given the predominance of certain countries in terms of their productive and manufacturing capabilities, established trading relationships, as well as recent first-mover advantages vis-à-vis E-commerce, the establishment of the single, open continental market will make it harder for countries falling lower in the spectrum of development and digital-readiness to compete on an equal footing. These countries risk becoming solely markets for other countries without being able to meaningfully compete in other markets. For such markets, opening up to the promise of AfCFTA as well as E-commerce will not be an easy proposition, and it is likely at least in the E-commerce, they may prefer to build a degree of e-readiness first.

3. National interests may restrict alignment between African states on certain issues. It must also be kept in mind that despite a common vision that is starting to emerge within AU member states on E-commerce and other issues, African states will first and foremost keep national interests in mind as they negotiate bilateral and regional agreements, the E-commerce protocol, and other relevant aspects related to E-commerce. As

noted, the wide variance in development both in terms of e-commerce and traditional trade competitiveness between various countries has led to hesitancy among policymakers to engage meaningfully on E-commerce related issues.

4. Certain areas of the ecosystem are much weaker than others, and one of these is logistics. Domestic and Cross-border logistics has emerged as the single most challenging technical area facing E-commerce firms, including larger ones. While the more established firms have overcome the challenges to some extent by investing vertically to develop their own logistics capabilities, the smaller E-commerce firms are unable to cater beyond a radius spanning tens of kilometers and remain largely local. The weak parcel delivery services including postal services are also challenging. Even in cases where companies forge strategic partnerships with professional / international courier firms, the uncertainty at the border in terms of fees, clearance time estimates is significant, affecting the on time delivery of firms.

   A related aspect contributing to why most E-commerce firms remain local, is that of cross-border returns. African customs authorities simply do not have the regulations and procedures in place to cope with returns, and implement best practices stipulated by the WCO such as reconciling inbound and outbound shipments and granting duty and, if applicable, tax exemption on reimportation into the country where the goods were originally shipped from, among others. Considering that on average 30 percent of all retail E-commerce goods are returns, E-commerce firms will depend on the implementation of best practices and development of a predictable and harmonized regulatory structure, preferably regardless of the African market.

5. There are a number of areas where negotiations within the multilateral fora are needed with strong African participation, and which will certainly have a bearing on AfCFTA implementation and African E-commerce competitiveness. There are namely digital taxation, data governance (data protection and cross-border flow of personal data), moratorium on customs duties on cross-border electronic transmissions, and the broader negotiations at the WTO. These will certainly have an impact on E-commerce led competitiveness and therefore it is important that African state parties participate actively to take part in the rule-setting processes.

An E-commerce strategy for the continent

To galvanize African policy-makers towards a common vision for E-commerce, that contributes to the Agenda 2063 as well as progress towards a common continental market, an E-commerce strategy is considered timely. This strategy is fully aligned with the spirit of AU's Agenda 2063, as well as the Digital Transformation Strategy's ecosystem of the two Components (digital platforms and digital financial systems), four founding enablers (digital skills, digital infrastructure, enabling entrepreneurship and innovation), enabling regulatory framework, and cross cutting issues (digital content and applications, digital ID, emerging technologies, cybersecurity, and personal data protection, research and development).

At the continental level, the aggregate benefits are expected to translate into the following:

1. Increased E-commerce flows by E-commerce firms and national marketplaces.
2. Enhanced intra-African trade -both via enterprises and marketplaces- involving African sourced products and services.
3. A digitally enabled and collaborative public sector, responsive to the needs of the emerging digital economy
4. Harmonized (or compatible) cyberlaw framework facilitating unformity and predictability for E-commerce enterprises and investors
5. A digitally and financially literate consumer base (individuals and companies) with an enhanced appetite for ICT-enabled services.
6. Capable enterprises bringing innovative e-commerce use-cases to market.
7. Access to best-in-class technologies and practices via meaningful inbestment models such as joint-ventures
8. Access to relevant and high quality skills and entrepreneurship support, when enterprises need it.
9. Enhanced access to tailored and actionable market intelligence and in-market support.
10. Seamless logistics flows, domestically and cross-border, building consumer trust and strengthening the enterprise bottom line.
11. Reduced import dependency, at the continental level, especially for products which can be sourced from African markets
12. Acceleration of regional integration agenda

Among the various technical components, there are three in particular for which harmonization between African countries should be prioritized, if the vision of a single continental market driven by E-commerce is to be realized.

- Trade facilitation, particular customs rules and procedures, is important to ensure predictable and swift clearance of B2C shipments essential to on time delivery for companies.

- Cross-border payments, with the vision of a pan-African settlements system allowing digital payments across borders (mobile – mobile, mobile-banks, QR code), will

be essential for overcoming the dependency on cash, and the logistical issues inevitably arising from cross-border cash transfers.

- The harmonization in terms of cyberlaw framework is essential for E-commerce companies and marketplaces to be able to operate across African jurisdiction with predictability and with confidence in terms of availability of legal recourse mechanisms.

CONCLUSION

There is significant qualitative and quantitative evidence that E-commerce and the broader digital economy can provide significant benefits for Africa's overall economic and socio-economic development. A recent Google/IFC study[3] estimates that the internet economy can add up-to USD 180 Billion to Africa's combined GDP by 2025. Local connectivity, increasing mobility and a dynamic, young urban population are stated as the key factors for this growth trajectory, which will depend on the extent and speed at which sectors including Agriculture, education, financial services healthcare and supply chains can digitalize.

Likewise, An Accenture study notes that Africa's iGDP (or the internet's contribution to GDP) will contribute approximately USD 115 Billion or 4.5 percent of Africa's GDP in 2020[4], rising to USD 712 Billion or 8.5 percent of the continent's GDP in 2050. According to these projections, the iGDP contributions in 2020 are already higher than the average for Nigeria (24.6 percent), South Africa (21.6 percent), Egypt (15.4 percent), Algeria (9 percent), Morocco (7.8 percent), and Kenya (7.4 percent).

There are of course significant challenges that must be overcome. It would be unreasonable to expect that at the national level, the various technical areas constituting E-commerce ecosystems will grow at the same pace. The stretched priorities of policy-makers, technological and financial barriers and enterprise/market-side dynamics will likely result in certain areas progressing at varying paces. When these variances at the continental levels are considered, the risks to cross-border trade become evident, and must be managed. policymakers, regulators, negotiators, institutions and enterprises should account for unevenness as part of their operations.

On balance though, the current pace and trajectory of E-commerce growth on the continent is promising, and the timing is right for synchronizing this with the AfCFTA implementation.

3 (Google, IFC, 2020)

4 Noted in (Google, IFC, 2020)

Introduction

This strategy articulates a medium-term roadmap for developing Africa's E-commerce sector. The ultimate beneficiary is the African private sector, particularly Micro, Small and Medium Enterprises (M/SMEs) already engaged or seeking to participate in E-commerce. Additional beneficiaries include the **African Union Commission**, African Union Member States (AUMS), Regional Economic Communities (RECs), and development partners supporting Africa's burgeoning digital economy. The recommendations are not country specific, but rather aimed as a template for AU member states.

The following salient features may be considered while reviewing the strategy:

1. As a policy document aimed at helping key stakeholders in planning and implementing **tangible** actions in aid of continental E-commerce growth, the strategy is divided into two sections – the analyses, and the action plan. A balance is maintained in terms of limiting the analyses to key bottom lines, while placing strong focus on **developing a realistic, implementable action plan** responding to Africa's needs.

2. The five-year timeframe of the strategy allows for a reasonably accurate anticipation of what developments may impact e-commerce in African over the short-medium term. This is appropriate given the challenges in predicting political, economic, social and technological changes beyond, and this is especially the case when conducting the review at the continental level.

3. Prevailing industrialization/development gaps between African countries can be exacerbated if national levels of digital readiness are not improved, which would render a continental wide push for e-commerce growth untenable. To mitigate these risks, the strategy aims to help **bridge the maturity gap between countries and their E-commerce ecosystems, while advancing the continental E-commerce agenda.**

4. The continental scope is firmly kept at the forefront, with the AfCFTA, AU-DTS and the overall vision of AU's Agenda 2063 serving as the three entry points for the strategy. **Harmonization and interoperability are therefore two recurring themes** across the document, whether relating to cyberlaws, payment systems, customs processes or other technical areas.

5. **The strategy prioritizes the interests of African countries within the E-commerce ecosystem.** In this sense, a clear lens is identified. However, it refrains from adopting an overtly protectionist stance, unless there are severe and clear risks. One such example is that of the contentious data protection space where there is significant fragility in terms of data protection for African consumers and firms. The intent for the most part is to tread middle ground, and to leverage international best practices suitable for the African context.

6. The strategy acknowledges that the African context is significantly different from elsewhere, and the solutions included are tailored to the local context. In areas where there are **established international best practices** which can readily be adapted to Africa, these solutions are included within the strategy as well.

7. The strategy provides recommendations based on **identified, ground, realities, opportunities and constraints** within the African E-commerce ecosystem. The recommendations are designed to be as specific as possible. In contentious areas where separate discussions and negotiations are ongoing (within domestic, regional and international fora), the strategy provides broad directional guidance. Examples include the areas of data policy, digital taxation, WTO E-commerce negotiations.

8. The strategy serves as a blue-print of activities which can enhance policy-harmonization, institutional-coordination and enterprise-capabilities for E-commerce. It highlights the inter-dependencies and risks relating to each ecosystem component, so that policy-makers can understand the implications of weaknesses for those areas, and prepare accordingly.

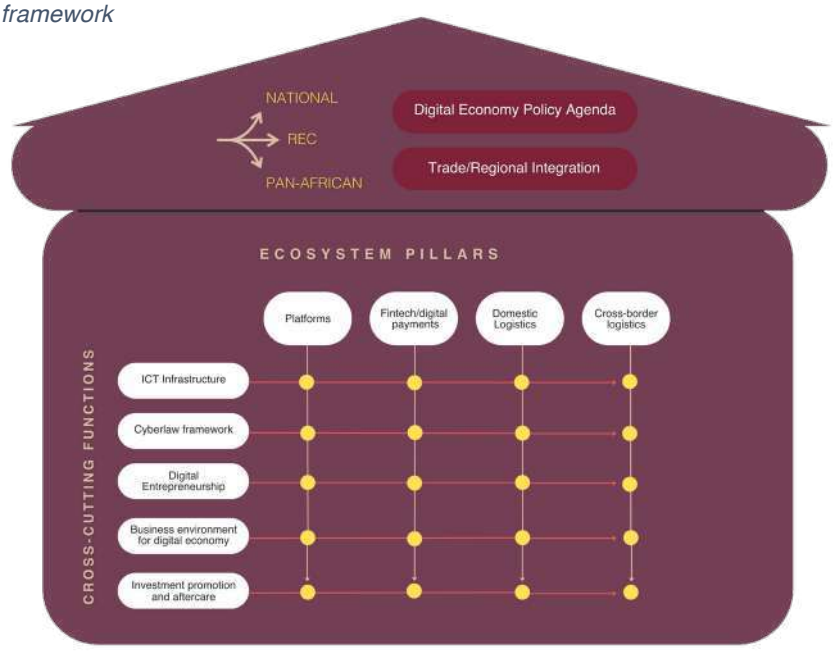
Methodological Note

An ecosystem approach is followed, involving four Components *(platforms, fintech/digital payments, domestic logistics, cross-border logistics)* and five cross-cutting areas *(ICT infrastructure, cyberlaw framework, digital entrepreneurship, business environment for digital economy, and investment promotion and aftercare)*.

Each of the Components and cross-cutting functions is reviewed independently as well as at the points of intersection. For example, the review of investment function is conducted in the context of how investments are placed within the national digital economy development agenda, what type of platforms-based investments are occurring, what is the extent of investments in the fintech sector, as well as the logistics sector, etc. Beyond the Components and cross-cutting functions, the overall **digital economy policy framework** is reviewed at the national (to the extent feasible), regional and pan-African levels.

The RECs are leveraged as an anchor to understand the current state and anticipated developments within their individual memberships. The analysis is conducted at the continental level, but with information collected at the REC and national levels. At the regional level, the RECs are consulted to understand the developments in terms of regional integration, but also regarding updates for their individual bloc members.

Figure 1: Ecosystem framework



Source:Author

The Rationale for an African Union E-commerce Strategy

AN IMPETUS ON ACCELERATING INTRA-AFRICA TRADE

Africa is experiencing an increased impetus on harnessing the latent potential of intra-Africa trade and establishing a common market.

The accelerating pace of pan-African negotiations aimed at developing a single, liberalized African market is primarily driven by the African Continental Free Trade Agreement AfCFTA. The AfCFTA is striking in terms of scope and ambition. Billed as the largest free trade area in the world once implemented, it aims to integrate 1.3 billion people across 55 countries with a combined gross domestic product (GDP) assessed at US$3.4 trillion. It is estimated that by 2035, total production of the continent would be almost US$212 billion higher than the baseline, and the share of intra-African exports[5] will rise by 40 percent (to above 50 percent) by 2035.

Additionally, the following areas of impact are anticipated, among others:

1. Increased intra-Africa trade, with impetus on Africa sourced products and services.

2. Reduced tariffs across the board, as well as non-tariff barriers.

3. Strategic investments aimed at attracting technologies, and best practices to African countries

4. Upgrading of national sectors based on comparative advantages, and development of strategic alliances in terms of value chains.

5. Acceleration of startup activities with equity in terms of youth, women and other communities.

6. Overall increase in trade competitiveness,

5 (World Bank Group, 2020) and United Nations Economic Commission for Africa. 2015. "Industrializing through Trade: Economic Report on Africa 2015." UNECA.

measurable via increase in Africa's contribution to global trade, as well as enhanced value-addition within the composition of exports.

The vision for a single market is driven by the realization (and empirical proof) that trade-led inclusive growth has hitherto not materialized for the majority of African countries.

Currently, Africa remains a marginal player in the global trade in goods.[6] Despite gains between 2000-2010, the African continent's contributions to global trade and GDP have weakened significantly and have hovered around 2 and 3 percent respectively in recent years. This is despite Africa accounting for almost 17 percent of the global population, located in one of the most resource rich regions in the world. Export diversification is marginal, and remains skewed towards low-value exports and commodities. Overall, African countries have faced significant barriers in terms of developing trade competitiveness along extensive margins (new products to new markets, new products to existing markets, existing products to new markets), focusing on - or rather, struggling to diversify from - intensive margins (existing products to existing markets).

Table 1: Growth rate - total merchandise exports

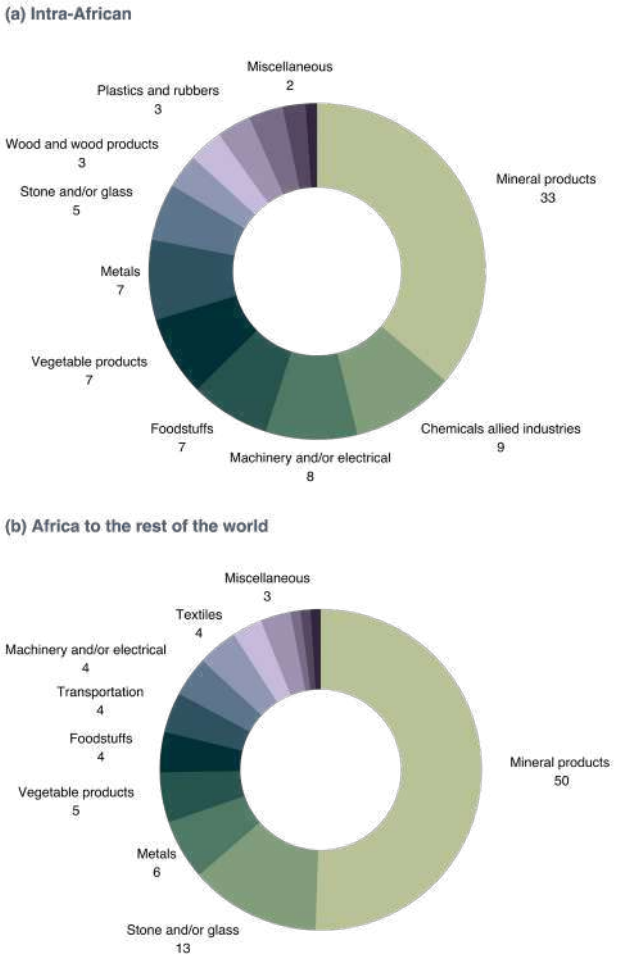
	1992-95	1995-00	2000-05	2005-10	2010-2015	2019
World	11	4	11	6	2	-2.8
Developing Economies	14.0	5.8	14.4	9.2	2.7	-3.0
Africa	5	3	17	9	-5	-3.8
Northern Africa	3	5	17	7	-8	-3.2
Sub-Saharan Africa	6	2	17	10	-3	-4.0
Eastern Africa	13	-1	11	12	3	-3.2
Middle Africa	1	5	24	12	-6	-14.3
Southern Africa	6	0	13	9	-2	-5.2
Western Africa	4	3	19	9	-5	4.1
America	11	6	6	5	2	-1.7
Asia	13.2	4.4	13.3	8.8	2.7	-3.1

Source: UNCTAD Statistics database, accessed November 2, 2020

Policy makers have realized that regional trade holds the key to unlocking African trade competitiveness. The current state of affairs involving high dependency on external markets (89-90 per cent of African trade to rest of the world between 2010-2017), and low value commodity products which are particularly vulnerable to price and demand shocks in markets, is not tenable.

A review of existing intra-African trade and African trade with the rest of the world reveals interesting insights. Despite the low absolute size of intra-African trade, there seems to be lesser concentration on extractives and greater intensification involving manufactures, suggesting that when African countries do trade with each other, they are seeking out meaningful products based on market demand created by gaps in categories such as consumer goods, rather than dealing in extractives. This is just one indication that intra-Africa trade contribute to product diversification efforts away from extractives and low commodity sales. The composition of intra-African trade is notably leaning towards products with more value addition, versus extra-regional trade which is leaning towards primary products.

Figure 2: Composition exports from Africa



Source: UNCTAD

6 (UNCTAD, 2019)

There is also proof that regional trade will not pick up just by forming a free trade area. There is evidence that trade preferences granted at the REC level have not yielded the results that were expected and hoped for. For instance, despite the adoption of COMESA's FTA in 2000, intra-COMESA trade stands at 8% of total trade, compared to 15% for Africa 15%, 47 % for US, 61% for Asia, and 67 % for Europe's.

Even within trade in services, Africa is underperforming.

Digitally-delivered exports as a percentage of total trade in services for the EAC is 18% compared to 41% for South-Eastern Asia. For Latin America, it was 44% and for Southern Asia, 59% of exported services. Africa accounted for only 0.9% of global digitally-delivered service exports.[7]

Table 2: Digitally delivered exports

Digitally-delivered exports in 2017	USD millions	% of total trade in services	% of the world
AMU (Arab Maghreb Union)	6,030	25%	0,2%
CEN SAD (Community of Sahel-Saharan States)	6,030	25%	0,2%
EAC (East African Community)	6,030	25%	0,2%
ECCAS (Economic Community of Central African States)	6,030	25%	0,2%
ECOWAS (Economic Community of West African States)	6,030	25%	0,2%
IGAD (Intergovernmental Authority on Development)	6,030	25%	0,2%
SADC (Southern African Development Community)	6,030	25%	0,2%
COMESA (Common Market of Eastern and Southern Africa)	6,030	25%	0,2%
Africa	**6,030**	**25%**	**0,2%**
South America	6,030	25%	0,2%
Sub-Saharan Africa	6,030	25%	0,2%
Central Africa	6,030	25%	0,2%
LDCs (Least Developed Countries)	6,030	25%	0,2%
South-Eastern Asia	6,030	25%	0,2%
Southern Asia	6,030	25%	0,2%
Source	UNCTAD		

Source: (researchICTsolutions, 2020)

E-COMMERCE OFFERS SIGNIFICANT BENEFITS TO AFRICA'S SME AND TRADE DEVELOPMENT AGENDA

E-commerce is increasingly being viewed as a lever of growth for African trade competitiveness agenda, at the continental, regional and national levels, driven by a growing realization that intra-regional trade and E-commerce share a symbiotic relationship. The value proposition for E-commerce vis-à-vis trade competitiveness development for Africa is strengthened via the following benefits that E-commerce can offer:

1. **E-commerce can trigger and accelerate RVC upgrades and shifts based on a country's natural comparative advantages for sector/products.**

   The ultimate long-term goal of AfCFTA is to enhance global positioning of African products and services, and

7 See accompanying table. Source (researchICTsolutions, 2020)

it is recognized that intra-African trade involving African-origin products will be a prerequisite. Via E-commerce, African enterprises may develop capabilities to a) better understand their own comparative strengths, b) understand the opportunities in regional markets for selling their products to consumers and other companies, and c) develop strategic alliances with other enterprises across borders, which over time can lead to RVC upgrading.

Over the medium-long term timeframe, the trading activity by lead firms and successive waves of M/SMEs may help entrench networks of buyer and seller firms benefiting from each other for strategic sourcing. Buyer firms can benefit from the sourcing relationships to upgrade their competencies further and progress up the value chain. E-commerce can function as an organic mechanism for developing specializations and deepening regional value chains, enhancing value-addition across African industries.

2. **Boosts SME discoverability, and marketability:** At a basic level, offline SMEs can gain enhance exposure by establishing an online presence, whether via company websites or participation in marketplaces. This discoverability aspect has important implications for bridging buyer-seller gaps be it at a local, national, regional or international level.

3. **Robust potential for marketplaces:** Marketplaces reduce the barriers of entry for both suppliers and buyers.

   African marketplaces may eventually provide a robust conduit for channeling African goods, from the currently limited base. Marketplaces across the board have played an important role in turning the supply and demand gears of sluggish economies. They help boost supply of goods and services to meet untapped demand, which would remain undiscovered without marketplaces.

   Recent studies have examined the role (and potential of E-commerce marketplaces) in aid of facilitating cross-border trade, and the bottom line is that while African companies must improve the competitiveness, quality of their products, marketplaces provide access to the actual markets and a large pool of buyers; Business require brand exposure of their products and marketplaces provide this. This market access incentivizes the companies to make the required investments and improve supply-side capabilities. The self-correction is logical given that enterprises are constantly seeking avenues for growth either along intensive or extensive margins.

   The ongoing Covid-19 pandemic has been accompanied by uptake in E-commerce, with both the private sector as well as governments stepping up in various forms – establishing marketplaces, delivery services, fast-tracking SME onboarding , especially in critical sectors such as food, groceries, medicines. The growth has expanded to the retail sector as well. This is a global phenomenon, and African countries have marched in line with the trends in lockstep.

4. **E-commerce firms are increasing efficiency in supply chains:** Marketplaces such as Twiga Foods which provide a trusted marketplace for connecting rural farmers with urban retail vendors [8] are prime examples of how startups are matching demand with supply, in a way that reduces dependency on intermediaries and also improves efficiencies. Traditional value chain improvement initiatives simply cannot match the power of E-commerce in this regard.

5. **Give teeth to regional trade agreements:** Regional trade agreements, or even continental ones such as AfCFTA will not alone result in enhanced trade. They make the conditions for trade easier, but as the experience with multiple RECs indicates, treaties and market access alone does not result in increased and meaningful trade. E-commerce can be the lubricant for accelerating the demand-supply gears of intra-African trade. The example of Mercado libre in South America is instructive in terms of how an E-commerce marketplace can bridge demand with supply at a continental level.

6. **Strategic sourcing for E-commerce will increase strategic avenues for African companies to source inputs for their supply chains.** Access to a large base of potential suppliers on B2B marketplaces will allow for SMEs to compare options and procure inputs at cost-effective terms. This is something that is largely challenging in a non-ecommerce driven environment, especially in Africa where the opportunities of intra-country trade have been not properly leveraged. The high dependence on imports, even those which can be technically sourced from African countries, can be reduced to an extent in the medium-long term basis.

7. **Growing support ecosystem:** By creating real demand for support services, E-commerce can actually benefit a wider ecosystem including logistics services providers, fintech firms, IT support service, marketing and consulting services, among others. The support ecosystem is also indispensable for the growth of the overall E-commerce sector.

8. **E-commerce can help continue drive cross-border trade even as AfCFTA implementation ramps up.** Trade facilitation measures aimed at reduction of tariffs are at the center of AfCFTA, with the agreement calling for reduction of 97 percent of tariff lines that account for 90 percent of intra-Africa imports. There is high concentration in terms of select few tariff lines accounting for the vast majority of imports. This implies the strong likelihood that tariff reductions will materialize only gradually over the medium-long term, and policy-makers and enterprises would be wise to anticipate facing, and plan for (in their respective strategies) protectionist measures persisting over time.

8 (Google, IFC, 2020)

Implementation of AfCFTA is likely to be uneven, at least until the medium term when tangible benefits start to show. A recent World Bank assessment of trade policy and barriers in the Economic and Monetary Community of Central Africa (CEMAC) found that significant nontariff barriers and members' noncompliance with CEMAC transit agreements are preventing intraregional trade, particularly agricultural trade. At the continental level, it is likely that geo-political shifts and external stimuli may complicate implementation of the free trade area.

E-commerce can play an important role by keeping the cross-border trade momentum going strong. The enhanced supply-demand relationships between companies, growing as a result of E-commerce can counterbalance sluggishness in AfCFTA negotiations. With companies actively trading and equitably benefiting from cross-border trade, the business case for supporting this growth via free trade mechanisms becomes even more apparent.

9. **Bridging the rural-urban divide:** E-commerce can help M/SMEs in the hinterland conduct business with the rest of the country. In Bangladesh for example, the Ek Shop initiative is a government/UNDP funded marketplace which has tangibly integrated enterprises of all sizes with the nationwide buyer base. The marketplace integrates payments, logistics and other share services, but its most innovative feature is the Union Digital Centers which serve to handhold/ onboard buyers and sellers at the last mile level. There is also little/no evidence that E-commerce businesses cannibalize retail businesses, especially in Africa where the per capital stores to population rate is quite low.

10. **E-commerce will ultimately drive consumer sophistication and appetite for digital content/ transactions, ultimately contributing to digital literacy growth as well as spillover effects across the digital economy.** While it is challenging to quantitatively estimate how individuals absorbing digital content and participating in online shopping will become adept in single window initiatives and other online mechanisms relevant for trade, it seems viable to draw a logical conclusion to that effect.

11. **Accelerate sector development efforts:** Including E-commerce related provisions in sector development efforts can yield significant returns. Traditional sector development efforts focus largely on supply side issues aimed at developing productive capacities in the sector. Even if the initiative involves market-side dimensions, the focus is limited to relatively conservative activities such as bidirectional B2B delegations, enterprise trainings, grant support mechanisms for export promotion among other aspects. E-commerce related support initiatives are relatively far and few in between, although they are currently introspecting on possible entry points (especially in terms of marketplaces support, and onboarding offline SMES etc.)

12. **Opportunities afforded by E-commerce anchor sectors must be leveraged:** A number of productive sectors including Tourism, Agro-industry, light manufacturing, professional services and creative services, among others are also sectors with high absorptive capacity for E-commerce. In other words, these sectors serve as natural anchors for E-commerce and both drive, as well as derive benefit from E-commerce. There is a strong business case therefore for African countries to utilize these sectors – which are both e-commerce anchors as well as national priority sectors – for pilot initiatives in E-commerce.

The need for caution: In-spite of the high potential that E-commerce offers for export-diversification and intra-Africa trade it is not a panacea

The benefits of E-commerce towards African M/SMEs will not be automatic. There are complex considerations to address before E-commerce led trade competitiveness can become a reality.

1. **African E-commerce resembles select islands of activity, directly driven by the state of the internet infrastructure and overall economic growth status.** North African economies, South Africa, Kenya, Nigeria and select other economies tend to dominate the landscape. The divide between these countries and others is quite significant.

2. L**ogistics is one of the weakest links in the African E-commerce ecosystem**, and this is exacerbated multifold when it comes to cross-border E-commerce. Contributing factors are *infrastructural* (roads providing swift access to markets; strategic location, access and cost-effectiveness of warehousing facilities, physical addressing..), *regulatory* (customs-customs harmonization, de-minimis thresholds, cross-border transportation permissions...), and *business-side* (enterprise side capabilities in terms of inventory management, order fulfillment; access to professional 3PL/3PL services, fragmentation among logistics providers…). Much needs to be done to improve the situation especially in terms of regulatory issues and enterprise side constraints, but the infrastructural weaknesses will be a medium-long term proposition.

3. **Risk of shifting import-dependencies for lesser development and e-ready countries:** There is a real risk that given the predominance of certain countries in terms of their productive and manufacturing capabilities, established trading relationships, as well as recent first-mover advantages vis-à-vis E-commerce, the establishment of the single, open continental market will make it harder for countries falling lower in the spectrum of development and digital-readiness to compete on an equal footing. These countries risk becoming solely markets for other countries without being able to meaningfully compete in other markets. For such markets, opening up to the promise of AfCFTA as well as E-commerce will not be an easy proposition, and it is likely at least in the E-commerce, they may prefer to build a degree of e-readiness first. This has

important implications for the strategy in that one of the strategic objectives most likely would be to enhance the individual e-readiness levels, or at least provide critical pathways via the strategy of developing national e-readiness.

While marketplaces are undoubtedly important for provisioning M/SSME access to markets, there are still risks involved, and these have been recognized by African policymakers. *First,* marketplaces thrive when there is competition, and for already uncompetitive M/SMEs, sharing virtual shelfs with multiple competitors having limited product differentiation means that they may get drowned out, unless they can find a way to compete on price alone (which in turn poses risks to effort at enhancing diversification and value-addition in their products). *Secondly,* marketplaces will contribute to Africa's growth only if they can promote African goods. Marketplaces operating in Africa must not become satellite markets for foreign goods, from China and other.

4. **Knowledge gaps at the policymaker's level will serve as a barrier to regulatory harmonization related to E-commerce:** The fast paced and dynamic nature of E-commerce, coupled with the relatively technical nuances, pose significant challenges for policymakers, who have hitherto focused their energies on traditional trade mechanisms and are finding it challenging to understand and address regulatory matters in a fast-moving ecosystem. For them E-commerce is a relatively new force, albeit with considerable benefits. They may understand the benefits of E-commerce on paper, but are certainly less cognizant of the actual complex considerations and best practices related to E-commerce.

   E-commerce is a complex area because of the involvement of a wide range of technical areas such logistics, fintech, cyberlaws, not to mention ICT technologies. Before policies can be developed, policymakers and negotiators need a capacity boost in terms of understanding the essence and implications of these areas and what exactly E-commerce will change existing models, structures, and how. The fintech sector is particularly fast moving and policies typically lag innovations.

5. **Export diversification and meaningfully investment promotion are deeply challenging areas requiring long-term gestation.** Especially in the case of Africa where trade routes and sector capabilities have been historically carved in support of extractive sectors and commodities, rather than productive sectors, it is obviously challenging to affect a shift over the short-term period.

   a. E-commerce growth will both depend and contribute to export diversification. In terms of benefiting from export diversification initiatives, countries would need to meaningfully push the diversification agenda via productive sectors, integrating E-commerce within sector development initiatives where possible. If the export diversification agenda stalls, E-commerce growth will likely slow down as well.

   b. Investment is another area of dependency for E-commerce. Given the dynamism of the sector and the fast pace of technological and process-oriented innovation, African countries will need to devote attention and resources to promoting investments in the overall e-commerce ecosystem. Care will be required to ensure these investments have positive spillover effects on African businesses and the broader support ecosystem. The challenge is that in general, African investment climates tend to be weaker than other regions, for example in ASEAN where the countries have benefited from robust transfer of technology both via private sector investors but also via direct gov-gov channels. Another challenge is that government priorities for investments are stretched across all African countries, which leads to delays in tailoring the investment improvement agenda for the digital economy.

6. **National interests may restrict alignment between African states on certain issues:** It must also be kept in mind that despite a common vision that is starting to emerge within AU member states on E-commerce and other issues, African states will first and foremost keep national interests in mind as they negotiate bilateral and regional agreements, the E-commerce protocol, and other relevant aspects related to E-commerce. As noted, the wide variance in development both in terms of e-commerce and traditional trade competitiveness between various countries has led to hesitancy among policymakers to engage meaningfully on E-commerce related issues.

An E-Commerce strategy for Africa, anchored within the auspices of the AUC, but serving as an implementable and realistic roadmap for all African countries is considered timely.

The above analyses make it evident that E-commerce in Africa will necessarily both benefit and derive benefit from growth in intra-Africa trade; The road to competitiveness however will be complicated – the opportunities are contrasted with formidable barriers at the policy, institutional and enterprise levels.

To galvanize African policy-makers towards a common vision for E-commerce, that contributes to the Agenda 2063 as well as progress towards a common continental market, an E-commerce strategy is required. A targeted strategy approach involving short, medium and long-term is required to drive growth throughout the ecosystem.

The Strategy

VISION AND ANTICIPATED IMPACT

The strategy is aligned, in spirit and in action, with the strategic goals articulated by Agenda 2063: The Africa We Want, and the Digital Transformation Strategy for Africa (DTSA 2020-2030). The following vision has been set for the sector, spanning a five-year timeframe:

'E-commerce-led inclusive and transformative growth, made in Africa'

This vision acknowledges the transformative role that E-commerce can play in Africa's development trajectory, and the contribution that it can make to the ambitious vision set by the AfCFTA. If the right infrastructural and regulatory conditions are established, E-commerce can democratize the trade competitiveness landscape, lowering barriers to trade for SMEs via marketplaces and other types of platforms. The vision also notes that this growth will take root in Africa, based on enabling and potentially enduring conditions. Through the strategy, it is envisioned that intra-Africa trade of African products will be accelerated, and this will eventually improve trade competitiveness of African countries with the rest of the world. The inclusiveness aspect is important as well – indicating the critical role that youth, women can play in this vehicle of growth.

The **Agenda 2063** dedicates itself to the Pan African vision of 'an integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in the international arena.' It lists seven aspirations:

1. A prosperous Africa based on inclusive growth and sustainable development
2. An integrated continent, politically united based on the ideals of Pan Africanism and the vision of Africa's Renaissance
3. An Africa of good governance, democracy, respect for human rights, justice and the rule of law
4. A peaceful and secure Africa
5. An Africa with a strong cultural identity, common heritage, values and ethics

6. An Africa, whose development is people-driven, relying on the potential of African people, especially its women and youth, and caring for children
7. Africa as a strong, united, resilient and influential global player and partner

The **DTSA's** vision is 'An Integrated and inclusive digital society and economy in Africa that improves the quality of life of Africa's citizens, strengthen the existing economic sector, enable its diversification and development, and ensure continental ownership with Africa as a producer and not only a consumer in the global economy', with an objective of 'harnessing digital technologies and innovation to transform African societies and economies to promote Africa's integration, generating inclusive economic growth, stimulating job creation, breaking the digital divide, and eradicating poverty for the continent's socio-economic development and ensure Africa's ownership of modern tools of digital management.'

At the continental level, the aggregate benefits are expected to translate into the following:

1. Increased E-commerce flows by E-commerce firms and national marketplaces.
2. Enhanced intra-African trade -both via enterprises and marketplaces- involving African sourced products and services.
3. A digitally enabled and collaborative public sector, responsive to the needs of the emerging digital economy
4. Harmonized (or compatible) cyberlaw framework facilitating unformity and predictability for E-commerce enterprises and investors
5. A digitally and financially literate consumer base (individuals and companies) with an enhanced appetite for ICT-enabled services.
6. Capable enterprises bringing innovative e-commerce use-cases to market.
7. Access to best-in-class technologies and practices via meaningful inbestment models such as joint-ventures
8. Access to relevant and high quality skills and entrepreneurship support, when enterprises need it.
9. Enhanced access to tailored and actionable market intelligence and in-market support.
10. Seamless logistics flows, domestically and cross-border, building consumer trust and strengthening the enterprise bottom line.
11. Reduced import dependency, at the continental level, especially for products which can be sourced from African markets
12. Acceleration of regional integration agenda

SECTOR SNAPSHOT

1. The African E-commerce market size (by revenue) is projected to reach USD 24.8 Billion in 2021, reflecting a 24.7 year on year growth rate.[9] The market is expected to grow at a compounded annual growth rate (CAGR) of 13.3 percent between 2021-2025, and will likely reach values of USD 40.8 Billion by 2025[10]. The user penetration us currently 27.8 percent[11], in line with the African average of individuals using internet.

   The African market is small when compared to the global E-commerce market size, which amounted to $25.6 trillion[12] in 2018.

2. The 2020 edition of UNCTAD's B2C E-commerce Index quantifies the known fact that Africa's E-commerce ecosystem lags behind other regions. In Africa, only 30 percent of individuals utilize the internet, versus the global average of 60 percent. The other indicators which factor in the index - including the percentage share of individuals with bank accounts, secure internet serves as well as the UPU postal reliability score – are all below other regions.

3. UNCTAD notes that while the majority of the populations of developed countries now shop online, that is not yet the case in most developing countries. In sub-Saharan Africa, for example, Kenya, Mauritius, Namibia and South Africa are the only countries where this share exceeds 8%. And in most other sub-Saharan African countries it is below 5%.[13]

Table 3: Regional performance for the UNCTAD B2C E-commerce Index, 2020

	Share of individuals using the internet (2019 or latest)	Share of individuals with an account (15+, 2017)	Secure Internet servers (normalised, 2019)	UPU reliability postal score (2019 or latest)	202 0 Index value	2019 index value (2018 data)
Africa	30	40	28	21	30	31
East, South & Southeast Asia	57	60	54	58	57	58
Latin America and the Caribbean	64	53	54	29	49	48
Western Asia	77	58	50	29	49	48
Transition Economies	71	58	60	59	62	63
Developed Economies	88	93	84	80	86	87
World	60	60	53	47	55	55

Source: (UNCTAD, 2021)

9 Statistica

10 ibid

11 ibid

12 https://unctad.org/news/global-e-commerce-hits-256-trillion-latest-unctad-estimates

13 https://unctad.org/news/intricacies-impact-and-opportunities-e-commerce-trade-and-development

4. **The leaderboard and markets are highly concentrated.** South Africa, Nigeria and Kenya account for half of all African online shoppers, with Nigeria and South Africa also accounting for the majority of marketplaces in the country. Indeed, a recent ITC study reveals that 1% of Africa's e-commerce marketplaces are responsible for 60% of the marketplace traffic on the whole continent. [14]

   North African states, particularly Egypt, Tunisia, and Morocco, along with Nigeria, South Africa typically account for the bulk of total E-commerce sales in the country and these are also where most of the marketplaces and E-commerce firms are based. These countries have one of more of certain comparative advantages which have attracted E-commerce operators. These are –

   a. a reasonably well-developed industrial/ manufacturing base,

   b. a large domestic population, such as in the case of Nigeria where companies can serve the domestic market without having to necessarily venture into cross-border operations (a daunting proposition in African)

   c. A business and investment environment that is less risky (by overall African standards), and,

   d. Relatively high levels of national digital readiness coupled with a relatively strong startup ecosystem.

5. **Marketplaces dominate existing E-commerce activity.** Both individual E-commerce firms and marketplaces exist in Africa, but the harsh operating environment for E-commerce on the continent means that individual firms, especially M/SMEs find it hard to establish a foothold and maintain survivability for more than 5 years. This is due to the high burn rate in terms of operating expenses that E-commerce companies have to expend in marketing, logistics, customer service and other operations. Interviews with E-commerce founders reveal that there is a high attrition rate for both marketplaces and individual E-commerce firms, although marketplaces There are currently 631 marketplaces of varying types and sizes on the continent.

6. The vast majority of E-commerce transactions are not taking place for African products. There are only a few E-commerce marketplaces such as Afrikrea dealing with African origin products focusing on regional and international markets. The broad majority of the sales are for transactions in international products imported into Africa and resold.

E-COMMERCE ECOSYSTEM: ANALYTICAL REVIEW AND STRATEGIC ORIENTATIONS

The following components of the e-commerce ecosystem have been analyzed:

1. **Digital Economy policy framework**
2. **Marketplaces**
3. **Fintech**
4. **Domestic and cross-border logistics**
5. **ICT Infrastructure**
6. **Cyberlaw framework**
7. **Investment promotion**
8. **Digital Entrepreneurship**

   Business environment for the digital economy

14 (ITC, 2020)

Component 1: Digital Economy policy framework

This section reviews the broad digital economy policy framework in Africa, and examines the progress along the following specific areas:

1. Integration of E-commerce and digital economy aspects with countries national development agendas
2. E-commerce at the WTO
3. E-commerce at the RECs
4. E-commerce in RTAs
5. Moratorium on duties of electronic transmissions
6. State of E-government initiatives

Integration of E-commerce and digital economy aspects with countries national development agendas

Significant digital readiness gap exists between African countries. Only a select few countries have demonstrated adequate E-readiness and this is directly linked to their overall industrialization. There is significant risk of the divide becoming larger with AfCFTA implementation and growth in E-cross-border E-commerce.

There appears to be a clear correlation between national development status and overall e-readiness at the national level. Nigeria, South Africa, Kenya, Tunisia and other countries which already have fairly well-developed manufacturing and IT sectors – and have done relatively well in terms of developing export competitiveness and diversifying their product and market reach, have also seized the lead in exploring E-commerce. Relative to other African countries which are still struggling to diversify beyond primary sector exports, these countries are the front-runners in exports, be it via traditional or e-commerce mechanisms.

For other countries on the lower side of the industrialization/ development spectrum, there is a significant readiness gap in terms of understanding the potential of E-commerce, figuring out implications and developing coherent policy actions for supporting the E-commerce sector.

This gap will grow further as barriers to market entry are gradually removed as part of AfCFTA, and there are **risks that countries on the lower end of the industrialization and e-readiness spectrum will remain markets and be unable to tap into emerging opportunities.**

The strategy places focus on ensuring that the ramp-up of E-commerce led cross-border trade is accompanied by enhanced E-commerce readiness of African countries across the board, so that the foundations for emergence of E-commerce companies and platforms are developed across the continent. National and sector development strategies must accelerate integration of E-commerce within the interventions.

For many African countries, a 'digital fog' is inhibiting coherent policy-making for e-commerce

E-commerce ecosystems are complex with heavy dependencies between the technical areas and dependencies between a range of public and non-public stakeholders. From a policy perspective, it is also a new area where policy-makers and institutions do not have much experience. They are unable to fully comprehend the implications, risks, interdependencies that exist. This is one of the primary reasons why African-countries have hesitated to participate freely in multilateral E-commerce negotiations, and why national policies, capabilities are slow to emerge. There is literally a digital fog facing and paralyzing e-commerce related policy-making in most of the countries.

Despite the disparity in digital readiness, African governments are increasingly cognizant about integrating E-commerce and the broader digital economy within national and regional development agendas. The intent however must be converted to action.

African policymakers are increasingly cognizant of the importance of E-commerce as a lever of growth for their national development agenda. Intra-regional trade and E-commerce share a symbiotic relationship, and both governments and RECs are realizing that that the key to meaningful regional integration may lie in increased competitiveness of the private sector within E-commerce. The Covid-19 pandemic has accelerated this focus.

Consequently, the policy focus on E-commerce has been growing rapidly in recent years and there is an interest to integrate E-commerce firmly within national development strategies, sector strategies, etc. Granted that progress to a large extent is in spirit rather than action other than select African economies, but this is expected to change rapidly.

E-commerce at the WTO

E-commerce is pursued within the WTO (as part of the Work Program on E-commerce established in 1998) within three councils (Trade in Services, Trade in Goods, and Trade related aspects of Intellectual Property Rights or TRIPS), and the committee on Trade and Development, with outcomes of these bodies reported to the WTO general council.[15]

There is wide consensus that the substantive WTO rules contained within the General Agreement on Tariffs and Trade (GATT), the General Agreement on Trade in Services (GATS), and the Agreement on TRIPS, are not fit-for-purpose when it comes to addressing the trade related aspects of E-commerce.[16] Members agree that E-commerce issues are cross-cutting and generally fall somewhere in between the three sets of rules – exactly where depends on the interests and perspective of individual member states. Some members feel that novel issues of data flows are

15 (UNCTADa, 2021)

16 (UNCTADa, 2021)

largely left unaddressed. African states have largely not participated in these discussions assessing that it would be premature to do so while their national E-commerce regulatory structures are under-developed.

Outside the WTO (but frequently misunderstood to be a WTO-led initiative), a plurilateral initiative called the Joint Statement Initiative was launched in 2019 (with initial rounds since 2017), involving to date 86 countries. Within Africa, Benin, Burkina Faso, Cameroon, Cote d'Ivore[17], Kenya and Nigeria, are members. Notably, the developing country bloc has largely declined to become members, including India, South Africa, Vietnam, and most ACP member states.

India has in particular declined to take part due to two overarching reasons – because it is still developing its policy space and it would be premature to participate and undertake multilateral discussions and also due to the importance the retention of its policy space in terms of ownership, use and flows of data in rapidly growing sectors such as cloud computing and data storage. [18]The JSI is driven by developed countries who are seeking to move E-commerce negotiations forward despite weak traction at the WTO.

African countries have maintained that the discussions under the work programme at the WTO still involves unfinished work and also considering the individual lack of readiness of members, the willingness to undertake active negotiations is limited. The Group is also not in support of automatic renewal of the moratorium on customs duties for electronic transmissions. Only Nigeria is a signatory to the joint statement on electronic commerce that was released at the MC 11.

Developing countries contend that the initiative would distract attention from the ongoing WTO work programme on E-commerce and the unfinished business of the Doha round negotiations.[19] For these countries, E-commerce's role as a driver of socio-economic development for the countries as well as the focus on reducing the global digital divide is very important and should be kept at the forefront.

Towards a common market - the Regional Economic Communities (RECs) as building blocks

The Abuja treaty adopted by the erstwhile Organization for African Unity (and now the African Union) termed RECs as building blocks[20] towards the development of a single market. The terminology is also used as part of the preamble of the AfCFTA agreement. Africa is vast, and there is a wide variance between its nations in terms of industrialization. Some countries are highly dense in terms of population, while others are less dense but possess significant land. Significant logistical challenges abound and access to markets and connectivity (including telecommunications) can be a particularly confounding issue for landlocked countries.

In this context and also considering broader cultural and political issues including a perceived need to strengthen the collective bargaining position of the bloc, regional integration via REC-level initiatives have picked up page, albeit with mixed results. Despite efforts to harmonize customs procedures and regulations within and between regional blocks, intra-Africa trade has not meaningfully evolved. Significant issues remain in terms of non tariff barriers and SADC is a good example of how even within the bloc, intra-SADC trade has not developed substantially. Infrastructure and trade facilitation issues are both to blame for border delays. However, trade facilitation based root causes are prominent. In terms of TFA ratification, most African countries (except DRC, Guinea-Bissau, Liberia, Mauritania) have ratified the agreements, while implementation is gradually progressing. A tripartite online reporting system operates between COMESA, SADC and EAC, and its secretariat is also involved in resolving challenges faced by cross-border traders. SADC has also included a joint customs control mandate as part of its agreement between members.

In recent years the discussion has moved to a higher level *by recognizing the importance of trade in services, and of other trade related disciplines such as investment, competition and intellectual property rights. The AfCFTA legal instruments will deal with all these disciplines in separate Protocols, albeit by only foreseeing cooperation arrangements in most of them.*[21]

This was in 1991, and the reference rings true particularly now in the context of the E-commerce strategy. There are several reasons for this, and they all serve to reinforce the importance of the RECs going forward, both towards the success of the AfCFTA, but also overall E-commerce growth on the continent.

• Most African countries will need help with strengthening their cyberlaws, institutions and overall understanding of the benefits and risks stemming from E-commerce. The rather 'blank slate' offers an opportunity for harmonization of national regulations at the regional level, since it is challenging to modify entrenched regulations.

• It will be hard to harmonize national cyber-laws with pan-African consensus without having the RECs serving as an intermediate ground for driving a common vision. A consensus at the REC-REC level may be easier to forge which can help drive a pan-African vision.

• Article 19(2) of the AfCFTA stresses that *'State Parties that are members of other regional economic communities, regional trading arrangements and custom unions, which have attained among themselves higher levels of regional integration than under this Agreement, shall maintain such*

17 UNCTAD notes that the country's motivation for joining the JSO negotiations as a preference for examining all E-commerce issues in a single forum rather than doing so in several bodies of the WTO.

18 (UNCTADa, 2021)

19 (UNCTADa, 2021)

20 (T, 2019), noted in (Ismail, Mobilising E-Commerce for Development in Africa through AfCFTA, 2020)

21 (Erasmus, What happens to the RECs once the AfCFTA is in force?, 2019)

higher levels among themselves[22]. The implication here is clear that the agreement does not diminish the importance of the RECs but rather endorses their position, especially in cases where they have negotiated strong levels of integration among themselves.

• The RECs can serve as anchors for sensitization of national negotiators on E-commerce aspects. As noted, there is a digital fog facing negotiators when it comes to E-commerce and there is a strong need for apprising and informing negotiators on the key fundamentals and implications related to E-commerce issues.

• It should be noted that despite FTAs and customs unions being formed within Africa's RECs, the implementation is relatively poor and the gains in terms of percentage of intra-REC trade have not been substantial. It is envisaged that E-commerce may provide a medium for lowering the barriers to trade (at least in terms of improving discoverability between enterprises and consumers.

Table 4:REC policy initiatives related to E-commerce

REC	Membership	Notes
CENSAD	24 member states - 24 member states (Benin, Burkina Faso, Central African Republic, Chad, Comoros, Ivory Coast, Djibouti, Egypt, Eritrea, Gambia, Ghana, Guinea-Bissau, Libya, Mali, Mauritania, Morocco,	• No regional E-commerce strategy in place, however two members – Tunisia and Senegal – are actively pursuing digital economy strategies ('Digital Tunisia 2020' and 'Digital Senegal 2025'.)
COMESA	21 member states with overlaps between EAC, SADC and IGAD members.	• COMESA has a regional e-commerce strategy with focus on e-legislation, e-logistics and e-trade , associated with the Digital Free Trade Area (DFTA) • Implementing DFTA with 3 Components – o E-regulation (e-government, paperless trading), o E-logistics (e-certificate of origin or eCO), o E-trade (marketplace, digital payments gateway, small trader's mobile app) • COMESA has a regional IPR strategy aimed at facilitating mutual recognition of IPR between the countries. eCo is ready for go-live between 15 countries, accelerated as a result of Covid-19 pandemic. eCO will facilitate intra-regional trade through reduction costs and time burden involved in registration, application and submission of certificates and the post-verification of originating goods. • Regional payment and settlement system (REPSS) is the regional payment and settlement system connecting central banks and financial institutions (mainly commercial banks) within the REC.Offers choice of payment in either USD or EUR across the COMESA states. Payments are expected to be cleared on a daily basis – although there are states issues with delays.

22 AfCFTA, noted in (Erasmus, What happens to the RECs once the AfCFTA is in force?, 2019)

EAC	6 member states – Burundi, Rwanda, South Sudan, Kenya, Uganda and Tanzania.	1. In the process of developing a regional E-commerce strategy with GIZ funding. The strategy is based on the work UNCTAD has conducted in the region as well as the regional assessment conducted by the EAC Secretariat. 2. The following instruments are in various stages of operation. 1. Website for reporting and resolving non-tariff barriers (operational) 2. Biometric passport (operational) 3. Single window for intra-EAC customs ports 4. Centralized payment system – East Africa Payment System (EAPS) (operational) 5. Customs union (operational) with duty free intra-EAC trade and a common external tariff. 6. Trade information portal (proposed) 3. In terms of national ID systems, Kenya, Rwanda, and Uganda already recognize each other's national id as a valid document in lieu of a passport. 4. Two regional cyberlaw frameworks prepared with the support of UNCTAD and adopted in 2010 and 2013 cover e-transaction and e-signatures, computer crime, data protection and privacy, consumer protection, IPR, competition, taxation and information security. 5. The IPR framework in the EAC does not accommodate mutual recognition of IPR within the EAC countries. 6. A key ongoing initiative is the East Africa single digital market with three pillars: 1. Single connectivity market – a. Remove barriers to regional telecom infrastructure and services deployment b. Encourage investment, improve performance, eliminate pricing and quality differentials between coastal and land-locked countries c. Expand access to connectivity to all 2. Single data market a. Enable secure ex-change, storage, and processing of data across borders b. Support regional deployment of data infrastructure c. Drive supply and demand for data-driven services and innovation across the region 3. Single online market a. Allow firms, governments, and citizens to access and deliver both public and private services online b. Undertake e-commerce transactions c. Access digital content and information seamlessly from anywhere in the region.
ECCAS	16 members - Angola, Burundi, Cameroon, Central Africa Republic, Chad, Congo, DRC, Equatorial Guinea, Gabon, Rwanda and São Tomé and Principe.	• No Regional E-commerce strategy • AfDB funded CENTRAL AFRICAN REGIONAL DEVELOPMENT STRATEGY with three pillars - Support the development of broadband networks and cross-border broadband inter-connections, support the establishment of harmonized national digital identity systems, and Support the establishment of interoperable digital financial services.
ECOWAS	15 members - Benin, Burkina Faso, Cape Verde, Ivory Coast, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.	• ECOWAS is in the early stages of developing an E-commerce strategy. However, ECOWAS does have a regional ICT policy in place. • Free Trade Area • ECOWAS members have implemented biometric passports • A number of supplementary acts exist including e-transactions, cybercrime (2011), personal data protection (2010), harmonization of policies and the regulatory framework for the ICT sector (2007) • The following are proposed initiatives: o ECOWAS postal service master plan o ECOWAS customs code o Customs interconnectivity o Digital single windows o E-certificate ECOWAS riles of origin o Joint border posts

IGAD	8 members - Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda.	• No regional E-commerce strategy. • Development and monitoring implementation of ICT policy guidelines & strategies. • Existing efforts focusing on narrowing the "digital divide" between the region and the rest of the world. Separate efforts include incubator programs, Improved capacity for entrepreneurs to exploit ICT and e-commerce opportunities.
SADC	16 member states - Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Na-mibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe.	• SADC adopted an ICT development strategy in 2010, and an E-commerce strategy in 2012. E-commerce strategy has overall vision to "increase regional trade through e-commerce by 5 to 10% over 5 years", and a mission to: enhance Business-2-Business (B2B) trade between the various countries and promote Business-2-customer e-commerce inside the countries'. Strategy has 4 pillars: *Enabled E-commerce environment, capacity development for E-commerce in every member state, strengthening e-commerce regional and sub-regional infrastructure, and Institutionalized framework to implement, evolve and govern the current strategy at the regional level.* • Cyber law framework is adopted at a regional level – E-commerce /e-transaction model law, data protection model law and cyber-crime model law. • Future goals include establishing a DFTA. • SADC has an integrated regional electronic settlement system called SADC Real Time Gross Settlement System (RTGS). Ongoing plans to develop retail cross-border payments systems for low-value payments via credit and debit cards.
UMA	4 members - Algeria, Libya, Mauritania, Morocco, and Tunisia.	• No regional strategy available

Source: (TRALAC, 2019), (Ismail, Mobilising E-Commerce for Development in Africa through AfCFTA, 2020), (UNECA et. al. , 2019), author research

E-commerce in RTAs

E-commerce is increasingly being reflected within RTAs, both as provisions spread across different chapters and also as standalone chapters.

Out of 312 RTAs in place, 92 contain e-commerce related provisions but only 62 have a dedicated chapter on E-commerce, primarily conducted with the US.

1. Africa is the least represented region with only 6 countries having adopted three related RTAs. While two of them make only broad reference to e-commerce, US-Morocco is more ambitious and contains a detailed article committing parties to nondiscriminatory treatment of digital products.

2. The main type of issues that are included in RTAs range from definitions, to general exceptions and to customs duties, online consumer protection, liability of intermediary services providers and access to the use of the internet.[23]

Table 5: Categories of E-commerce issues in RTAs

Category of commitments	Examples
Market access	Customs duties, valuation issues, movement of natural persons, access to data
Rules and regulations	IPR, protection of personal information, consumer protection, unsolicited commercial messages
Facilitation	Paperless trade, e-signatures, digital authentication

Noted in (UNECA et. al. , 2019)

23 Noted in (UNECA et. al. , 2019)

Box 1:Digital trade in Asian trade agreements

Building on the CPTPP, Chile, New Zealand and Singapore went on to sign the Digital Economy Partnership Agreement (DEPA) in early 2020, and Australia and Singapore signed and approved the Digital Economy Agreement (DEA) in August 2020.

The DEPA, in particular, was designed to provide modular solutions for governments anywhere. The various modules contained in DEPA are meant to be "picked up" and inserted into ongoing trade agreement negotiations, to become the basis of additional "digital only" trade arrangements or to be inserted into other regional or global digital initiatives. The main point is to foster the spread of similar types of approaches in settings that can better match the comfort level of participants

While the exact content for these three agreements varies, they all have a similar set of overall objectives, including the need to:

- Reduce trade barriers to the digital economy
- Build compatible standards and create greater regulatory harmonization to facilitate interoperability and trust
- Include cooperation and capacity-building mechanisms, especially for smaller firms in the digital space
- Agree to transparency and public-private consultation
- Encourage online cross-border consumer trust
- Consider innovative regulatory areas for future cooperation

Three trade arrangements outside Africa have made efforts to address digital trade issues. These are the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), the Digital Economy Partnership Agreement (DEPA) and the Digital Economy Agreement (DEA).

The CPTPP provided a range of commitments in an e-commerce chapter and elsewhere that tackled issues related to digital trade. Eleven provisions are drafted as strong obligations, while seven are noted as soft obligations (best endeavors). The agreement requires members to allow full cross-border data tramsfers, bans data localization of computing facilities and services, prohibits requirements ot transfer tech as a conduction of conducting business, and prohibits the imposition of customs duties or taxes on internet traffic. There are however exemptions on sensitive areas of consumer protection, privacy and national security.

Source: (Elms, 2020)

E-government

The 2020 edition of the UN E-Government Development survey, and accompanying Index (EGDI) provide important insights into the state of E-government in Africa. Overall, African countries are struggling to deploy effective E-government policies and systems. Seven out of eight countries with low scores are in Africa and belong to the least developed countries group. The regional average index scores for countries in Africa are almost one third lower than the world average EGDI. The main contributing factors include weaknesses within the ICT infrastructure, cyberlaw framework, energy, interoperability and collaboration systems and data infrastructure.[24] Digital illiteracy among the citizenry and M/SME level also plays a constraining role. Digital ID infrastructure, which is one of the fundamental building blocks for e-governance, is severely weak with more than 500 million Africans without a digital identify.

Still, there is progress. Mauritius, the Seychelles, and South Africa constitute the leaderboard at the continental level, and the number of countries in the high EGDI group has almost doubled since 2018, increasing from 8 to 14 and now accounting for 26 per cent of the region. Eight countries moved from the low to the middle EGDI group (Sudan, Mali, Mauritania, Comoros, Djibouti, Guinea and Equatorial Guinea), and eight moved from the middle to the high EGDI group (Namibia, Cabo Verde, Egypt, Gabon, Botswana, Kenya, Algeria and Zimbabwe).[25]

The COVID-19 pandemic has played an important part in reiterating the importance of digital government as a mechanism for improved public sector services for citizens and businesses, but also as a coping mechanism against the current and future pandemic type events.

Digital Economy policy framework; spotlight on moratorium on customs duties on electronic transmissions

The Moratorium on customs duties on electronic transmissions is yet another intractable issue in WTO negotiations. The moratorium is extended every two years since being agreed in 1998, and there is contentious debate among members on whether to make the moratorium permanent, and also whether the moratorium should apply to the electronic transmissions (i.e. the delivery service providing services and products over the internet) or the actual content. Conditions of exemption are also important to government from a revenue generation perspective.

Developing countries for the most part are hesitant to make the moratorium permanent, while developed countries led by WTO members, including the United States, the European Union and Singapore, have advocated for a permanent moratorium. The root cause of the slow traction is the same as affecting data governance issues such as cross-border flow of data – industrialized countries wish to maintain their positioning and leverage new sources of growth within the digital economy; For them, customs duties on these transmission is a barrier for penetrating developing country markets including the large and virgin African markets. For developing countries, a better understanding of the implications of customs/taxations revenue gained/ lost via the moratorium is required; The fast growth of digital products outpacing and in some cases substituting physical goods in terms of trade has also sparked discussions on the implications of tariff losses if the moratorium is made

24 (UNDESA, 2020)

25 Information from (UNDESA, 2020)

permanent. New technologies such as 3D technologies where the value chain is split between countries, and it is complicated to assign the actual percentages of the value splits, is also lending policymakers. behind the scenes is the familiar root cause that African countries in particular are still grappling to understand the full implications of digital trade, and therefore are resistant to any permanency in terms of the moratorium.

India and South Africa have recently communicated[26] to the WTO General Council that the moratorium is equivalent to developing countries giving the digitally advanced countries duty-free access to [their] markets. They further argue that the moratorium has "catastrophic" impacts on developing countries' economic growth, jobs, and the attainment of the SDGs. The communication segments the detrimental effects of the moratorium for tariff revenue losses; impacts on industrialization; impacts on the use of digital technologies like 3D printing in manufacturing; as well as losses of other duties and charges.

This perspective has been supported by recent research[27] which estimates losses worth USD 10 Billion in 2017 alone, of which Sub- saharan countries lost USD 2.6 Billion. One of the key arguments against the moratorium is that it was agreed in a time when digital products were traded in very low quantities. Now that situation has changed and vast amounts of movies, e-books, music, games and other digital products are being traded online; This growth has increased exponentially during the pandemic.

The OECD has also published a research paper[28] instead recommending that the moratorium is extended because 'overall, the revenue implications of the Moratorium are likely to be relatively small and that its lapse would come at the expense of wider gains in the economy.'[29]

It should be noted that the initial consideration in favor of a moratorium was that technical difficulties for assessing duties on such transmissions should justify the moratorium. Emerging processes and technologies may soon overcome these hurdles, perhaps explaining why countries such as Australia, New Zealand, EU, Indonesia and India have added tariff lines for levying customs duties on select digitally transmitted digital products.

Box 2: Arguments for and against making moratorium on electronic transmissions permanent

Proponents seeking to make the moratorium permanent argue that it can bring significant gains such as the following:

- The moratorium has helped digital trade flourish by preventing trade barriers such as burdensome customs duties.
- The moratorium has helped consumers access new products and services, and enabled businesses, in particular, MSMEs, to access new markets (ICC, 2019).

- The opportunity costs of the moratorium in terms of the revenue foregone (e.g., loss of tariff revenue) are low and the benefits of conducting trade electronically with the moratorium in place exceeds the costs of lost revenue.

- The benefits of the moratorium should not focus solely on the revenue implications alone but also account for wider economic benefits. For instance, since electronic transmissions imply considerable reductions in transport costs, they can level the playing field for developing countries which tend to face higher transportation costs (OECD, 2019).

- Instituting customs duties could result in higher costs for consumers depending on the manner in which the tariff pass-through occurs This may result in a decline in domestic output and productivity and represents digital protectionism through a new form of import substitution.

Arguments against making the moratorium permanent

- Since digital trade has increased in magnitude to an extent unimaginable at the time, the imposition of the moratorium will result in "revenue leakage" or losses in customs revenue since countries will be restricted from imposing customs duties that they otherwise could have, absent the moratorium.

- Lack of common understanding of the term "electronically transmitted" amongst WTO members has not been resolved.. Studies estimating the impact of potential revenue loss range from $280 million to $8.2 billion depending on varying underlying assumptions including the trade flows covered and kinds of tariffs applied.

- While imposing customs duties on electronic transmissions was deemed not possible in 1998, technological progress in the tracing and valuation of electronic transmissions in the past two decades has made the levying of duties technically feasible. Due to the progress in tracing and valuation of electronic transmission, several countries, such as New Zealand, have also started imposing taxes on electronic transmissions.

Source: UNCTAD. (2021). *What is at stake for developing countries in trade negotiations on E-commerce. The case for the joint statement initiative.* United Nations. Many sources within

26 See https l1nq.com/EiJD7

27 Rashmi Banga (UNCTAD Economist) l1nq.com/dqi2H,2019

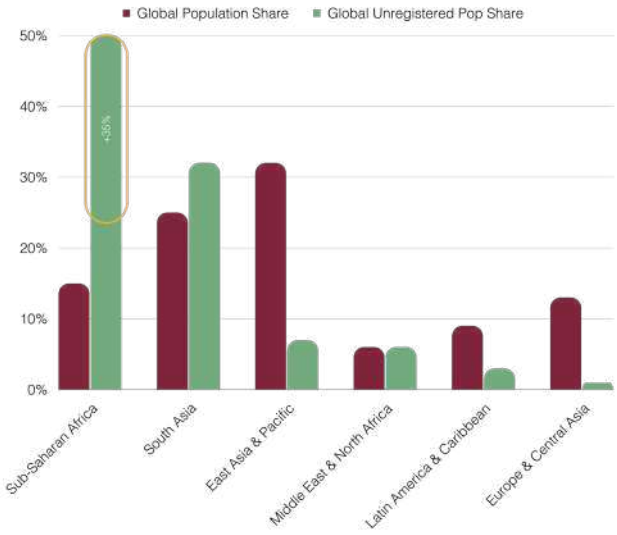
28 (Andrenelli & González, 2019)

29 (Andrenelli & González, 2019)

Digital Economy policy framework: Spotlight on Digital identity

In Africa, the fragmentation of the civil registration and identification systems has rendered 542 million people invisible and without a formal digital identity. This amounts of approximately 50 percent of the population globally living without an ID, although it is home to only 1/6th of the global population. A staggering 77 percent and 72 percent of Somalia and Nigera's respective populations are unregistered. This has severe implications, both social and economic, involving health services, tax certificates, travel documents, open bank accounts, exercise franchise, establish credit.[30] Interestingly though, Nigeria's E-commerce sector is leading in Africa; The dichotomy can perhaps be explained by the fact that bulk of E-commerce activity is carried out by select lead firms and the sector is yet to expand to the M/SME base where the registration / lack of formal ID of entrepreneurs and companies may prove to be a barrier.

Figure 3: Regional share of global population and global unregistered population (2018 estimate)



The lack of a comprehensive national ID infrastructure makes it challenging for governments to ensure provision of services and benefits to citizens, while also broadening the taxation base. At the regional level, digital id use cases can be relevant for customs and VAT assessments in addition to identify verification. Without digital identity frameworks at the national level, which can be cross-referenced by authorities at the regional level, there will be significant fragmentation and it will be impossible to meaningfully implement the AfCFTA.

There are some promising developments involving biometric technologies. 50 or so African nations have issued e-passports. In 2020, the government of Tanzania made it mandatory for all SIM card users in the country to register their SIM cards biometrically, leading to the vast majority of citizens now having a biometric ID.[31]

Digitalization of ID, or a Digital ID has been assessed as the preferred solution for resolving the identify challenge in Africa (and also globally). Digital identity plays a central role in digital government development and data applicability, as it provides the basis on which data can be safely and securely shared within and between agencies to improve public services and their delivery.[32] Digital identify directly confirms to the SDG Goal 16.

A standards-based Digital ID which is 'portable' across borders and allows interoperability across other digital platforms such as payment systems is also necessary in terms of fulfilling the AfCFTA aspirations of free movement of people and the development of a common digital market. Robust cybersecurity/cybercrime regulations and related infrastructure will be required as a prerequisite for any such digital ID systems.

The following 10 salient principles have been proposed by the ECA Centre of Excellence for Digital Identity, Trade and Economy as recommendations for governments while developing Digital ID frameworks. As evident, developing a sound digital ID infrastructure at the national level which is safe, secure and interoperable at the regional level is an important but complex investment, and requires strong regional cooperation.

30 https://ecadigitalforum.com/digital-id/

31 https://www.un.org/africarenewal/magazine/february-2021/african-countries-embracing-biometrics-digital-ids

32 (UNDESA, 2020)

Principles	Description
Inclusion	• Digital identity systems must be inclusive and designed/implemented with rights and interests of African people at the centre. • Countries will seek to eliminate any disparity in the availability of digital ID and legal identity, including cost, availability of modern legal identity systems through mobile and digital technologies remove barriers to access and usage, including by women, youth, low-income populations, rural residents, refugees, and migrants, among others. • Digital identity is not derived from and does not confer citizenship and will be provided to citizens and non-citizens alike. • Africans and all people residing in Africa will have the right to utilize digital identity systems to prove who they are for all public and/or private services. • Obtaining a digital identity shoulwwd not be mandatory for the receipt of essential services. Therefore, there must be an easily accessible and cost-effective alternative. Exception handling mechanisms will be introduced to ensure that false failures in authentication do not lead to denial of service.
Privacy	• Digital identity systems will be designed to empower individuals and protect online privacy as a fundamental right. • The consent of people in the system is required for the capture and processing of their data. • Digital identity systems will incorporate privacy by law and design, including the principle of data minimization – only the minimum data required to uniquely identify someone will be captured. • Africans, as digital citizens, are empowered to manage their identities and should be made aware of practices associated with its use and disclosure. • The reasons for the collection, use, disclosure, and retention of personally identifiable information should be clearly disclosed at or before the time of collection. • Personal information should not be used or disclosed for purposes other than those for which it was collected, except with the consent of the individual or as authorized by law. • People should have access to grievance redress in case of any privacy breaches, including to correct / update their data.
Security and safeguards	• The confidentiality, integrity, and availability of personal data should be a key priority in the development of digital identity systems, and good security practices will be taken into account in the design, implementation, and governance of digital identity systems. • Security should apply both to front-end management (data collection and use) and back-end management (data storage and ownership) to minimize system vulnerability from internal or external threats, and apply safeguards in the event of security breaches and misuse. This can be achieved through strong cryptographic capabilities, layered access control, or other such checks and balances. • Countries should consider whether to invest in a robust, centralized data storage system that is uniformly protected from breaches, or a federated/decentralized system made up of multiple servers.
Governance	• Digital identity systems and the personal data within them should be safeguarded through legal and regulatory framework covering data privacy, security, and user rights provided in these Principles. Clear roles and expectations governing the behaviour of system administrators can include access limitations and policies that delineate the responsibilities and liability of those who interact with identification data in all its forms. Enforcement of the principles and legal frameworks described above will be subject to independent oversight audits and allow people access to independent grievance mechanisms with respect to misuse or breaches of their personal data. As agreed in the Malabo Convention, African countries should introduce sufficiently funded Data Protection Authorities, which will ensure that privacy and data protection laws are observed. From an implementation perspective, governing bodies' careful oversight can help identify and monitor systemic weaknesses and course-correct in a timely and regular manner to continually increase efficiencies and proactively prevent system failures.
Existing systems	• Digital identity systems should be developed with the aim to strengthen civil registration and vital statistics systems. • This includes efforts made for registering births, marriages, and deaths, as well as investing in capacity building and infrastructure investments in modernizing civil registration and vital statistics systems at the country level. • The ability to integrate with existing systems, where relevant, and respecting data protection and privacy, including purpose limitation, will extend both return on investment as well as overall benefit to the individual and the Member State.
Interoperability	• Digital identity systems should be interoperable, as appropriate and in line with data security and privacy standards. • Countries will support efforts to ensure that the unique identifiers and modalities for validating identity credentials to be authenticated a trusted system with regulatory systems and policies are in place. • Interoperability may be achieved through data standards, regulations, and/or technologies operating in conjunction with digital identity systems. • The goal of interoperability should not contravene the principle of data minimization by collecting too many data points on individuals through interconnected systems in ways that undermine their right to privacy in each interaction.

Neutrality	• Digital identity systems implemented in Africa will be built using open standards[12] and will be neutral to any vendor or technology. • To facilitate interoperability and data exchange among products or services, the standards used in digital identity systems will be available to the general public and have to be developed or approved through inclusive, collaborative and consensus-driven processes. • Governments will retain the flexibility to adopt the technology most suited to their policy objectives, which include interoperability and security. The selected technology must be assessed to ensure it can support the total population size and is compatible with the available infrastructure.
Standards	• The African Union, the regional economic communities and the United Nations Economic Commission for Africa, and relevant implementing partners including the UN and World Bank will work together on continental and regional standards, including on authentication protocols, minimum data fields, deduplication protocols, biometric formats as well as other formats, model regulations, and other standards as required to allow countries to follow and align to a regional framework, with a view to using digital platforms across the continent including opportunities for domestic and cross-border services and transaction for the benefit of all Africans.
Ownership	• Digital identity data belongs to, and should remain in the control of Africans. The personal data belongs ultimately to the individual, who entrusts this data to public and private entities that use this data to deliver services lawfully in accordance with their rights as Africans. • Databases containing the personally-identifiable data of Africans must be kept secure and confidential under the governance of designated authorities, including national governments and regional institutions through the agreement of member States. • A governance model should be selected to balance all relevant security and privacy concerns, taking into consideration the right to privacy the right of end-users to meaningful choice over the use of their data, and address any barriers to effective implementation.Digital identity initiatives generate large volumes of data, which require secure and efficient ownership structures. • Each country should ensure that the personal data of individuals is not vulnerable to internal and external security risks, protects the rights and freedoms of all identity owners (including special considerations for children, refugees, and other vulnerable persons), and is agreed upon by a representative group of stakeholders based on a set of transparent principles and criteria.
Accountability	• Adherence to these principles will be assessed through the African Peer Review Mechanism (APRM). • The principles described above will be articulated in the form of a framework for the country's self-assessment of their legal and digital identity systems, that will be the basis for discussion among country peers. • This mechanism will strengthen African ownership and harmonization of digital identity and its applications.

Source: ECA, Available at https://ecadigitalforum.com/digital-id/

Box 3: WB's Digital ID for Development initiative

The World Bank's ID for Development initiative broadly assists developing countries including in Africa to establish digital identification systems, and leverage these systems across a diverse range of priority thematic areas digital development, social protection, health, financial inclusion, governance, gender, and legal issues. In Africa, the deeply entrenched and challenging issue of digital identification can disrupt the promise of AfCFTA – which depends on free movement of people and trade – all of which requires identification. However, the issue is not only about trade – the lack of identification creates invisible populations deprived of a range of issues.

The WB notes the following: [33]

- Inclusive and trusted digital ID systems can also strengthen the transparency, efficiency, and effectiveness of governance and the delivery of public services and programs.
- They can help the public sector reduce fraud and leakage in government-to-person (G2P) transfers, facilitate new modes of service delivery, and increase overall administrative efficiency. Being able to reliably and easily verify a person's identity is also critical for private sector development.
- Digital ID systems can help companies reduce operating costs associated with regulatory compliance (e.g., electronic know your customer—eKYC), widen customer bases, generate new markets, and foster a business-friendly environment more broadly.

According to the WB, the initiative directly supports countries to achieve Sustainable Development Target 16.9: "By 2030, provide legal identity for all, including birth registration," and in making progress towards dozens of other targets such as poverty elimination, reduced inequalities, gender equality and women's empowerment, safe and orderly migration, universal health coverage, and financial inclusion, among others.

Strategic Objectives

Define and harmonize of e-commerce definitions of e-commerce at national, regional and ACTFA levels

Accelerate Capacity building of negotiators and policy officials

Develop institutional leads and enhance inter-ministerial coordination between different entities

Integrate E-commerce within national /regional development agendas and sector development activities

Strengthen national capabilities for E-commerce statistics collection

Develop and deploy national Digital ID systems aligned regionally

1. Define and harmonize of e-commerce definitions of e-commerce at national, regional and ACTFA levels

This strategic objective aims to ensure harmonization E-commerce definitions at the national, regional and continental levels, and a common understanding, application of the definitions. This will also facilitate alignment and harmonization of national level policies and regulations with the regional and continental levels.

2. Accelerate Capacity building of negotiators

The strategic objective aims to enhance the capacity of negotiators as they commence AfCFTA negotiations on the E-commerce protocol. Activities include structured training programs focusing on first of all the fundamentals of key commence, and subsequently developments in specific thematic areas is required.

3. Develop institutional leads and enhance inter-ministerial coordination between different entities

Institutional coordination at the national level is critical for the growth of the E-commerce ecosystem. In this regard, the strategy stresses on ensuring clear ownership of the E-commerce function among specific Ministries, and delineation of responsibilities among the wider public sector framework.

4. Integrate E-commerce within national /regional development agendas and sector development activities

Activities under this strategic objective are aimed at integrating E-commerce tenets within the overall national and regional development agendas, and ensuring that sector development activities include E-commerce components where relevant. For example, the strategy recommends embedding E-commerce related tenets within productive sector development initiatives (such as sector strategies and capacity development initiatives) which involve a market-side focus. The overall goal will be to ensure E-commerce provisions are reflected at the Macro, Meso, and Micro levels for sectors which have a natural alignment with E-commerce.

The strategy also recommends undertaking trade and digital economy assessments (including and similar to E-commerce readiness assessments conducted by UNCTAD) for developing a broad yet informative understanding of the current state of the E-commerce ecosystem. Where the E-commerce ecosystem maturity meets a minimum threshold level, E-commerce strategies for individual countries should be undertaken.

33 https://www.worldbank.org/en/news/immersive-story/2019/08/14/inclusive-and-trusted-digital-id-can-unlock-opportunities-for-the-worlds-most-vulnerable

5. Strengthen national capabilities for E-commerce statistics collection

Relevant, uptodate statistics are critical for meaningful policymaking. This strategic objective recognizes the overall weaknesses within national statistics collection offices and recommends actions to bridge the gap. These include develop satellite accounts for digital value-added for all economic activities, in order to aid statistics collection related to the national digital economy in Africa

The strategy also recommends considering the benefits of open-government data initiatives where public sector information is made available for sharing to the general public, for use in research and economic activities. An AU-wide or regional interactive data platform (similar to the WDI or WITS databases) can be envisaged to ensure that the benefits extend beyond national borde

6. Develop and deploy national digital ID systems nationally and regionally

National digital IDs which are recognized at the regional levels will be critical for both trade, and socio-economic considerations ultimately determing the success of E-government initiatives, free movement of goods and services among other areas. Therefore, the strategy places emphasis on improving national capabilities in digital ID initiatives and ensure that these are compatible with other ID systems that will emerge across the continent over the medium-long term timeframe.

Component 2: Marketplaces

Snapshot of African marketplaces landscape	Growth drivers	Challenges faced by African marketplaces
• Marketplaces have led the charge across the emerging African E-commerce landscape, much more than individual retailer and brands based online shops. • Most African marketplaces are national, and there are very few regional/ pan-African marketplaces. Few countries account for bulk of marketplace activity. • Bulk of E-commerce activity is being driven by select lead marketplace players The B2B segment is underserved, but offers future potential. • Postal systems are gradually diversifying operations to align with E-commerce. • Marketplaces have employed a number of measures to improve supplier reliability RECs have started considering establishing regional marketplaces	• Marketplaces fill an essential demand-supply gap in Africa. • Marketplaces - whether classifieds or transactions-based - have helped to reduce some of the high barriers to entry for M/SMEs. • The leading marketplaces have benefited from investor backing • Development of alternative, non-traditional infrastructure to offset the conventional payment infrastructure gaps. • Marketplaces have benefited from growth within the broader platform economy and from the convergence occurring between the banking, IT/ telecommunications, retail sectors. • Marketplace activity is being driven by select economies, and there is a direct relation between marketplaces growth and the size/maturity of the country's economy. • Marketplace leaders have invested vertically to create their own infrastructure, particularly in the areas of logistics and payments.	• The overarching digital fog facing African regulators and policymakers is constraining development of conducive policies vis-à-vis marketplaces • Marketplaces seeking to scale up with certainly struggle to cope with lack of harmonization in cyberlaw frameworks across African markets • The taxation landscape for platforms is not fit for purpose in the majority of African countries. • Logistical uncertainty is one of the strongest challenges limiting cross-border E-commerce trade within Africa. • Fragmented state of ICT infrastructure across the continent will contribute to uneven service provision by marketplaces Social-commerce is proving to be a significant trading ground for microenterprises and SMEs. • Consumer literacy and trust issues will continue to impede marketplace growth prospects, especially in countries with weak e-readiness levels. • Development partner driven marketplaces have suffered from sustainability issues Location based restrictions hinders regional integration
Strategic Objectives		
• Develop a conducive business and regulatory climate for marketplaces; Foster trust between marketplaces and related stakeholders • Harmonize cross-border logistical regulations to facilitate streamlined flow of E-commerce products. • Link national export promotion and regional integration with marketplace-SME engagement • Promote innovation and investments in marketplace converging sectors - particularly logistics and fintech - – to develop a conducive ecosystem		

Marketplaces are digital platforms intermediating transactions between producers and consumers of value – be it in the form of goods, services, or information. They serve as a 'lubricant' in terms of reducing friction in various stages of any E-commerce transaction, including within the critical buyer-seller discovery and transaction steps. Globally, marketplaces accounted for more than 50 percent of all online sales in 2019, followed distantly by retailer websites/apps (26 percent) and brand websites/ apps (18 percent).[34] Worldwide marketplace activity has accelerated significantly during the Covid-19 pandemic, and the momentum continues unabated. The global marketplaces leaderboard includes household names such as Amazon, Alibaba, and eBay.

Snapshot of African marketplaces landscape

Marketplaces have led the charge across the emerging African E-commerce landscape, much more than individual retailer and brands based online shops.

34 Statistica

African E-commerce is led by larger marketplaces rather than individual e-retailers or SMEs who have crossed the offline-to-online threshold. This is a function of the technical, financial and knowledge weaknesses at the enterprise level, but also of the pervasive ICT, trade logistics and business environment that enterprises face on an operational basis and which has prevented them from investing in E-commerce capabilities. Instead, a small number of larger marketplaces dominate the landscape.

An estimated 631 online marketplaces (B2C)[35] were operational in Africa in 2019. These include both classifieds type sites and transactional, selling new and second-hand items. Most marketplaces fall within the category of Generalist B2C (Jumia, Konga, Takealot), Specialist B2C (car sales on Cars45, Webuycars, or Yeebia[36]) and C2C (OLX, ROAM, Gumtree)[37]. Although the Marketplace segment is relatively small compared to global standards, the growth in the past few decades has been impressive.

Most African marketplaces are national, and there are very few regional/ pan-African marketplaces. Few countries account for bulk of marketplace activity.

Recent research[38] conducted by the ITC has revealed significant concentration of marketplace activity.

- **80 percent of African marketplaces are national marketplaces operating only in a single African country. Of the rest, 14 percent are global players and only 6 percent operate within multiple African countries.**

- Five countries together accounted for 78% of total marketplace traffic in Africa in 2019 while the top 10 accounted for 94%.

- Most of the marketplaces are based in South Africa, and the north African countries, namely, Algeria, Egypt, Morocco and Tunisia.

- The main domestic marketplaces are based in South Africa (Gumtree and Takealot.com), Egypt (Souq, OLX and Jumia), Nigeria (Jumia, JiJi) and Algeria (Ouedkniss).

- Another aspect is location based seller restrictions. ITC's marketplace explorer notes that 'of all 631 online marketplaces in Africa, 36% are open to sellers from other African countries. And about 57% of the marketplaces only allow domestic sellers on their platform. For 6% of the marketplaces it is unclear if they are open to foreign sellers.'

- Among African marketplaces, Afribaba, BidorBuy, Jumia allow businesses from more than 50 African countries to conduct business. International marketplaces in this category include Afrikrea, eBay, Etsy.

- Amazon is available in approximately 25 countries.

- Marketplaces focusing on specific geographies / linguistic considerations play a far more limiting role, for example in the case of marketplaces which operate in North Africa.

Figure 4: Top Marketplaces - 1
Top 10 countries by number of marketplaces, 2019

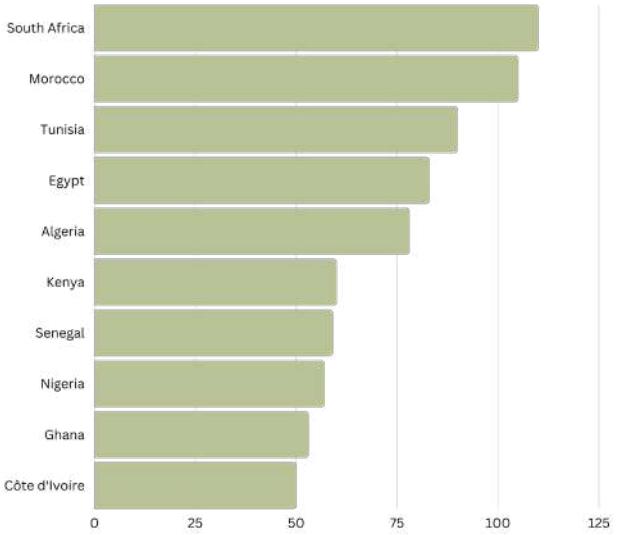
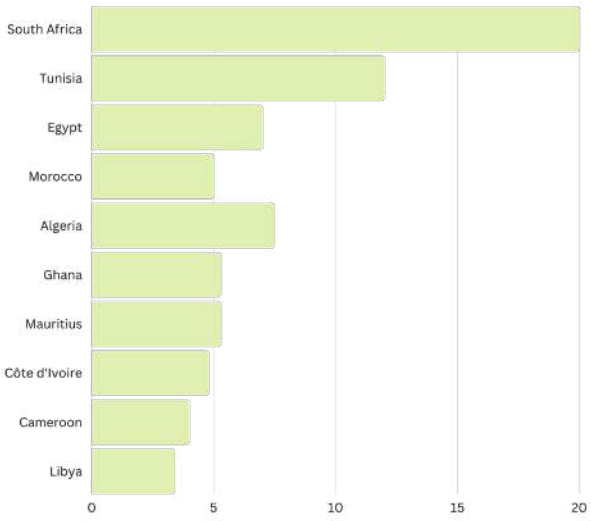


Figure 4: Top Marketplaces -2
Top 10 countries by marketplaces popularity index, 2019



Source: ITC Marketplace explorer

35 (ITC, 2020)
36 The auto sector is a prime example of Asia based companies sourcing automobiles to Africa. These includeCar Hub Japan, Auto Assista, CardealPage, Car Price Net, Goo-net Exchange, and China Exporter. These specialized portals do not allow foreign or African sellers on their platforms.
37 (ITC/ecomConnect, 2020)
38 (ITC, 2020)

Bulk of E-commerce activity is being driven by select lead marketplace players

The large pan-African marketplaces, operating horizontally across a range of categories, account for a dominant share of the African market. These include Jumia, Konga and Kilimall.Concentration is also increasing in the once widespread classifieds segment; One of the largest marketplaces for classifieds in Africa is the Ukrainian origin Jiji, which acquired their competitor OLX and their businesses in Kenya, Ghana, Uganda and Tanzania in 2019, giving them access to 300 consumers across 5 markets.

Significant attrition occurring among the smaller-sized marketplaces segment. This is a challenging segment with a low percentage of success – marketplaces are depending on a critical mass of suppliers and buyers actively participating with each other, and until the network effects lead to momentum for the marketplace. This is challenging to achieve, especially if high marketing expenses among others. Startups without significant financing backing cannot cope with the resulting burn rate.

The B2B segment is underserved, but offers future potential.

B2B marketplaces are relatively scarce, however, the market as evidenced by the number/volume/value of non-African marketplaces selling to African businesses is believed to be quite large, indicating the future potential for B2B marketplaces. This will need to be actively addressed given the overarching goal of regional integration.

Postal systems are gradually diversifying operations to align with E-commerce.

African postal networks can play an important and essential role in Africa's E-commerce growth trajectory. By virtue of their mandate, they have nationwide coverage for parcel delivery services. In countries where this sector is not liberalized to a significant extent, postal services often are the only service providers for small parcel deliveries. Yet, their capacities are frequently limited due to structurally uncompetitive cost structure hampered by a weak IT infrastructure, and resource constraints. Their national mandate also requires resource allocations regardless of market potential, leading to reduced competitiveness against private sector rivals.

National post services in at least two African countries - Burkina Faso (Fasoranana) and Niger (Kaomini) – have diversified their operations to include E-commerce. Nigeria's postal service operator has developed alternative physical addressing systems to offset the challenges of last-mile addressing. These innovations at the postal services level are important. African E-commerce will be driven in no small part by the efficacy of postal services which frequently have the largest footprint (albeit with varying capacities) across national borders. The UPU is assisting a number of national postal authorities with shoring up their operational readiness and digital readiness via ORE and DRE initiatives.

Marketplaces have employed a number of measures to improve supplier reliability

Marketplaces employ a number of tactics for ensuring supplier reliability. These include integrating escrow services and supplier ratings within the process as well as varying levels of training during supplier onboarding. There are also internal processes to review ontime delivery and other compliance levels, and marketplaces can eject suppliers from the platform or downgrade them depending on performance.

RECs have started considering establishing regional marketplaces

COMESA is in the process of establishing a regional digital free trade area which is expected to have a regional marketplace associated with it. In July 2020, the AU and AeTrade group launched a pan-African marketplace called Sukokuu, Kiswahili for 'Common Market or Central Market'.

GROWTH DRIVERS

Three contributing factors can be attributed to the growth of African marketplaces:

1. *Marketplaces fill an essential demand-supply gap in Africa.*

   Simply put, the deep fragmentation within the retail sector, coupled with the weak retail network, and a gradually growing middle-class with expanding disposable income has strengthened the business case for e-marketplaces. Consider a recent report by BCG which notes that[39] *'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.'* With this level of limited retail presence, there is certainly a significant unfilled market demand in 2nd Tier cities and rural areas in Africa.

   The popularity of social commerce (including the ubiquitous Facebook groups which can frequently count upon thousands of members) indicates the extent to which buyers and seller communities started leveraging available matching mechanisms. Marketplaces (especially classifieds) are simply the next step forward. This is substantiated by the fact that in several emerging African economies, marketplace traffic has increased multi-fold even if transaction volumes have not necessary growth in lockstep, reflecting the consumer behavior of digital-window shopping exhibited on Facebook groups.

2. *Marketplaces - whether classifieds or transactions-based - have helped to reduce some of the high barriers to entry for M/SMEs.*

   They have facilitated the smaller scale private sector in at least taking initial steps in terms of furthering online presence. Sellers can register relatively easily and access a potentially large customer base. Access

39 (BCG, 2019)

to payment gateways, logistics services, customer services, analytics, inventory tracking, executive dashboards, are all value-added services[40] that individual firms cannot invest in on their own due to capability gaps. This is true not only in Africa but for most developing countries, however the existing service gaps in Africa and M/SME capacity challenges are frequently much more severe for African countries.

3. *The leading marketplaces have benefited from investor backing*

The marketplaces segment has seen a number of major investments and partnerships being formed over the past decade. Jumia, Takealot, jiji and a number of the other leading marketplaces/platforms have significant investor backing which has allowed them the freedom to innovate and compete. Iterative waves of investments and consolidation within the marketplace sector, coupled with technological innovations in sectors such as payments and logistics with whom marketplaces are increasingly tightly integrated, will lead to significant benefits for all players involved including consumers.

4. *Development of alternative, non-traditional infrastructure to offset the conventional payment infrastructure gaps.*

Nowhere is this more visible than in the mobile-money payments sector which has leveraged the growth of mobile devices (even non-smartphones based) and internet penetration. Mobile-money networks (including agent networks) span entire regions, and are today much more than a means of money-transfer. Services such as M-PESA have three additional layers[41] developed on top of the mobile-money layer: a data layer, which enables the provision of credit, an API layer which allows a larger ecosystem to connect to the platform (including companies which wish to integrate mobile-money based salaries and payments within their operations) , and a services layer referring to key services created by the platform owner or by ecosystem partners.

These additional layers can include identify verification services, which harvest the vast KYC related data and processes honed by mobile-money players and which can be used for broader identify verification use-cases, for instance by marketplaces. Another use-case is that of utilizing mobile-money transaction histories for creditworthiness assessments (in the absence of public and private credit bureaus). Marketplaces such as Jumia are already engaged in sharing merchants data (with permissions) with lending institutions as part of the merchants' credit applications. These are just example of how African solutions are adapted to the ground-realities on the continent. Most transactions-oriented marketplaces accept mobile-based payments and this has boosted consumer adoption and confidence.

The innovations are not limited to payments. There is significant activity within the logistics space as well where startups are developing, or leveraging existing solutions for managing the severe infrastructural challenges. Solutions include GPS driven alternate addressing solutions, logistical marketplaces[42] among others.

5. *Marketplaces have benefited from growth within the broader platform economy and from the convergence occurring between the banking, IT/ telecommunications, retail sectors.*

Marketplaces can now integrate a range of plug-and -play software and services to their platforms which can provide additional capabilities, one thought unfeasible. For example, there are logistics marketplaces (not yet common in Africa) specializing in cold-chain infrastructure and able to cater to multiple requirements for shipments, which can be plugged into existing marketplaces via APIs. Similarly, fintech and insurance/ escrow type services can be integrated, to develop a full-service marketplace. Indeed, marketplaces are no longer constrained by technology and limited to classifieds type functionalities. The broader ecosystem has developed very well and can benefit marketplaces.

6. *Marketplace activity is being driven by select economies, and there is a direct relation between marketplaces growth and the size/maturity of the country's economy.*

A key inference that can be made from degree of concentration of marketplaces in certain economies is a strong correlation between GDP and marketplace traffic, with both variables driving each other. Essentially - the state of economic development, the maturity of the manufacturing sector among other industries, and other indicators pointing to an economy's development status are likely to promote the demand and supply sides of marketplaces. The state of the ICT/internet infrastructure is essential as well given that it is the backbone of e-trade. African marketplace websites seem to thrive in large economies and countries with relatively robust infrastructure. This is the case in Nigeria, South Africa, and the North African economies.

7. *Marketplace leaders have invested vertically to create their own infrastructure, particularly in the areas of logistics and payments.*

Marketplace specific payment solutions such as Jumiapay are common for the larger marketplaces. Within the logistics space, the infrastructure includes nationwide networks of drop-off stations and warehousing. The potential afforded by Africa's vast and untapped E-commerce market justifies the resulting high burn-rate for these firms. Lead firm's services may even offer these solutions as a service for other E-commerce players, thus ensuring positive

40 Another area is escrow services. A company called Lipasafe for instance provides escrow services in Kenya for small transactions and is integrated with M-PESA.

41 (Choudary, Lamb, & Marais, 2021)

42 Jumia has developed a platform that connects third-party logistics providers with local entrepreneurs for last-mile delivery and cash-on-delivery payment-collection services.

spillover effects across the ecosystem while boosting the income streams for the lead players.

CHALLENGES FACED BY AFRICAN MARKETPLACES

The overarching digital fog facing African regulators and policymakers is constraining development of conducive policies vis-à-vis marketplaces

As noted earlier, policymakers in most African countries are still trying to understand the implications from the fast moving digital economy space, particularly in areas such as platforms and fintech. The 'digital fog' constrains development of progressive policies and incentives. Specific to marketplaces, regulators are attempting to understand the impact on job creation, competition, personal data protection (especially in cross-border marketplaces), digital taxation/VAT, and even supplier registration issues among other areas. In this rather confusing climate, the policymaking process has tended to stagnate.

Marketplaces seeking to scale up with certainly struggle to cope with lack of harmonization in cyberlaw frameworks across African markets

There is valid concern that the fragmented cyberlaw framework existing in African countries will stifle the scaling up of marketplaces operating across borders. The lack of cyberlaw harmonization (and in some cases the lack of legislation) lends risk to marketplaces and certainly increases their compliance costs as they have to conduct due diligence for each market. Consumer protection for example is one area where a marketplace would need to be mindful of E-commerce related consumer protection laws for customers by country. This would lead to higher due diligence and compliance costs than if the laws were harmonized across all African countries.

The taxation landscape for platforms is not fit for purpose in the majority of African countries.

Marketplaces, like most types of platforms, operate on a commissions basi's. i.e. their income is derived from gross sales minus payments that they make to their suppliers (minus any commissions). This should be the income on which marketplaces pay taxes; the reality however is that the taxation rules in many African countries do not account for this model and taxation is assessed on total income. A secondary but linked challenge is that many of the suppliers to the marketplaces are informal enterprises, and do not provide acceptable invoices which the marketplaces would ordinarily submit or maintain as deductions for the taxation department. This is less of a problem in the countries with dominant marketplace activity as the rules have evolved, however, in the vast majority of African countries, the taxation rules for platforms are not fit-for-purpose.

Logistical uncertainty is one of the strongest challenges limiting cross-border E-commerce trade within Africa.

Marketplaces face significant costs in terms of developing their order fulfillment and broader logistical infrastructure. Delivery challenges within and especially outside major urban centers has made logistics an expensive and risky value proposition for marketplaces. These factors have contributed to the high attrition rate of marketplaces on the continent.

Marketplaces consulted as part of the strategy design process confirmed that among the spectrum of challenges that they face on an operational basis, ensuring on-time delivery or even completion of deliveries in some cases is the most persistent. Even in cases where marketplaces such as Afrikrea have embarked on strategic partnerships with logistics leaders like DHL, irregularities in terms of delays and fees are frequent.

Table 6: Where African and international marketplaces ship

Marketplace	International Shipping	Shipping to (multiple) African Countries
International marketplaces		
Afrikrea	Yes*	Yes
Amazon	Yes	Algeria, Angola, Botswana, Cameroon, Egypt, Ghana, Kenya, Mauritius, Morocco, Mayotte, Namibia, Nigeria, Réunion, Senegal, South Africa, United Republic of Tanzania, Tunisia, Uganda and Zimbabwe
Craigslist	Yes	Yes
Ebay	Yes	Yes
Etsy	Yes	Yes
Fruugo	Yes	South Africa
Marketplace Africa	Yes	Yes
Novica	Yes	Egypt, Mauritius, Seychelles, Réunion and South Africa
Opensooq	Yes	Yes
Souq	Kingdom of Saudi Arabia, United Arab Emirates only	Egypt only
African marketplaces		
Afribaba	Yes	Yes
BidorBuy	Yes	Yes
Jiji	Yes	Yes
Jumia	No	Algeria, Cote d'Ivoire, Egypt, Ghana, Kenya, Morocco, Nigeria, Senegal, South Africa, Tunisia and Uganda
Kilimall	No	Kenya, Nigeria and Uganda

Note: Shipping internationally is defined as shipping to over 100 countries. Shipping to multiple African countries is defined as shipping to over 50 African countries. Sellers can opt of certain shipping destinations. The countries mentioned in the third column are the only African countries to which the marketplace ships.

Fragmented state of ICT infrastructure across the continent will contribute to uneven service provision by marketplaces

Weak internet infrastructure and access across large swathes of Africa essentially cut these regions and consumers from marketplaces (or even broader digital content absorption, which has implications on digital literacy), and e-commerce in general. From a marketplaces perspective, this degrades the business case for making investments in expansions, and for consumers and business buyers, the opportunity cost from not being able to leverage the benefits of marketplaces is immense. The weak ICT infrastructure frequently goes hand in hand with weak logistics infrastructure, and the combine last mile connectivity and delivery issues significantly reduces the value proposition of E-commerce.

Social-commerce is proving to be a significant trading ground for microenterprises and SMEs.

As in other development contexts, there is significant informal activity taking place through social-media platforms, involving discovery via online social media groups/ classifieds, and offline negotiations, payments. Although not strictly considered E-commerce, these high-volume, low-value sales are very important from a socio-economic perspective. Large pool of microentrepreneurs and small companies are involved. Entrepreneurs participate /post via groups, self-pages, videos on Facebook etc. even if they have own website. Core functions such as payments etc.

are not used. Primarily used as matchmaking tool, and transactions largely occur offline via messenger apps or in-person.

Policymakers tend to have strong concerns due perceived lack of regulatory oversight, spillover impact on informality and opportunity costs in terms of taxation revenue losses. However the issue is much more complex. Developing a strong business environment for M/SMEs is challenging for most developing countries, and the situation is particularly exacerbated in most African contexts. Entrepreneurship activity occurring via social-media is an important source of employment for the vast majority of M/SMEs involved. M/SMEs, albeit informal, are benefiting from a source of livelihood made possible via their own initiative and the availability of technology (social-media platforms). It is entirely possible that without this business activity, most of the individuals would be unemployed, derived of sources of income, and therefore a source of pressure on the national welfare systems.

A pending question dictating further growth of marketplaces related to issues of cross-border taxation (how marketplaces selling goods across jurisdictions will be taxed), data-protection and localization obligations (what restrictions will be put in place by countries on data related to their citizens, collected by marketplaces), and consumer-protection (especially in the case of returns).

Platforms compete with informal SME trade.

Leading marketplaces have noted the need to address unfair competition stemming from informality among SMEs conducting cross-border sales. This is a long-term challenge with no easy answers, and will likely be driven by a combination of regulations and incentives set in place by the government. It will also depend on what incentives marketplaces can put in place to attract African M/SMEs. Provided that companies can recognize the long term potential of engaging with marketplaces, they may be persuaded to formalize , although this will likely not be a short term proposition.

Consumer literacy and trust issues will continue to impede marketplace growth prospects, especially in countries with weak e-readiness levels.

African consumers and M/SME have exhibited impressive willingness and ability to overcome the learning curve associated with mobile-money solutions, which is arguably one of the biggest success stories within the African digital economy ecosystem. The next frontier is digital literacy, and here the challenges get more complex. In addition to the quality of the education systems, digital literacy depends upon a host of factors such as accessibility/reliability/affordability of internet, local content generation, existence of IXPs. Citizens, consumers and merchants on the continent face higher digital illiteracy on average, for example compared to SE Asia. Digital illiteracy is directly proportional to trust in online activities. Marketplaces are therefore affected both on the supply (merchants) and demand side (consumers).

Location based restrictions hinders regional integration

Research by ITC[43] notes that 'more than a third (36%) of African e-commerce sites are open to sellers from other African countries. About 57% of the marketplaces only allow domestic sellers on their platform. To bar or limit foreign sellers, many African marketplaces require a national address or country-specific phone number during the registration process'. This is effectively a barrier to regional integration and effectively limits the potential of marketplaces as a lever of fostering regional trade.

Strategic Objectives

The strategy envisages that E-commerce marketplaces will play an important role in the realization of AfCFTA's vision for facilitating regional and pan-African flows of African-origin products and services. Additionally, marketplaces can serve as essential conduits for value-added African exports linked with Africa's broader SME development agenda, if appropriately nurtured.

Four strategic objectives for spurring marketplace development in Africa have been identified:

- Develop a conducive business and regulatory climate for marketplaces; Foster trust between marketplaces and related stakeholders
- Harmonize cross-border logistical regulations to facilitate streamlined flow of E-commerce products.
- Link national export promotion and regional integration with marketplace-SME engagement
- Promote innovation and investments in marketplace converging sectors - particularly logistics and fintech - – to develop a conductive ecosystem

1. *Develop a conducive business and regulatory climate for marketplaces*

This strategic objective aims to develop a predictable and conducive operating business environment for marketplaces. National cyberlaw frameworks -particularly e-transactions, digital signatures, data protection (as part of a broader data policy), consumer protection, cybercrime, IP protection, and digital taxation - should be reviewed to assess regulatory gaps that may exist vis-à-vis marketplaces. The national frameworks should be aligned at the regional and pan-African level, with the goal that to the extent possible, any marketplace operating in an African country can expect a harmonized regulatory framework while operating across African borders. Practical implications include provision for the following at the national levels and maximum harmonization at the regional and pan-African levels:

- Mutual recognition of digital contracts.
- Predictability for both marketplaces and

43 (ITC, 2020)

consumers on their rights and responsibilities, including relating to returns.

• Clarity on restrictions and exceptions to transfer of personal information across borders, and the obligations of marketplaces.

• Protection of IP including those at the pre-patent concepts levels.

• Taxation requirements including VAT for marketplaces.

There is also an important need to understand the root-causes for restrictions imposed on sellers from an African country to sell on a marketplace in another country, and to gauge whether these restrictions stem from regulatory issues (for example if national jurisdictions do not allow local marketplaces to onboard non-citizens/non-resident firms) or whether this is the result of business due-diligence conducted by marketplaces. In the case of the former, African countries must engage in negotiations for relaxing these restrictions.

This strategic objective is also aimed at strengthening trust between marketplaces, participating SMEs, and consumers. In addition to the cyberlaws framework, which is key to developing predictability and trust within the marketplaces ecosystem, there are additional three sub-components:

• Digital literacy initiatives aimed at sensitizing stakeholders on the benefits of participating in marketplaces and the mechanisms available to protect consumers including ratings/reviews.

• Exploring Trustmarks or other industry led voluntary standards that are a symbol of best practices and responsible/ethical behavior among marketplaces.

• Marketplace linkage with national-ID / KYC systems among broader existing identify verification frameworks

2. *Harmonize cross-border logistical regulations to facilitate streamlined flow of E-commerce products.*

On time delivery is a top priority for E-commerce businesses, and especially so for marketplaces given that they are dealing with high-volumes of shipments and resolving delayed/missing shipments can quickly become complex. Cross-border transportation of goods is a significantly expensive proposition in Africa, and one of the strongest pain-points for e-commerce businesses, including marketplaces. This is one of the reasons that pan-African marketplaces or even regional marketplaces are relatively rare and most marketplaces operate primarily within national borders.

As reiterated in the chapter on logistics, it is imperative that customs clearance regulations and processes across African countries are harmonized to the highest extent possible, and clarity provided on the procedures involved. Transparent and clear customs procedures can significantly minimize the burden on marketplaces and streamline regulations and process and aid cross-border flow of goods stemming from marketplace-based transactions. The strategy advocates for countries to implement the WCO's Cross-Border E-Commerce Framework of Standards. (See chapter on logistics for more detail)

3. *Link national export promotion and regional integration with marketplace-SME engagement*

Trade promotion organizations typically rely upon traditional tools such as B2B matchmaking, exhibitions etc. to promote greater integration of SMEs in exports. As noted earlier, platforms such as marketplaces lower the barriers to entry and participation in domestic and international trade for SMEs, and could serve a useful purpose as an export facilitation tool.

The number of marketplaces facilitating African exports are expected to grow in the future in line with overall e-commerce sector growth. TPOs can carve out strategic partnerships with marketplaces (aided with development partner support) which deal with exports and help them specifically in the area of SME onboarding. Benefits to marketplaces are reduced costs of SME onboarding and the development of bankable pool of SMEs who will add to the overall value of the marketplace. SMEs benefit by speeding up their offline to online transition, and by securing a higher probability of succeeding in exports via marketplace participation. This TPO-marketplaces-SME linkages are important to ensure that African origin products are prominently transacted on the marketplaces, given that there will certainly be still competition from Asian and other competitors to supply to African markets.

The potential of marketplaces to contribute to regional integration efforts is very important. B2B cross-border trade involving businesses discovering, interacting, and transacting with cross-border suppliers and buyers may lead to an organic shift to greater regional integration and meaningful regional trade. Marketplaces operating cross-border are well placed to contribute to this because more than any other mechanism, they help to bring large pools of cross-border buyers and suppliers together, leading to B2B buyer-supplier engagement.

To enhance sustainability of sector development efforts, E-commerce should be embedded in sector strategies and capacity development initiatives which have a market-side dimension. Specialized training programs should be developed to enhance enterprise level capabilities to recognize strategic opportunities in target markets, and develop strategic alliances via e-commerce channels.

Governments can also pilot initiatives where marketplace registration processes serve as temporary KYC for a trial period – i.e. the MSME receive permissions to test marketplaces for a trial period without going through formal govt registration with the premise that one they are convinced of the value proposition of the marketplace, they may be incentivized organically to formalize. Donors can assist in such pilots by providing limited financial and

technical support to selected participants.

4. *Promote innovation and investments in marketplace converging sectors - particularly logistics and fintech – to develop a conductive ecosystem*

Marketplaces provide value by not only bridging the buyer-seller gap, but by integrating a range of services which SMEs would not be able to access on their own. These sectors with whom marketplaces share a symbiotic relationship include (but are not limited to) logistics, fintech, insurance services among others. Innovation and influx of best practices in these sectors is good for African marketplaces as well, and enhancements of national investment promotion and aftercare regimes is necessary to ensure continued innovation. Select investment related services include:

a. 3rd party logistics/fulfillment services (3PL/3PF) including reverse logistics.
b. Establishment of logistics hubs with large multi-client shared warehousing spaces coupled with professional inventory management processes as well as end-to-end fulfillment services adapted to marketplace operations.
c. Packaging services
d. Specialized fintech operators including escrow and PSP services.

Component 3: Fintech

Snapshot of African Fintech landscape and Growth drivers

- Fintech has evolved from mobile-money solutions to a range of services in Africa.
- Countries have taken three broad trajectories in terms of fintech growth.
- The African fintech sector is a favorite for investment
- Mobile-money services have led democratization of mobile-money landscape and have elevated financial literacy as well as willingness to adopt digital solutions among consumers and businesses.
- The cross-border payments infrastructure is driven by a need for interoperability and simplicity; • Both private players and RECs are involved.
- Larger E-commerce players, particularly marketplaces, are increasingly investing in vertical integration to resolve infrastructure based challenges, including within the payments space.

Strategic Objectives

- Review and adapt fintech regulations at the country level
- Pursue harmonization of broader payment systems harmonization with the goal of pan-African interoperability across Fintech services
- Spur innovation and entrepreneurship within the African Fintech sector
- Strengthen enterprise side awareness and capacities to engage in cashless transactions

1. *Fintech has evolved from mobile-money solutions to a range of services in Africa.*

Fintech is one of the definite success stories in Africa. The sector has evolved considerably from its humble beginnings in 2007 when Safaricom adapted the consumer behavior of sending airtime to family (as a proxy for money transfer) to the M-PESA model in Kenya. Fast-forward to 2020, multiple additional layers have been built above the ubiquitous mobile-money model to benefit use-cases other than money transfer – these include microcredit, insurance and E-commerce. African telecommunications services operators involved with mobile money services already have a solid foundation to offer enhanced services within the digital economy, and examples of new models are emerging[44]:

1. July 2020 – Vodaphone's partnership with Alipay to create 'super app' for South Africa offering a range of services including lending and insurance.
2. July 2020 – Launch of Orange Bank Africa offering savings and microcredit services based on the mobile money platform.
3. April 2020 – Visa + Safaricom partnership connecting Visa's 24 million accounts and 173 k local merchants to visa's global network – boding well for cross-border payments infrastructure.
4. October 2019 – Airtel + Mastercard partnership enabling Airtel money customers to make payments to local and global merchants.
5. MNOs are aggressively entering the financial sector through partnerships with banks, microfinance institutions and insurance companies. In Cote d'Ivoire, as a result of a push from Orange and MTN, mobile money penetration (number of mobile money accounts over population) increased from 10% to 64% between 2012 and 2016. In Kenya, the partnership between CBA and Safaricom through M-Shwari resulted in 25 million nano-loans issued in 2015 for a population of 44 million inhabitants.[45]

Today, the range of services involving fintech include digital payments, API, services, lending solutions, micro-financing solutions, healthtech, blockchain based, savings and investment products, insurance, among other products.

Companies such as Okra, Mono, OnePipe and Pngme, which are in the business of building the API infrastructure connecting bank accounts with financial institutions and fintech/non-fintech firms have also garnered significant investments in the last few years, indicating that investors view the fragmented fintech landscape as a high potential area. This bodes well for e-commerce companies who can ultimately utilize these APIs for improving their customers' overall experience as well as improve efficiencies for financial transactions.

A broader fintech ecosystem comprising of startups, banks, logistics firms and many other stakeholders are redefining the limits of Fintech applications, and even regulators from relatively liberal economies such as Mauritius are focusing their energies on distributed ledger technologies such as blockchain.

Increasing collaboration with - rather than competition against - established banking incumbents is also boosting the sector, and African banks are joining the throng of active investors in the continent's fintech space. [46]

Central banks and regulators are also increasingly launching sandboxes to allow fintechs to solve While the original problem of weak financial infrastructure still persists, it can be safely said that African Fintech has evolved to address many other problem and opportunity spaces as well. The hybridization of fintech with sectors such as agriculture and healthcare is one such opportunity area – and E-commerce is at the very heart of it.

Marketplaces such as Jumia have also integrated options for making/accepting payments via mobile-money, which bodes well for E-commerce growth. The robust mobile-money infrastructure in many parts of Africa offers a launching pad for more ambitious digital services. Africa is the birthplace for mobile money and it is where bulk of mobile money-based innovations continue to be gestated and scaled up.

2. *Countries have taken three broad trajectories in terms of fintech growth.*

Countries such as Nigeria and Mauritius have tended to focus on cards based transactions, while Kenya is the most prominent example of countries following the mobile-money as the main transactions route, and still others where there is a balance between the two instruments of digital money – such as Botswana and Namibia. Ghana in particular has seen a surge of digital money usage due to its progressive regulations which facilitate transfer from one form to the other.[47]

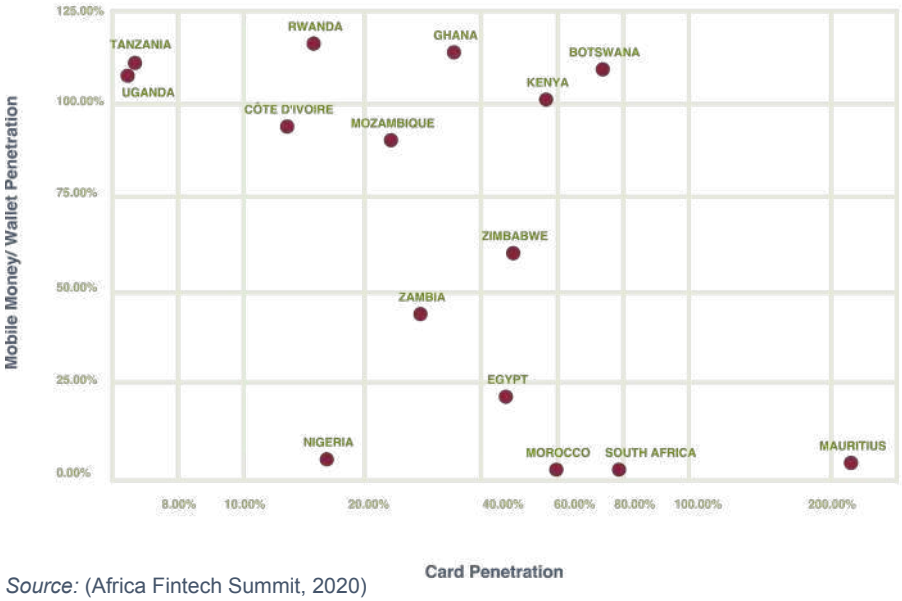
44 (GSMA, 2020)

45 (Africinvest, 2016)

46 (Disrupt Africa, 2020)

47 (Africa Fintech Summit, 2020)

Figure 5: Card vs. mobile money penetration (as % adult population)



Source: (Africa Fintech Summit, 2020)

In countries where MNOs are allowed to invest in fintech capabilities, the fintech ecosystem has benefited. Countries such as Kenya have followed a relatively liberal approach to allowing MNOs to participate in Fintech activities, allowing them to leverage their competitive advantages and infrastructure to develop the ecosystem as a whole. In certain countries however, the payments sector is heavily regulated, which has restricted fintech growth. There is a need of course to ensure regulatory oversight, and a balance between regulation and innovation. There is a gradual move towards liberalization on the continent – Nigeria for example has recently allowed MNOs to operate mobile-money licenses.

3. The African fintech sector is a favorite for investment

Fintech startups have grown at a CAGR of 24 percent in 2019, and have received 54 percent of all startup investment in 2019, reflecting investor trust and proof of potential in the sector.[48] The sector received USD 836 million across 65 deals in 2019. [49] This is more than its closest competitor – E-commerce and retail tech.

The financial technology sector was, yet again, the most attractive to investors in 2020, with more startups securing funding than any other sector and a combined total that dwarfed all others.

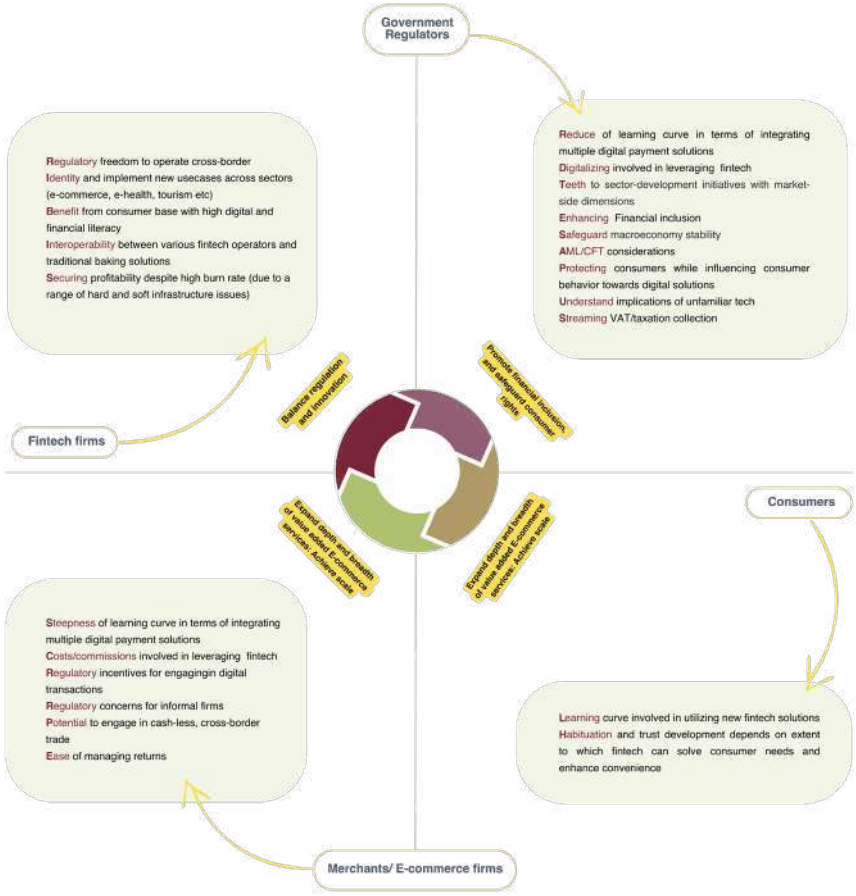
Ninety-nine (99) fintech startups raised investment over the course of the year, representing 24.9 per cent of the overall total. This was up 28.6 per cent on the 77 ventures that raised in 2019, with fintech's share of funded startups marginally increasing from the 24.8 per cent it represented that year.[50]

48 (Google, IFC, 2020)

49 (Google, IFC, 2020)

50 Text from (Disrupt Africa, 2020)

Figure 6: Key stakeholders in Fintech – key considerations for each



Source: Author

4. *Mobile-money services have led democratization of mobile-money landscape and have elevated financial literacy as well as willingness to adopt digital solutions among consumers and businesses.*

Mobile-money services are now available and utilized across the strata of society, business and government in Africa. There are currently 144 mobile money services are available across sub-saharan Africa serving more than 469 million accounts with daily transactions amounting to USD 1.25 Billion by the end of 2019. [51] They serve an important need, considering that the ratio of bank branches to individuals is very low at 5 branches per 100,000 adults. [52]Africa accounts for 45.6% of mobile money activity in the world — estimated at least US$26.8 billion in transaction value in 2018.[53] This is no small feat considering that in-Subsaharan Africa, nearly 80 percent of the population is unbanked and more than 95 percent do not own a credit card. In countries where mobile money solutions have taken root and thrived, significant economic benefits have been seen. A GSMA report notes that mobile money solutions have elevated 194,000 Kenyans out of poverty in eight years.[54] This has a measurable impact on financial literacy and willingness to adopt new solutions.

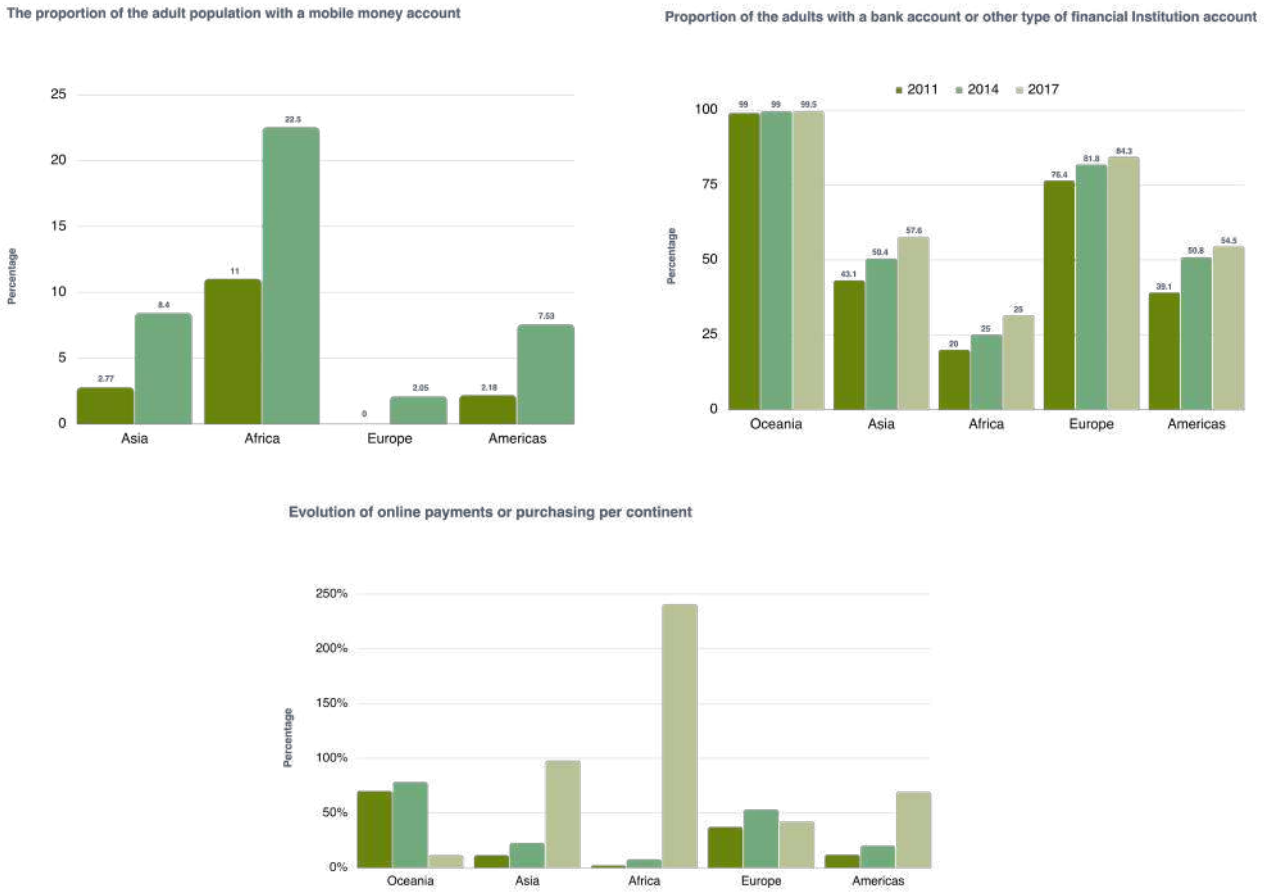
51 (Google, IFC, 2020)

52 ibid

53 (Africa Fintech Summit, 2020, p. 23)

54 https://www.gsma.com/publicpolicy/wp-content/uploads/2012/11/gsma-deloitte-impact-mobile-telephony-economic-growth.pdf and noted in (Choudary, Lamb, & Marais, 2021)

Figure 7: Consumer adoption of online payments



Source: (WTO, 2021)

5. The cross-border payments infrastructure is driven by a need for interoperability and simplicity; Both private players and RECs are involved.

Cross-border payments is naturally a more challenging proposition given the regulatory considerations that apply. High fees charged by mobile money operators has opened the opportunity space for startups to get involved. Examples of such startups include Flutterwave (payment aggregation solutions for connecting to various payment options via a common API) and Wecashup (with a presence in 36 countries; provides an escrow solution as well as payment for a single order multiple payment options, including cash-on-delivery). The bill and Melinda gates foundation has helped to develop Mojaloop, which can be used to build a central "switch" that settles payments between diverse players, including mobile money providers, banks, and merchants.

Afeximbank's Pan-African Payment and Settlement System (PAPSS) initiative is a robust move forward in developing a digital payments and settlement system in aid of cross-border trade. The PAPSS will enable African countries to settle with each other in their local currencies rather than having to rely on a third currency such as USD. There are other such systems at the regional level as well including the East Africa Payment system (EAPS) and the SADC Regional Integrated Settlement System.

At the RECS level as well, there is significant activity occurring:

- SADC: all 16 members are in the process of developing real time gross settlement systems and connecting to the SADC-RTGS. All Member States (except Comoros) are participating in the SADC-RTGS and a total of 85 central banks and commercial banks are also participating in the system.
- In 2010, COMESA decided to implement the Regional Payments and Settlement System(REPSS).. The system allows banks in member countries to transfer funds more easily within COMESA region through their local RTGS in USD and Euro.
- Within the EAC, EAPS is a funds transfer mechanism used to transfer money from one bank to another across the border within the East African Community countries of Kenya, Rwanda, Tanzania and Uganda. It is a multicurrency regional payment system and transactions are carried out in the EAC local currencies.

In recent years, private sector initiatives and investment activity has sprung up around the issue of resolving interoperability. Mowali (established by MTN and Orange),

facilitates mobile money interoperability allowing users to transfer money beyond their provider to other providers' wallets – the service will be offered also to other operators. Mojaloop provides an open-source API (led by the Bill and Melinda Gates Foundation) serving as a resource for fulfilling a number of use-cases, all centered around interoperability.

MTN and Orange have also partnered up to offer a solution using a Mastercard virtual payment solution linked to MTN MoMo (Mobile Money) wallets. The business case is that despite mobile money being the dominant form of payments across much of sub-Saharan Africa, the scope of usage is limited to offline and online businesses around a relatively small radius. The linkage with Mastercard will allow consumers and businesses to make payments via their mobile money accounts directly on websites and mobile applications. As such it is one of the few examples of mobile money seamlessly linking mobile money consumers to E-commerce (potentially international e-commerce).

6. *Larger E-commerce players, particularly marketplaces, are increasingly investing in vertical integration to resolve infrastructure- based challenges, including within the payments space.*

Marketplaces such as Jumia and Kongo have launched their own payment systems to push consumers away from cash, and also reduce dependency on external suppliers. They incentivize the usage of these systems by offering cash-back options. Vertical integration is not only prevalent in E-commerce companies developing adjoining infrastructure in payments and logistics. Mobile-money parent firms have also started investing in E-commerce. A prominent example is Safaricom's e-commerce platform Masako, launched in 2017, which leverages the M-PESA infrastructure and agent network and user base to give it a foothold in the growing E-commerce market. Merchants will be attracted to this platform given the stability and guarantees associated with receiving real time payments, as well as benefiting from the developed agent network.

7. *The bulk of fintech activity has originated in Nigeria, Kenya and South Africa, and has attracted the most investment capital. Other markets are gradually developing as well. These include Ehiopia, Ghana, Senegal, Rwanda, Uganda and Egypt.The main considerations facing investors include the following:*

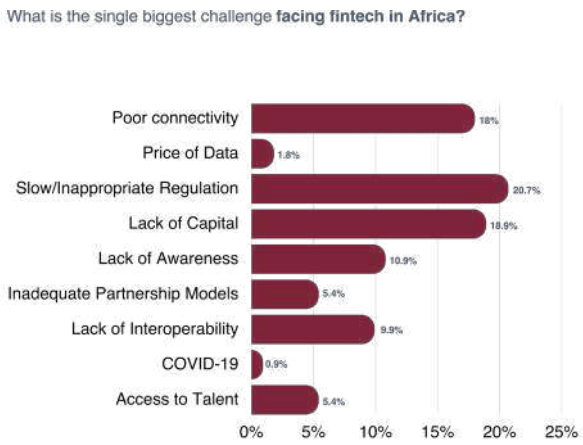
   • Whether the potential investee's domestic market is big enough to absorb the services, given that pan-African expansions come with their own risks,

   • Fintech regulations within the investment's home base,

   • The level of regulatory harmonization which may enable or hinder pan-African expansion.

8. *As the accompanying figure notes, the key challenges facing the Fintech sector are a mixed bag of ICT infrastructure and connectivity, regulatory, supply side, human capital based challenges.*

Figure 8: African Fintech - existing challenges and opportunities



Source: (Africa Fintech Summit, 2020)

9. *A significant divide in terms of availability and adoptions of Digital Financial Services (DFS)*

There is a large digital payments divide between regions, countries, and within countries (urban vs. 2nd tier and rural areas). innovation and uptake is limited largely to hubs, and there is a need to mainstream adoption. The extent of this divide has been amply covered by various studies – what is clear that there are deeply entrenched issues which can only be resolved in the medium-long term timeframe. The root causes are a function of overall economic development including at the sub-national level, transaction costs, consumer demand dynamics as well as limited business case for complex payment use-cases. Despite the accelerated growth of mobile-money in Africa, it must be recognized that there are large unbanked populations all across the continent, and there include M/SMEs, who have not benefited from these tools for a number of reasons. This divide is also a significant cause for concern from a continental market perspective.

Strategic Objectives

- Review and adapt fintech regulations at the country level
- Pursue harmonization of broader payment systems harmonization with the goal of pan-African interoperability across Fintech services
- Spur innovation and entrepreneurship within the African Fintech sector
- Strengthen enterprise side capacities - M/SMEs, retail merchants - to leverage and integrate Fintech in their operations

1. **Review and adapt fintech regulations at the country level**

   The lack of regulations is not necessarily a limiting factor in early stages of sector growth, especially in the case of fintech and E-commerce. Lead firms in either sector will attest to their fledgling years where the virgin regulatory climate allowed them to experiment with new products and services, which ultimately helped in their establishment as market leaders. Considering that these sectors typically follow iterative models of growth involving lead firms carving our paths followed by waves of follower firms, one would argue that the lack of regulation in the early years of sector growth is in fact essential.

   As the sector matures though, regulation is deemed necessary to ensure macroeconomic stability, protect consumers and the market players alike. The IMF[55] noted three key objectives for regulating Fintech:

   • encourage the development of products and services that are covering segments of the market not provided by traditional financial institutions;

   • provide prudential rules in risk—including corporate governance, accounting, and risk management; and

   • prevent money laundering and the financing of terrorism while protecting users of financial technologies.

It is extremely important that African countries examine the model that they wish to follow in terms of guidelines – either prescriptive or based on 'testing grounds/ sandboxes', ringfenced by strict guidelines. Lack of regulation can position countries on a backfoot in terms of setting and executing a long-term vision for the sector, as well as in terms of attracting investment. The fintech sector will benefit from national policies (Central bank) to reduce cash dependencies. Central banks in Nigeria and other countries have adopted policies that will move them closer to cash-less operations. Harmonization with other countries is also important – at least at the REC level and at the pan-African level as the ultimate vision.

2. **Pursue harmonization of broader payment systems harmonization with the goal of pan-African interoperability across Fintech services**

   The strategy envisages a vision of E-commerce firms employing digital payment solutions as well as other ancillary fintech applications not only within national borders but across borders in Africa. After-all, E-commerce firms cannot sustainably develop regional and continental operations without smooth cross-border payment solutions, or with heavy dependency on cash. Considering that 30 percent of sold retail goods on average are returned, the cash dependency can quickly turn into a challenge. Interoperability within fintech systems is also a key consideration considering the potential for fragmentation across the various payment systems and across-borders. In an ideal future state, all digital payment systems whether mobile-money or card-based would be able to transfer funds and information across their systems and across country boundaries.

   There are three levels of interoperability: 1) Interoperability across models mobile-money, bank accounts, cards), 2) between players within each model, 3) at the cross-border level. The role of not only PAPSS and regional payment systems will be essential, but also of burgeoning private sector led solutions such as Mowali and Mojaloop. These are essential because once this interoperability is in place, E-commerce firms can easily leverage them.

   Most fintech firms are startups and will find it challenging to first study and comply with regulatory procedures within multiple countries across the continent. Harmonization of regulations and clear guidance on areas where there are divergences would greatly help these fledgling firms. This is especially true for data-protection and cyber-security considerations.

   Countries will essentially need to move towards some form of harmonization in any case as the PAPSS system is developed and deployed. As one of the five operational instruments of AfCFTA, this system will essentially serve a switch for settling transactions from a range of financial players and mediums/devices in aid of payment systems harmonization.

   The biggest challenges hampering interoperability will be the varied state of regulatory and market maturity across Africa. Regulatory bodies and markets are simply too far apart from each other in different countries, and this poses challenges for harmonizing regulations. An additional important step towards interoperability will be to establish inter-governmental mechanisms to discuss Fintech related issues. Central banks across Africa can coordinate via existing discussion platforms to exchange perspectives on a regular basis.

3. **Spur innovation and entrepreneurship within the African Fintech sector**

   The backbone of the fintech sector resides in innovation. From the regulatory freedom afforded in Kenya in the early 2000's to pursue mobile money to the recent decision of the Mauritian Central Bank to actively pursue a sandboxing approach for blockchain applications, the growth has occurred as a result of a regulatory environment that has fostered innovation.

The strategy recommends the following:

Explore new use-cases that the E-commerce sector can leverage:

At the intersection of E-commerce and fintech, there are interesting use-cases which are either being implemented or are proposed.

55 **Invalid source specified.**

• There is especially a need for aggregator firms such as Flutterwave and Okra which can provide one API through which E-commerce sites can connect to multiple payment channels, rather than invest in multiple options. Ecobank, the pan-African bank with branches in 33 countries, has also launched a banking sandbox in January to give banks and fintechs access to its APIs. The Financial Services Innovators' association in Nigeria has established a sandbox which serves as a repository of APIs from the Nigeria Inter-Bank Settlement Scheme (NIBSS), and commercial banks like Sterling, Union, Fidelity and Stanbic, as well as healthcare-based firms offering online services.[56] Services designed by Wecashup where that includes payment for a single order using multiple payment options would also be palatable for the African market.

• There are a range of fintech operators such as Pezesha and Wecashup for example which have developed applications at the periphery of lending and payment systems – innovative credit scoring mechanisms and escrow systems for example, and there are many others. These types of applications can find invaluable applications within the E-commerce sector as well.

• Marketplace leaders who have increasingly invested vertically in payment related systems may offer these tools "as a service" to the broader e-commerce sector, thus opening up a separate revenue stream and benefiting the sector as a whole.

• An important tool for operationalizing interoperability, and an emerging example within countries and across Africa, is QR codes. The underlying technology provides strong potential for facilitating Merchants, Customers, Issuers (Banks, MMOs and Other Financial Institutions), Acquirers (Banks, MMOs and Other Financial Institutions, Payments Service Providers to transact with each other, with minimum complexity exerted on customers. It should be noted that this technology has robust potential for E-commerce operators as well, especially in terms of cross-border payments. At the country level, a good example is that of Ghana, which launched a universal QR code in 2020 (first African and third globally). The system integrates digital payment methods include cards and mobile-money based in a single system. The system has been widely utilized during the Covid-19 pandemic.

Implement regulatory sandboxes at the national and regional levels

Innovation is also a function of the regulatory environment. A number of African countries – Kenya, Sierra Leone, Mauritius, Mozambique, Uganda and Nigeria, among select others have paid considerable attention in recent years to developing regulations which can provide conducive to new product development in Fintech. Regulatory sandboxes can prove especially useful for both Fintech firms as well as central banks to test the implications, benefits and risks of new technologies in their markets on a time de-limited basis and scale up as per the results. The strategy recommends that governments and even RECs consider deploying regulatory sandboxes to speed up innovation in the sector. The key value proposition of these regulatory sandboxes is that they consider the key perspectives of both regulators and fintech firms, while also taking into account the naturally high pace of developments occurring within the global fintech sector. If regulators employ the traditional mechanisms for conducting long due diligence assessments on each type of innovation, rather than piloting them in a test environment, African countries would certainly not benefit from the constant stream of innovation accessible to the continent. The sandbox approach provides an elegant solution in this regard.

It should be noted that regulatory sandboxes are not a panacea to Africa's fintech challenges. They do involve significant costs and discipline in terms of establishing a due diligence framework that is needed. Care must be taken to ensure that candidate firms are not unduly excluded or that favoritism does not emerge for particular sectors or firms. Feasibility assessments, and due diligence in terms of consulting with key stakeholders prior to establishing sandboxes would be particularly important.

Implement inter-ministerial and inter-agency taskforces to co-develop the regulatory environment for fintech

As such, Fintech involves a range of actors who both influence and are dependent upon each other in fintech related area, although it is frequently the central bank which has the primary responsibility. South Africa has recently launched the Intergovernmental Fintech Working Group (IFWG) Innovation Hub with a number of institutions collaborating to co-develop the fintech sector. These include National Treasury, the Financial Intelligence Centre, the Financial Sector Conduct Authority, the National Credit Regulator, the South African Reserve Bank, the South African Revenue Service and the Competition Commission. This can serve as a good example of code-sharing for the the development of the sector. These taskforces can be both at the national or regional level.

Foster fintech specific incubators and accelerators

Fintech specific incubators and accelerators are required to boost the entrepreneurship potential in the sector. These can originate both from the public and private sectors. Although fintech can be one of the existing focus areas of existing accelerators, having sector specific accelerators which are fully specialized in dealing with fintech firms will be beneficial to fintech firms.

4. Strengthen enterprise side capacities - M/SMEs, retail merchants - to leverage and integrate Fintech in their operations

This strategic objective is aimed at enhancing the adoption of digital payments on the consumer side – whether it be individual citizens or enterprises, who

56 https://techcabal.com/2020/07/10/factsheet-how-an-african-fintech-sandbox-works-and-how-to-access-it/

are well adapted to mobile money solutions, but not necessarily the more complex digital payments solutions that are coming up on the horizon. There is little point to exploiting market opportunities, without developing the market itself, and towards this end, governments, development partners, RECs, fintech associations and individual firms can each play their part in sensitizing consumers and enterprises on the benefits of digital payment solutions. This can be implemented via direct company marketing, sensitization campaigns, among other means.

These efforts should be undertaken keeping in mind the broader goal of financial inclusion, which is still very weak across much of African countries. Each country should develop a financial inclusion strategy with a strong focus on Digital financial services (DFS)

Component 4: Domestic and cross-border logistics

Snapshot of Logistics sector and key challenges

- Increasing Emergence of logistics services aimed directly at the SME sector
- Weak harmonization of customs rules coupled with irregular
- implementation at the border is one of the biggest factors restricting M/SME based cross-border trade, including for e-commerce firms.
- Physical addressing and last mile delivery challenges continue to hamper on-time-delivery and pose a risk to scalability of e-commerce operations
- Implementation of cross-border paperless trade is uneven Informal mechanisms for cross-border transport dominate
- High transport costs further dissuade SMEs from pursuing formal cross-border trade
- Weak reverse logistics capacities is another dimension of the weak E-commerce cross-border trading environment

Strategic Objectives

- Pursue customs reforms and harmonization
- Establish National single windows (NSWs) and coordination mechanisms/tools for streamlining interagency collaboration
- Promote investments in 3PL/3PF and warehousing services
- Support rejuvenation of African postal services, while promoting healthy competition with private operators
- Improve last mile delivery
- Improve enterprise level capabilities related to logistics and order fulfillment.

Logistics is one of the most critical drivers of success for E-commerce – for most African countries, it is the weakest link in the Ecosystem. Most African states have struggled to rise above the bottom quadrants of a range of ranking assessments focused on logistics – be it the Doing Business indicators, UPU's integrated index on Postal Development (2IPD), or the WB's Logistics Performance Index (LPI). The conditions in South Africa and North Africa are notably better, while for most sub-Saharan African countries, the overall hard and soft infrastructure is not conducive to the swift movement of goods and services required for E-commerce. Transportation and logistics costs in Africa can be as high as 30 per cent above global averages, and in some sub-Saharan African countries, the costs can be up-to five times that in developed countries. This has a direct bearing on operating costs, as well as the business and investment operating climate. The intra-Africa logistics infrastructure is weak to the extent that in most cases, it is cheaper to import from the EU and other markets rather than source directly from other African countries. Recent enterprise survey-based studies[57] have clearly identified logistics, parcel delivery, transport, customs clearance, postal network efficiencies as some of the key challenges constraining cross-border commerce.

Increasing Emergence of logistics services aimed directly at the SME sector

Logistics is one of the prime drivers of E-commerce, especially in Africa's fragmented logistics landscape. There are examples of Fast-Moving Consumer Goods (FMCG) delivery services providing 24/7 marketplaces for retailers, including informal ones. Using these marketplaces, the small retailers are directly connected to the larger FMCG players, and can order supplies in a relatively cost-effective manner.[58] Within the broader logistics sector, Nigeria's Tradedepot and Egypt's MaxAB are examples of 3rd party fulfillment firms which are assisting SMEs. These firms provide inventory storage, fulfillment services including shipping, customer service and reverse logistics services. The importance of such services is immense for SMEs who cannot overcome the cost, knowhow barriers on their own in these areas.

Startups such as Kobe360, Sendy and Truckr are disrupting the logistics space making it easy and cost-effective for African SMEs, especially in the hinterland, to access the services they need.

Physical addressing and last mile delivery challenges continue to hamper on-time-delivery and pose a risk to scalability of e-commerce operations

Last-mile delivery is a significant challenge, and is a function of the physical transportation infrastructure, and physical addressing issues, and fragmentation of delivery suppliers. The physical addressing issue is common across most African countries, and will require high investment levels as countries work on developing national addressing systems which can be multi-year efforts. The absence of a verifiable customer address means that addresses have to be long-formed with descriptions and phone numbers, and almost always requires phone calls prior to deliveries, which stress on-time-delivery rates and scalability. Logistics services face capacity issues, and there is a high fragmentation in terms of service delivery. A package on its way from an urban city to the hinterland may exchange hands several times, with the last mile transportation being handled by local transportation services. Track and trace capabilities are limited in this environment, especially given weak capacities of individual service providers.

Overall, physical addressing issues routinely result in delays in payments and place limits on efficiencies of logistics services. Delays almost impact consumer trust, which is already fragile vis-à-vis African E-commerce. All of these issues have an impact on the bottom line of companies. A striking statistic relates to average international cost to the last mile for any manufacturer. In Africa, this figure can ramp up to 35-55 per cent of the product cost, while the global average is closer to 28 percent. works to around 28 percent of the cost of the product. [59]

57 For example, see (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

58 Noted in (Google, IFC, 2020)

59 https://etradeforall.org/logistics-update-africa-getting-past-the-hurdles-to-the-last-mile/

The following solutions/coping mechanisms have emerged as a response to these untenable challenge of physical addressing and last mile delivery.

1. Larger E-commerce firms such as Jumia and Konga have taken matters in their own hands, and have made vertical investments in their own logistics operations. By ensuring access of a professional logistics infrastructure, the firms try to maintain a fast turnaround time (daily basis in some cases), although they do incur a significant burn rate. These platforms have also integrated functionalities for disabling pay-on-delivery and forcing pre-payment for customers who have a certain amount of failed deliveries.[60]

2. In recent years, innovative alternate addressing solutions based on geo-location have emerged and these include both international solutions such as What3words as well as homegrown ones. Nigeria's postal services are piloting the alternate addressing system based on What3words for example.

3. Marketplaces and e-retailers are also employing pick-up points via which customers can pickup their products (and drop-off in case of returns). In the case of Konga, this mode can account for upto 40 percent of customers.[61]

4. Logistics marketplaces such as Bwala, which connect E-commerce firms to companies renting out trucks, cars, vans, and delivery vans (and also trusted mechanics or genuine dealers in spare parts). In line with future needs, it is expected that the market for such marketplaces will be healthy.

Weak harmonization of customs rules coupled with irregular implementation at the border is one of the biggest factors restricting M/SME based cross-border trade, including for e-commerce firms.

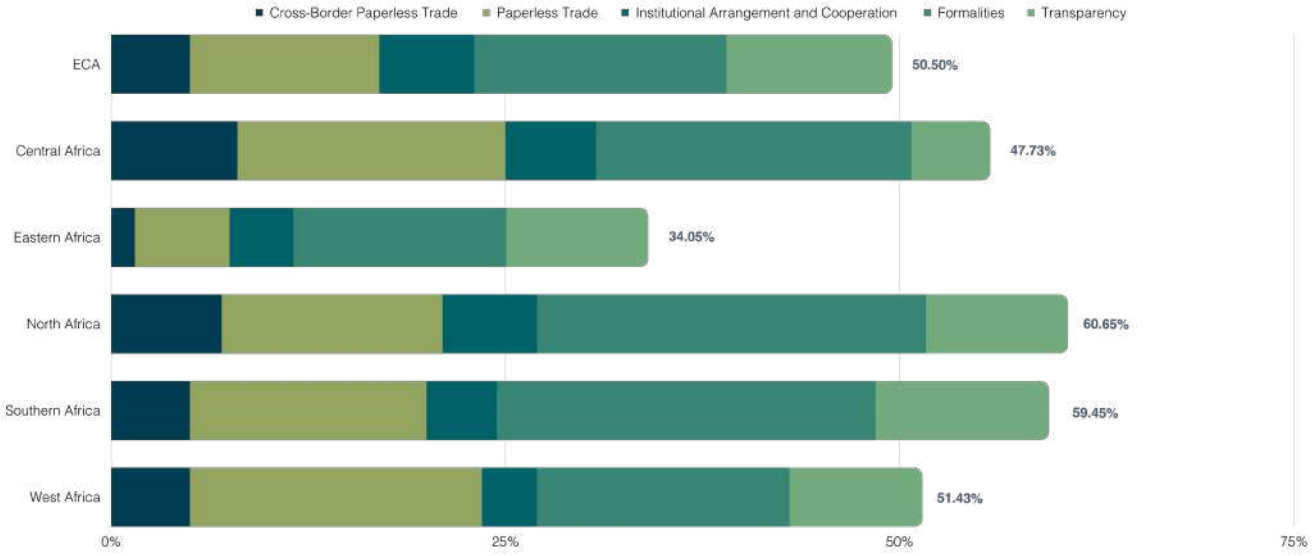
E-commerce firms of all sizes and sectors of operation face challenges in customs clearance procedures. At the SME level, customs authorities are concerned about proper paperwork and undervaluation of products. Processes and efficiency levels in terms of customs clearance differ from a country to country basis, thus imparting a strong sense of uncertainty for companies. Even larger E-commerce firms who are able to enter into partnerships with DHL and other courier firms face issues at the border.

It should be noted that at the REC level, even when companies should theoretically enjoy duty free transfer of products within the common union, incidents of M/SMEs being double-charged during transit between member states is not uncommon – signaling that it is not only the rules but also the implementation that is lacking.

60 (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

61 https://etradeforall.org/logistics-update-africa-getting-past-the-hurdles-to-the-last-mile/

Figure 9: Digital and Sustainable Trade Facilitation in Africa (2019)



Source: UN Global Survey on Digital and Sustainable Trade Facilitation, 2019

Implementation of cross-border paperless trade is uneven

African countries, particularly in Sub-Saharan Africa are lagging behind in overall trade facilitation measures.

As of July 2019, 35 of 44 African WTO member states have ratified the TFA. According to the Digital and Sustainable Trade Facilitation Global Report based on UN Global Survey on Digital and Sustainable Trade Facilitation conducted by UNESCAP, The global average implementation of the ambitious and forward-looking set of measures included in the survey stands at 62.7%. Implementation in Sub-Saharan Africa – which includes some of the poorest countries in the world – is only 47.8%, second only to the Pacific Islands.

Informal mechanisms for cross-border transport dominate

Bus services are frequently the most prevalent mode for cross-border imports and exports, including for e-commerce related goods. Irregularities in schedules and disruptions are common, and this model is challenging to scale (and informal), although certainly appealing to price-sensitive E-commerce platforms seeking to fulfill orders. Last mile delivery is not guaranteed as the package is dropped within the bus routes. This model is preferred by smaller firms due to the challenges they face during customs clearance, but also as a result of their status as informal enterprises and therefore susceptible to fines.

High transport costs further dissuade SMEs from pursuing formal cross-border trade

Transportation costs constitute a severe constraint for SMEs – the costs may sometimes be higher than the product cost and when the companies factor in the additional costs for customs, packaging etc, the incentive to utilize professional courier firms within Africa is very poor. These considerations further push the companies towards informal channels of transportation.

Box 4: Establishment of a single African air- transport market (SAATM)

The SAATM aims to ensure intra-regional connectivity between the capital cities of Africa and create a single unified air transport market in Africa, as an impetus to the continent's economic integration and growth agenda. SAATM provides for the full liberalisation of intra-African air transport services in terms of market access, traffic rights for scheduled and freight air services by eligible airlines thereby improving air services connectivity and air carrier efficiencies. It removes restrictions on ownership and provides for the full liberalisation of frequencies, tariffs and capacity. It also provides eligibility criteria for African community carriers, safety and security standards, mechanisms for fair competition and dispute settlement as well as consumer protection. To date, 34 countries have signed up for SAATM.

SAATM is of immense importance for the overall continental agenda. An IATA survey suggests just 12 key Africa countries opened their markets and increased connectivity, an extra 155,000 jobs and US$1.3 billion in annual GDP would be created in those countries. The impact on E-commerce as a result of the increased movement of air-traffic (the primary mechanism for B2C E-commerce). IATA notes that SAATM will ensure aviation plays a major role in connecting Africa, promoting its social, economic and political integration and boosting intra-Africa trade and tourism as a result.

Source: Author, AUC, IATA

Postal services

Postal operators offer a significantly untapped opportunity in Africa for boosting E-commerce. As the UPU notes, *the 21,700 post offices and 138,000 post agents in Africa represent an expansive distribution network that can offer immense support to Africa's e-commerce growth.*[62]

The postal services in Africa are significantly weak. Their structurally uncompetitive cost structure is frequently hampered by a weak IT infrastructure, and resource constraints. Their National mandate requires resource allocations regardless of market potential, leading to reduced competitiveness against private sector rivals. The issues are compounded by the fact that many African postal services have de-facto monopoly on small parcel delivery services, and the lack of liberalization prevents entry for innovative services. The UPU has identified the following as top challenges[63] facing African posts - limited resources, Lack of IT infrastructure, Transition required towards a digital culture, Lack of experts needed for e-service development, Slower-than-anticipated customer, adoption of postal e-services.

It should be noted that despite the overall weak capacities of African postal systems, there are emerging bright spots of innovation. Regional Posts in Africa are increasingly adopting mobile apps in their postal e-services.[64]

The UPU notes the following trends vis-à-vis African postal systems.

1. Domestic parcel volumes have increased everywhere over the last decade. In particular, impressive double-digit yearly growth rates were recorded in 2018 in Africa (50%). parcel export volumes from Africa have dropped in recent years.
2. The proportion of the population without access to postal services is negligible in the ICs and Eastern Europe and the CIS, but continues to be of concern in Africa (above 10%). Nevertheless, it should be noted that this proportion is more difficult to estimate for Africa than for the other regions.
3. Majority of consumers have to pick up their mail and parcels from post-offices given the weak capacities and resources of postal services in Africa. On average in Africa, there is only one office per 100,000 inhabitants.
4. The latest 2IPD rankings (2020) which assess state of national postal systems notes that *Ghana has now reached the top regional spot, ranked 57th worldwide, followed by Mauritius (63rd) and Nigeria (64th). Reliability is the main reason for Ghana's improved position. Guinea, Cameroon and Zambia have seen large boosts in their rankings too, rising 36, 34 and 25 places, respectively. In all these cases, improvements in quality of service have translated into higher reliability and reach.*[65]

Figure 10: *Delivery modes and access to Postal services*

	Population having mail delivered at home	Population having to collect mail from a postal establishment	Population without postal services
Africa	15.8%	71.5%	12.6%
Arab Region	83.1%	14.4%	2.5%
Asia-Pacific Region	96.7%	1.6%	1.6%
Europe and CIS	98.5%	1.5%	0.0%
Industrialized Countries	99.3%	0.7%	0.0%
Latin America America and Caribbean	90.3%	4.4%	5.3%
World	**90.6%**	**7.0%**	**2.4%**

Source: (Universal Postal Union (UPU), 2020)

Figure 11*: 2IPD Scores Africa*

Source: (Universal Postal Union (UPU), 2020)

62 (UPU, 2020)

63 (UPU, 2020)

64 (UPU, 2020)

65 (Universal Postal Union (UPU), 2020)

Country	Notes
Burkina Faso	**Fasoranana SME marketplace** The Government of Burkina Faso, through the Ministry of Digital Economy and Postal Development, has prepared a Postal Sector Development Strategy 2019-2023. As part of the strategy, the same Ministry launched in 2019, the FASORANANA Marketplace of the Burkina Faso Post ((https://www.fasoranana.bf/), a platform that allows businesses and citizens to sell or buy goods online.51 This is in line with UPU recommendations on digital transformation of postal services initiatives and digital readiness for e-commerce outlined in the UPU E-commerce Guide 2020.
Cote d'Ivoire	**– La Poste launches E-commerce platform to support local artisans** Sanlishop (www.sanlishop.ci.) is an internet product buying and selling site. Sanlishop promotes Made In Côte d'Ivoire and also African crafts, by marketing the products of local craftsmen. In addition to this, there are items such as stationery, stamp collecting, school supplies and many other items. Artisans can register there as a seller to easily sell their items on the site https://laposte.ci.post/particuliers/ecommerce
Ghana	**Ghana Post offers SMEs a platform to sell online during COVID-19** https://postshop.com.gh/ The establishment of e-commerce website is an innovation from Ghana Post. The purpose of the e-commerce platform, www.postshop.com.gh is to give all vendors and buyers the opportunity to trade online. This innovation has brought onboard both international and domestic retail shops for the convenient and accessible shopping experience and further pushed services that will increase the visibility of Ghanaian products on the world market. SMEs can upload their goods and services on the e-commerce website www.postshop.com.gh at no cost. Shoppers are also encouraged to visit their e-commerce website to shop from our wide range of local vendors.
Tanzania	**Postashop online marketplace for SME** The Postashop e-commerce website (https://postashop.tz.post) offers a big opportunity to Small and Medium Enterprises to sell their products in Tanzania Posts trusted website. It also provides various facilities like tracking customers order online, viewing order dispatch, paying online through Bank, Mobile and Credit Card (VISA) and transactional details. The benefits are: - Positive impact on the provision of the Postal Services is accessible to all people in the United Republic of Tanzania and Government. - Enabling rural and underserved communities to access online transactions and receives their products on time. - Enabling Tanzania Posts to share and integrate innovative solutions and capabilities with other business entities. - It gives a big opportunity to Small and Medium Enterprises to integrate into the services of Tanzania Post. - Provides customers with access to a global track and trace application that allowing them to track items ordered through to final delivery. - Customers can be happy and increase their trust in e-commerce. The Postashop platform sits on the UPU ".POST" infrastructure which is a top level domain that is secure and robust for digital postal services globally

Zimbabwe	**Zimpost Officially Launches The 'Zimbabwemall' Online Platform** Zimbabwe Post (Zimpost) launched Zimbabwemall in Dec 2020 – a virtual marketplace where sellers and buyers are going to meet then Zimpost offers the delivery logistics to facilitate the smooth flow of the transactions that delivers 'next generation' services. This development is part of the drive by the state owned enterprise to transform itself from a traditional post office to becoming a digitalised entity in line with the emerging global trends to be a smart post office. Zimbabwemall will offer a platform for both local and international markets which will allow local small and medium enterprises access to the global market while also allowing Zimbabweans in the diaspora to directly purchase goods and have them delivered to their families back home. It is a one stop logistic hub for local products and services to both local and international markets. Having a Zimpost e-commerce platform was a landmark development and milestone that presents Zimbabweans with a platform that is reliable, secure and dynamic from a trusted and known operator. Different organisations have already started partnering with Zimpost on this journey with national handcraft sector already in the platform. The Zimbabwemall sits on the UPU".POST" infrastructure which is a top level domain that is secure and robust. In this era of cyber threats, there is no doubt that customer confidentiality and security of information of both buyers and sellers is of utmost importance. The platform can be accessed at www.zimbabwemall.post This was part of ths ministry's goal to ensure every aspect of the country is facilitated by digital platforms and 'E' enabled at the post office: e-Commerce, e-Government services, where the citizens will conveniently access Government services; e-education to help students access educational sites at Community Information Centres (CICs); e-health to facilitate telemedicine activities.

Source: UPU

Customs readiness for E-commerce is uneven

The UPU has noted that the parcellization of trade is shifting the paradigm of cross- border e-commerce.[66] It has translated into high volume, small sized, low value shipments, which customs authorities struggle to match against capacities. The increase in intra-Africa trade will impart further pressure on customs authorities, and there are well-founded concerns that authorities will not be able to cope. The implications for e-commerce companies from resulting delays is weak on-time delivery, which will directly impact customer trust, repeat business, and ultimately the credibility for the E-commerce firms.

The RECs have prioritized free movement of goods and services, and some progress has been made. However, cross-border transportation and movement of goods continues to be a severe challenge, even within the blocs.

An important need to progress on the cross-border paperless trade area

Most African countries have not made progress on paperless trade, and the administrative procedures for clearance remain manual, which does not bode well for scalability of high-volume, low-value products. Despite most countries being signatories of the WTO-TFA, most countries have not made progress beyond a certain point.

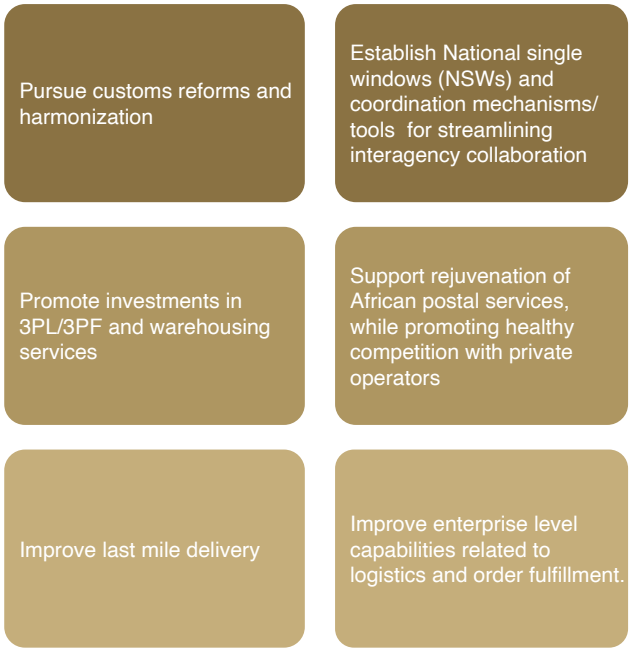
Weak reverse logistics capacities is another dimension of the weak E-commerce cross-border trading environment

The weak transportation infrastructure and the cross-border customs clearance process are problematic for another reason – E-commerce returns. Given that more than 30 percent of all products sold via E-commerce are returned, E-commerce companies would need to consider how to tackle returns. The volumes and complexities of returns will only increase as the E-commerce sector grows in Africa. E-commerce companies will need to become adept at managing returns , either in-house or via partners. Avoidance strategies are no longer an option.

The larger E-commerce firms including marketplaces in Africa provide a shipping label which customers can utilize to ship back returns but this only works when the E-commerce firm has a strategic partnership in place with professional courier firms, or if they manage their own logistics. For smaller firms, returns are still a significant headache. Currently, cross-border e-commerce in Africa is not widely prevalent so this is not a widely articulated pain point by the smaller E-commerce firms, but will become one as the scale and volume of E-commerce grows on the continent.

66 (UPU, 2020)

Strategic Objectives



1. Pursue customs reforms and harmonization

The strategy recommends that countries consider the WCO's framework of standards on cross-border e-commerce, including the following areas. This will also help in harmonization of national customs regulations, making it predictable for private sector to conduct-cross border trade.

Table 7: WCO's 15 standards for cross-border commerce

Standard	Description
1. **Legal Framework for Advance Electronic Data**	A legal and regulatory framework should be established for requiring advance electronic exchange of data between relevant parties involved in the E-Commerce supply chain, and Customs administrations and other relevant government agencies to enhance facilitation and control measures, taking into account applicable laws,inter alia, those related to competition (anti-trust), and data security, privacy protection, ownership.
2. **Use of International Standards for Advance Electronic Data**	Relevant WCO and other international standards and guidance should be implemented in accordance with national policy, in an effective and harmonized manner, to facilitate the exchange of advance electronic data.
3. **Risk management for facilitation and control**	Customs administrations should develop and apply dynamic risk management techniques that are specific to the E-Commerce context to identify shipments that present a risk.

4. Use of Non-Intrusive Inspection Technologies and Data Analytics	Customs administrations should use data analytics and screening methodologies in conjunction with non-intrusive inspection equipment, across all modes of transportation and operators, as part of risk management, with a view to facilitating cross-border E-Commerce flows and strengthening Customs controls.
5. Simplified clearance procedures	Customs administrations, working in coordination with other relevant government agencies as appropriate, should establish and maintain simplified clearance formalities/procedures utilizing pre-arrival processing and risk assessment of cross-border E-Commerce shipments, and procedures for immediate release of low-risk shipments on arrival or departure. Simplified clearance formalities/procedures should include, as appropriate, an account-based system for collecting duties and/or taxes and handling return shipments.
6. Expanding the Concept of Authorized Economic Operator (AEO) to Cross-Border E-Commerce	Customs administrations should explore the possibilities of applying AEO Programmes and Mutual Recognition Arrangements/Agreements in the context of cross-border E-Commerce, including leveraging the role of intermediaries, to enable Micro, Small and Medium-sized Enterprises (MSMEs) and individuals to fully benefit from the opportunities of cross-border E-Commerce.
7. Models of Revenue collection	Customs administrations, working with appropriate agencies or Ministries, should consider applying, as appropriate, various types of models of revenue collection (e.g., vendor, intermediary, buyer or consumer, etc.) for duties and/or taxes. In order to ensure the revenue collection, Customs administrations should offer electronic payment options, provide relevant information online, allow for flexible payment types and ensure fairness and transparency in its processes. Models that are applied should be effective, efficient, scalable, and flexible, supporting various business models and contributing to a level playing field for and among the various ECommerce stakeholders.
8. De Minimis	When reviewing and/or adjusting de minimis thresholds for duties and/or taxes, Governments should make fully informed decisions based on specific national circumstances.
9. Prevention of Fraud and Illicit Trade	Customs administrations should work with other relevant government agencies to establish procedures for analysis and investigations of illicit cross-border ECommerce activities with a view to prevent and detect fraud, deter the misuse of ECommerce channels and disrupt illicit flows.
10. Inter-Agency Cooperation and Information Sharing	Governments should establish cooperation frameworks between and among various national agencies through relevant electronic mechanisms including Single Window, as appropriate, in order to provide cohesive and coordinated response to safety and security risks stemming from cross-border E-Commerce, thus facilitating legitimate trade.
11. Public-Private Partnerships	Customs administrations should establish and strengthen cooperation partnerships with E-Commerce stakeholders to develop and enhance communication, coordination and collaboration, with an aim to optimize compliance and facilitation.
12. International Cooperation	Customs administrations should expand Customs cooperation and partnerships to the cross-border E-Commerce environment in order to ensure compliance and facilitation.

13. Communication, public awareness and outreach	Customs administrations should make consumers, the public and other stakeholders aware of the regulatory requirements, risks and responsibilities associated with crossborder E-commerce through comprehensive awareness raising, communication, education and outreach programmes.
14. Mechanism of measurement	Customs administrations should work with relevant government agencies in close cooperation with E-Commerce stakeholders to accurately capture, measure, analyse and publish cross-border E-Commerce statistics in accordance with international statistical standards and national policy, for informed decision making.
15. Explore technological Developments and Innovation	Customs administrations in collaboration with other relevant government agencies, the private sector and academia, should explore innovative technological developments and consider whether these developments can contribute to more effective and efficient control and facilitation of cross-border E-Commerce.

Source: WCO

Harmonization of de-minimis values and ensuring reciprocity will also be extremely important.

The WCO's standards on cross-border trade provide detailed guidance on developing customs clearance procedures (including setting up low-value dutiable categories and de-minimis regimes) which may be helpful for African countries as they seek to inject efficiency in border clearance procedures while maintaining good risk management practices.

Countries and RECs must engage in introspection on de-minimis. countries and RECs may pay attention to a range of factors - assessment of costs involved in collecting taxes vs. actual potential for duties collected. This is not easy and a fair bit of strategic due-diligence is required. Another consideration is the actual capabilities of national customs authorities to be able to manage the increased 'parcellization of cross-border trade' (a term coined by the UPU). The third factor relates to the broader development agenda for E-commerce envisaged by countries in terms of cross-border paperless trade. This collective introspection at the national and collective/REC level may lead to a decision on increase in de-minimis thresholds.

This introspection should be conducted with due consultation with the private sector and essential regional institutions such as the pan-African postal Union (as an example), and utilizing regional and pan-African platforms where customs related issues are already being discussed.

2. Establish National single windows (NSWs) and coordination mechanisms/tools for streamlining interagency collaboration

NSWs[67] are critical trade facilitation instruments which can significantly increase the efficiency of cross-border trade. The established benefits include:[68]

- For the government as a whole: increase in government revenue, enhanced compliance with rules, improved efficiency in resource allocation, better trade statistics,
- For economic operators, such as traders: faster clearance times, a more transparent and predictable process and less bureaucracy,
- For an administration such as Customs: improved staff productivity through the upgraded infrastructure, increase in customs revenue, a more structured and controlled working environment, and enhanced professionalism,

67 Generally refers to an electronic facility that allows parties involved in international trade and transport to submit all information needed to fulfil trade-related regulatory requirements at once and at a single-entry point. This digital trade facilitation measure aims at reducing the regulatory burden for traders when completing import, export and transit-related procedures. It has emerged more than a decade ago and has become a core component of trade facilitation reforms. The WTO TFA has dedicated provisions on single windows. https://www.unescap.org/resources/single-window-trade-facilitation-regional-best-practices-and-future-development

68 http://tfig.unece.org/contents/single-window-for-trade.htm

- For the national economy as a whole: improved transparency and governance and reduced corruption, due to fewer opportunities for physical interaction.

Another important instrument for streamlining interagency coordination is a National Trade Facilitation Committee (NTFCs) .NTFCs are an important instrument for improving the trade facilitation environment, and for ensuring 'holistic implementation of the WTO-TFA in a structured and coordinated way.[69] However, the NTFC must go beyond the mandate of the WTO-TFA and can be leveraged for other mechanisms including E-commerce strategy core teams/taskforces etc., given that many of the institutions involved in the NTFCs are also involved in E-commerce. In Africa NTFCs are established for Zambia among other countries.

3. Promote investments in 3rd party logistics / 3rd party fulfillment (3PL/3PF) and warehousing services

An important need for investments in 3PL/3PF and warehousing services is required throughout Africa

There is a dearth of 3PL/3PF services, which will pose constraints for e-commerce companies looking to scale up operations especially across borders. Reverse logistics is also one of the areas where specialized expertise (likely via investments) is required, given the reality that more than 30 percent of E-commerce retail products are returned globally. Individual E-commerce companies simply would not possess the capacities to manage cross-border logistics operations on their own in the early days.

For the reasons mentioned above, logistics is one of those ecosystem areas where investments are required on a priority basis. There is plenty of space for investors to carve out market space, especially as e-commerce operations and generally intra-Africa trade ramps up. The question would be to what extent and how swiftly investment promotion agencies can improve the investment environment, while also ensuring that the right type of investments is prioritized – for example in areas based on identified due diligence, Joint-ventures with knowledge spillovers, investments with high potential for investor- SME supplier linkages. Individual investment promotion and after-care regimes and initiatives would need to incorporate this focus.

4. Support rejuvenation of African postal services

National postal services can play an important role in the E-commerce space, but before they explore digitalization, there is a need to shore up their capacities. In this regard, the UPU provides a range of services:

Easy Export Program:[70] The program helps governments put together systems to facilitate exports for local MSMEs through the postal network to boost the participation of local MSMEs in the global market. The programme is based on three pillars: low export costs, simplicity and national coverage, with the Post as the single-window for SMEs to access the export markets. This program aims to assist countries facilitate the export of goods at lower cost via the postal network and to reduce the administrative procedures for small exporters. To initiate the project the government forms a national coordination commission bringing together various departments of the government and related agencies – including those responsible for the Post, trade and Customs, and export promotion – to collaborate on implementation of recommended simplified export processes, supported by UPU tools and frameworks.

The UPU is working with the governments of Morocco and Tunisia for UPU Easy Export Program assistance to support simplified exports by SME utilizing the postal network.

The Moroccan pilot was launched at the end of 2019. After having set up a first facility in 2015 for the benefit of artisan couturiers, the ADII is establishing, in collaboration with Barid Al Maghrib (via its subsidiary Chronopost) and the Foreign Exchange Office, a new simplified procedure in favor of self-employed entrepreneurs operating internationally. This facilitation will also make it possible to control the management of the postal dispatch of products free for export and not subject to special regulations whose value does not exceed 50,000 DH as well as re-importation of undelivered items to their addressees, which, thanks to the computerized exchange of data between customs, and the Office des Exchanges, monitoring and traceability of export operations via the postal network, but above all it will allow the self-employed to access the global market and ship their products more quickly across borders.

In Tunisia, the pilot is guided based on the following deliverables:

- Establishment of the Single Window as a structure acting as a single point of contact and focal point for Easy Export project members.
- Implementation of a Web Services portal allowing MSMEs to access information related to Easy Export and the deposit of their membership files online.
- Establishment of export support mechanisms (Subsidy of 50% transport costs by FOPRODEX).
- The ongoing supervision of the MSMEs benefiting from the Easy Export Project and the awareness of other MSMEs to encourage them to join the Easy Export project

The UPU has reported that the companies using Easy Export are generally satisfied with the experience and the 50% subsidy of transport costs provided by the Tunisian authorities.Key benefits cited include reduction of costs and increase of their international competitiveness.

69 https://unctad.org/news/making-african-cross-border-trade-cheaper-easier-and-faster-highlights-first-african-forum

70 Inputs provided by UPU

Operational Readiness for E-commerce (ORE)[71] UPU's ORE projects are aimed at coordinating and improving of the quality of service through an integrated postal supply chain approach in order to help DOs meet operational readiness targets for e-commerce in particular to improvement of end-to-end delivery performance and reliability, to establish more customer-oriented solutions to contribute to the continued growth of the e-commerce market.

In Africa, six strategic ORE projects were initiated in 2017 until December 2020. Activities included consultancy missions (on-site process review missions, technical implementation missions, certification missions and remote consultancy sessions), training workshops (including remote WSHs in 2020), and equipment procurement, individual training missions, development and translation of the thematic courses for the training in connection with the ORE aspects.

In order to strengthen effectiveness and impact of the ORE projects in the field since the beginning the IB have adopted and applied different approaches as follows:

- integrating postal operations activities and e-commerce within one project;
- applying of close transversal coordination and cooperation between the DOP and DCDEV programmes and Units;
- establishing of clear KPIs taking into account the specificities of each region and their detailed application related to each process/service;
- creating project coordination and management structures (nomination of regional project managers and country project managers);
- establishing of work modalities and appointment of regional project facilitators;
- assistance to countries for formulation and execution of roadmap and a detailed action plan;
- creation of the on-site e-commerce process review mission's methodology;
- permanent monitoring and piloting of ORE activities through SIGA system;
- assistance in formulation of country/DO national action plans as part of the ORE projects.

ORE projects were conducted in close cooperation with Restricted Unions including the Panafrican Postal Union (PAPU). Overall, 45 African countries have benefited from these projects.

An impact analysis of the UPU's ORE activities showing the progress made by the participating designated operators on the global key indicators showed that many achievements have been made towards the realisation of the main activities under the five key areas of this project.

The results expressed in terms of number of designated operators are summarized as follows:

Key performance indicators	2016 status	Objec-tives	2020	
			Number	Percentage of achievement
Participants in the ORE project	45	40	45	112.50
Use of an up-to-date tracking systems (IPS, IPS. post, IPS Cloud)	17	38	42	110.53
Use of electronic customs declaration systems (CDS, CDS. POST)	0	20	12	60.00
Exchange of tracking data using EMSEVT 3	16	38	36	94.74
Exchange of electronic pre-advice of dispatch using PREDES 2.1	14	38	38	100.00
Exchange of electronic data with airlines using CARDIT 2.1	0	10	18	180.00
Exchange of customs information with postal partners using ITMATT	2	10	28	280.00
Set up phase 1 of the integrated product plan (IPP)	0	40	23	57.50
Participation in the GMS module for incoming and end-to-end	11	36	33	91.67
UPU quality management certification	0	6	0	0.00

71 All inputs provided by UPU

Ecom@Africa: A new free-of-charge initiative to create a one-stop shop for e-commerce delivery in Africa. In terms of concept and approach, the initiative seeks first to strengthen the operational efficiency of the national postal network for effective international exchanges of postal items in view of the growing e commerce volumes, and later to connect and integrate with other platforms in the region and globally. The initiative begins with an assessment of the country's e-commerce conditions and the postal operator's operational readiness.

Through the initiative, the UPU helps to build a closer partnership between governments and national postal operators. It works with these two key stakeholders using its operational readiness for e commerce (ORE) methodology to assess and improve the capacity and operational efficiency of the national postal operator to support the development of e-commerce. The end result: any MSME located in a remote area of the African continent can sell its goods to a customer located anywhere in the world, and any buyer in Africa can purchase goods from wherever they like.

Private sector players and other stakeholders can also join the initiative by forming partnerships directly with the government or designated operator of a participating country. The UPU is currently at the national stage with several pilot countries, including Tunisia, South Africa, Morocco, Kenya, Cameroon and Côte d'Ivoire.[72]

Table 8: UPU ORE and DRE initiatives

	SCOPE	KEY PILLARS	TIME FRAME	DELIVERABLES
ORE	Modernize operational processes and use all available IT stadardized tools and E2E systems to implement operational solutions, which meet e-commerce requirements	Visibility: It tools, EDI messages and reports for e-commerce	10 MONTHS	ORE ASSESSMENT
		Data Quality: data compliance with UPU standards		ORE ROADMAP of operational plans and IT tools usage
		Supply Chain Integration: Customs, international transport, security, logistics and warehousing		FINAL REPORT of operational plans and IT tools usage
		E2E Reliability: E2E reporting, Global Customer Service System (GCSS), certifications		
DRE	Enhance digital capabilities and use all available tools to implement digital solutions that meet e-commerce requirements	Policy Frameworks: e-commerce policy (policy and regulatory framework for the participation of the Post in e-commerce)	10 MONTHS	DRE Assessment of digital capabilities
		Digital Strategy: postal e-commerce and digital strategy (strategy, digital economy)		DRE Transformati toolkit (enablers)
		Digital Transformation: implementing digital capabilities (cybersecurity, product and services, and strategy)		Evaluation of postal digital strategy
				Final Report with proposals and recommendations

Source: (UPU, 2020)

Box 5: Importance of postal services in digital inclusion

Why are Posts important digital inclusion players?
Postal systems are increasingly important players fostering digital inclusion and building the capacities of national postal systems. According to a global UPU survey, 93% of Posts (116 out of 125 responses) provide digital postal services, either directly or in partnership with other companies. Posts are comparatively well positioned to provide e-government, e-commerce and e-finance services to populations that tend to be excluded, such as women, the poor, the less well educated and those in the informal economy. As such, postal networks should be an integral part of discussions in which governments, policymakers and international organizations design strategies for fostering digital inclusion.

Key success factors for Posts to advance on digitalization
In order to offer sustainable postal digital services, Posts will need to rely on their competitive advantages and transform key aspects of their business. In this report, we have identified the four key factors highlighted below, which make the Post especially well positioned, but which need to be developed:

- **Complementing post offices with new digital services to expand competitive edge in terms of network size and density:** With 661,000 post offices worldwide – and an additional 1.4 million postmen going door-to-door daily – Posts own one of the largest physical networks in the world.
- **Access to financing for digital projects:** At the operational and product level, Posts need to invest to fully digitalize their organization. According to the research underlying this report, 56% of Posts feel that their investment resources are not yet sufficient to ensure full deployment of services. Therefore, it is key to get access to funding for digitalization projects by being part of donors' round tables organized by international organizations.
- **Partnerships**: Over the past 20 years, most Posts have transitioned from traditional postal administrations to corporations which have to balance their social impact and financial sustainability. Advancing in terms of digitalization, 70% of Posts are building partnerships with private companies in order to be agile, share risk and reduce financial burdens.
- **Alignment with government's digital strategies** to recognize the postal network as a tool for advancing digital inclusion: it is critical for Posts be part of regional and national digital strategies where their role is recognized.

Source: (UPU, 2019)

72 UPU - https://www.upu.int/en/Postal-Solutions/Programmes-Services/E-commerce

5. Improve last mile delivery

This strategic objective aims to improve the last mile delivery challenges that constrain the African logistics sector, with physical addressing issues playing a significant role. The strategic objective aims to explore/ scale up alternate mechanisms for addressing such as geolocation technologies. Some African countries are already utilizing such technologies.

6. Improve enterprise level capabilities related to logistics and order fulfillment.

This strategic objective aims to address capacity gaps at the enterprise level, in terms of improving enterprise level knowledge of logistics and order fulfillment topics. This is an important area of focus because no matter how well regulations and technologies are adapted to the needs of the e-commerce sector, enterprises must be comfortable in the best practices involved in using them.

Component 5: ICT Infrastructure

Snapshot of ICT Infrastructure segment and Growth drivers	Challenges
• Internet infrastructure has improved rapidly, especially in certain key markets. • There is a direct correlation between internet connectivity and e-commerce growth. • Smartphones are going to dictate future E-commerce growth in mobile-first Africa • 5G is poised for deployment, albeit gradually; Governments must carefully balance existing plans for enhancing 4G penetration • The number of data centres across the continent are growing • Undersea cable network expansion efforts by International Digital MNEs such as Google and Facebook, efforts should be welcomed, but implications on data protection and cross-border data sharing have to be carefully assessed.	• Gains in internet penetration have been concentrated in urban areas while 2nd tier cities and rural areas are underserved. • There is a large and growing digital divide between African countries, which will likely serve as a risk and a barrier to entry for E-commerce firms. • While access and usage among SMEs has grown, growth of useful-usage has not grown as much Review of universal access policies reveals an un-even implementation
Strategic Objectives	
• Explore mechanisms to further expand national internet connectivity and improve affordability • Support development of IXPs • Prioritize regional efforts to develop ICT infrastructure • Explore approaches involving co-sharing of infrastructure development costs and resulting benefits. • Drive data center infrastructure development via a combination of policy and incentives	

1. Internet infrastructure has improved rapidly, especially in certain key markets.

According to the GSMA, 477 million people, or 45 percent of sub-Saharan Africa's population was connected to mobile services as of end-2019. By 2025, sub-Saharan Africa is estimated to add more than 130 million new subscribers, half of which will be derived from 5 key markets – Nigeria, Ethiopia, DRC, Tanzania, and Kenya. Growth in mobile services is driven by significant investments by operators to improve the network infrastructure across the continent. USD 52 Billion of infrastructure rollouts are expected between 2019 and 2025 in sub-Saharan Africa. International internet bandwith has increased by a factor of 10 over the past decade to 12 terabits per second (Tbps). 37 of the 38 African countries (except Eretria) with a coastline have access to at least one submarine cable connection.

Internet access is expected to become more and more affordable in the future, as competition for providing internet services grows. Tariffs have dropped from 13.2 percent of average monthly income to 6.8 percent between 2016 and 2019. In line with tariff reductions and increased penetration and in tandem with purchasing power of consumers, the monthly data consumption is expected to increase by over 300 percent between 2018 and 2024.[73]

2. Gains in internet penetration have been concentrated in urban areas while 2nd tier cities and rural areas are underserved. There is a large and growing digital divide between African countries, which will likely serve as a risk and a barrier to entry for E-commerce firms.

Although Internet penetration across Africa is estimated to grow significantly in the near future, driven by impetus on accelerating mobile services provision, there are still significant gaps in accessibility. Geography certain influences the access and affordability to high-speed internet. At the national level, 2nd tier cities and certainly rural areas across most countries are less connected, and the digital divide in terms of digital literacy, digital financial inclusion, entrepreneurship, is on the rise. To bring this in context - there are still close to 800 million people in sub-Saharan African alone who are not connected to mobile internet.The Infrastructure Consortium for Africa notes that three-quarters of Africa's population is offline. With fixed line connectivity a non-viable growth medium for most countries, it may be logical to assume that this staggeringly high unconnected population does not participating meaningfully within the digital economy, let alone E-commerce.

73 Source : GSMA

Table 9: Mobile services statistics – select countries

		Africa	Egypt	Kenya	Nigeria	Rwanda	South Africa
Population Coverage	2G	76.8%	100%	96%	94%	100%	100%
	3G	64.5%	99%	86%	75%	97%	100%
	4G	32.1%	89%	35%	22%	97%	90%
Mobile-cellular subscriptions		76.2%	95%	96%	88%	79%	153%
Active mobile-broadband subscriptions		32.3%	54%	42%	31%	39%	76%

Source: (researchICTsolutions, 2020)

3. There is a direct correlation between internet connectivity and e-commerce growth.

Enhancements for internet infrastructure are a function of broader economic development; countries with high internet penetration tend to also be on the higher scale of economic development – both fertile grounds for E-commerce. This partly explains why E-commerce has taken root in certain countries more than others – particularly Nigeria, Kenya, South Africa, and North African countries. Internet penetration (by % of total population) point to the disparity – Southern Africa leads at 60% , followed by Northern Africa (53%), Western Africa (36%), Eastern Africa (23%) and Middle Africa (22%%).[74]

4. Smartphones are going to dictate future E-commerce growth in mobile-first Africa

Africa is a mobile-first continent, and as 3G/4G penetration improves, smartphone based digital use-cases will increase. The current smartphone penetration is 39 percent, but is expected to rise as easy leasing and financing options are scaled up Africa wide. Nigeria, South-Africa, and Kenya constitute the top three markets for smartphones in sub-Saharan Africa, and it is estimated that 700 million smartphone connections will be added by 2025.

Given the importance and potential of smartphones, governments may consider carefully reviewing implications on environment sustainability, as well as supporting mechanisms to make smartphones more affordable. This could include supporting the development of a devices repair supply chain. Examples such as the partnership between Safaricom and Google, allowing low-income consumers to pay for 4G enabled smartphones via daily installments is a refreshing example of the growing adoption of smartphones.

5. While access and usage among SMEs has grown, growth of useful-usage has not grown as much

The AfDB has described useful usage[75] of ICT technologies as the capacity to take advantage of e-commerce in order to reap the full benefits of the information society. It is an evolution from the basic stages of access to such technologies, and usage of such technologies.

Two factors are important for developing capacities for useful-usage in Africa – education and access to tools within the digital economy; and awareness among SMEs on how to leveraging internet tools to overcome barriers and penetrating international markets.

Box 6: Smart Africa Initiative

The SMART Africa initiative represents an alliance of 30 African countries with the common goal of *accelerating sustainable socio-economic development on the continent, ushering Africa into a knowledge economy through affordable access to Broadband and usage of Information and Communications Technologies*. The Smart Africa Initiative has set the creation of a Digital Single Market in Africa as its strategic vision.

The initiative is guided by the Smart Africa Manifesto, endorsed by all African leaders at the 22nd Ordinary Session of the Assembly of Heads of State and Government of the Africa Union, held in Addis Ababa in January 2014. It is closely aligned with the AfCFTA, the DTS, and other key pan-African and regional institutions.

Five pillars - Policy, Access, e-Government, Private Sector/Entrepreneurship, Sustainable Development – and four enablers -(1) Innovation (2) Communications and Advocacy (3) Capacity Building and (4) Resource Mobilization- constitute the framework of SMART Africa. In addition to the country membership, the initiative involves active participation from the AU, the ITU, World Bank, AfDB, ECA, the GSMA, ICANN and the Private Sector. The initiative is open to membership from the broader private sector as well.

Source: https://smartafrica.org

6. 5G is poised for deployment, albeit gradually; Governments must carefully balance existing plans for enhancing 4G penetration

5G tests have been conducted in a number of African countries, with South Africa emerging as the likeliest candidate for rollout. 5G holds the promise of significant upgrades in social and business usage and also pushing the current limits of technology driven use-cases that can be implemented, including for e-commerce.

Countries must carefully balance the promise of 5G with risks in terms of stretched resources, especially as most countries are still haven't reached adequate 4G penetration levels. 3G and 4G penetration in 2018 was 71 percent and 40 percent respectively, and it will be important to not lose sight of key universal access goals in terms of expanding voice and LTE services nationwide. The current focus of regulators, telecom operators is rightly directly towards increasing the coverage and uptake of 4G.

74 Hootsuite

75 https://www.wto.org/english/tratop_e/devel_e/a4t_e/s2Jean-Guy_Afrika.pdf

7. The number of data centers across the continent are growing

The number of data centres in Africa have nearly doubled between 2014 and 2017.[76] Sourth Africa is the preferred destination hosting data centres from companies like Google, Huawei, and Amazon. Many multi-tenant data centre hosting sites are being developed. International MNEs are preferring to host data closer to (within) the African market in order to improve penetration within the market, and South Africa provides a relatively robust infrastructure base and cyberlaw framework. Going forward, the policy focus on data sovereignty as well as the practical importance of local content exchange via IXPs is going to gain momentum, further boosting the business case for investing in data centres.

8. Undersea cable network expansion efforts by International Digital MNEs such as Google and Facebook, efforts should be welcomed, but implications on data protection and cross-border data sharing have to be carefully assessed.

Google and Facebook are leading efforts by digital MNEs to expand undersea cable network connectivity. Google's Equiano's cable will run along Africa's West Coast from Portugal to South Africa and is expected to have 20X capacity of the last cable to serve the region.[77] The first branch of this cable is expected to land in Nigeria. This is Google's 14th undersea cable project, with the implementation contracted to Alcatel submarine networks. [78] Google has made capex investments of USD 48 Billion between 2016 and 2018, reflect a long-term intent for the sector.

Facebook is launching 2Africa, which will lay 37000 km of cable and provide connectivity to 23 countries in Africa, EU and the Middle East. Facebook claims that this cable will provide nearly three times the total network capacity of all the subsea cables serving Africa today.[79] The scale of these projects is immense, and indeed, the successful implementation would certainly help drive internet costs down for internet while improving the speed, quality and reliability of digital services for consumers. This will also support the anticipated increase in data servers in Africa which require access to fast internet.

It must be considered that these private sector efforts are rooted in opportunities that the companies see in Africa's largely untapped potential, both in terms of un-connected customers as well as the vast amount of data that will be generated and accessible . A recent FT article notes that *'global internet companies have also noticed the edge that investing in upgrading Africa's digital infrastructure could give them in cutting the costs of access to their services in a largely untapped market.'*[80] On the issue of data protection, policymakers would need to assess the expectations of google, Facebook and other MNEs in terms of access and control over the data. Countries would need to assess whether citizens rights are endangered in case they are required to relinquish control over their data, or whether a good compromise compliant with national laws can be found.

This is an important issue that required concerted action at the pan-African level. The type of data collected by international tech companies is much more detailed and personal that that collected by telecommunications firms – The latter are tightly controlled by national telecommunications regulators, while there is often limited regulatory control over the former (this may change once data protection authorities are established in countries, but this remains a medium-long term goal). There is also concern that international firms can skirt national regulatory controls by developing their own infrastructure, which consumers can tap into without requiring mobile connections. This is why African governments are increasingly concerned about OTT services (such as Netflix).

To be sure – cynicism and suspicion is not the answer as certainly Africa needs the big tech companies to establish infrastructure and forge alliances which will support Africa's digital economy, the answer instead lies in sensible regulation at the national levels, harmonized at the regional and pan-African level so that the rights of African citizens and businesses are maintained, the governments mandate of data protection is fulfilled, and also that digital MNEs are able to benefit from the opportunities that lie in Africa and do not have to suffer through undue burden.

The strategy proposes the development of national policies harmonized with a harmonized Pan-African data protection policy /possibly by amending the Malabo convention, and establishing DPAs to enforce the policies. Regional data protection policies at the REC level can also be developed, which ideally would be aligned with the national and pan-African levels.

9. Review of universal access policies reveals an un-even implementation

Universal access strategies and related funds theoretically play an important role in enhancing telecommunications infrastructure, including mobile voice and internet services, while also serving to expand digital literacy and entrepreneurship initiatives. A long term strategy/ policy articulates the country's future vision and planning, while funds collected under the initiative (typically a small percentage of annual revenues for telecommunications operators) are disbursed for various initiatives.

A total of 37 countries in Africa (68%) have universal service and access funds (USAFs) of which 23 funds are active. A recent review concludes that there is significant inefficiency in disbursement of funds. Across just 13[81] countries, unspent USAF funds total approximately US$177 million. An estimated US$408 million is sitting unspent across all 37 African countries with a USAF in place (active or inactive).

76 (Google, IFC, 2020) and https://xalamanalytics.com/research/investor-reports/the-african-data-center-boom-2018/

77 https://cloud.google.com/blog/products/infrastructure/introducing-equiano-a-subsea-cable-from-portugal-to-south-africa

78 ibid

79 https://engineering.fb.com/2020/05/13/connectivity/2africa/

80 https://www.ft.com/content/adb1130e-2844-4051-b1df-a691fc8a19b8

81 (Thakur & Potter, 2018, p. 8)

Indeed, USAFs are frequently criticized for not disbursing and utilizing collected funds in an expeditious and relevant manner.

Figure 12: Key Internet penetration indicators

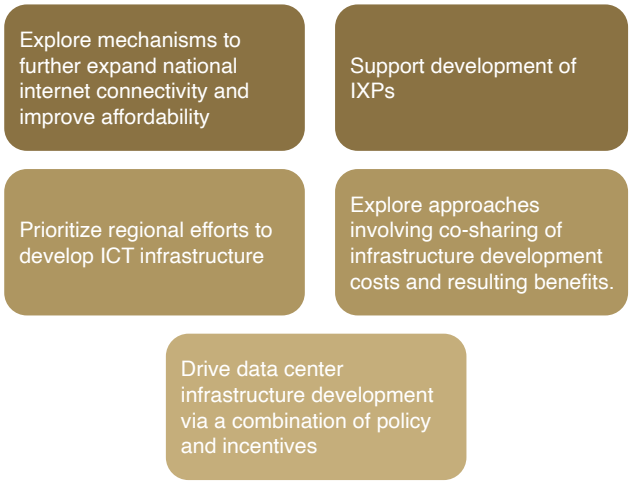
Source: (WTO, 2021)

Access to electricity has direct proportionality to internet penetration and useful usage of internet

Access to electricity is required for powering the digital economy, whether for cell-phone towers, or data centers. Within Africa, countries with relatively stable supply of electricity such as south Africa, Senegal and Ghana also have higher access to internet,[82] although this is not the only parameter dictating the high access. Certainly, the weak access to electricity in the hinterland has contributed to weak access to internet.

In terms of emerging solutions, telecom companies are increasingly outsourcing the supply of electric power and maintenance of electrical equipment to specialized energy service companies[83], while also engaging in infrastructure sharing with competitors to further reduce energy costs. Interestingly, telecommunication firms, fintech operators are increasingly contributing to the innovation occurring in this area of electricity generation, thus *blurring the boundaries with traditional standalone utilities*. [84]On the consumer side, off-grid solar systems as well as other de-centralized power systems , combined with convenient and affordable financing schemes are in place.

Strategic Objectives



Explore mechanisms to further reduce internet costs at the national level

Governments must continue developing their internet infrastructure and increase the penetration rates. Lowering the costs of service would be very important for an extremely price-sensitive population. For example, it may make Internet access more affordable by removing high taxes in order to lower the cost of devices and Internet service. Or, by lowering the cost to deploy networks and provide service for operators, thereby making it easier to import equipment and obtain access to rights-of-way. Kenya already has been making efforts to lower the costs of both access and devices.[85]

Support development of IXPs

A government can heavily impact Internet adoption and usage, thereby creating the supply of, and demand for, traffic through an IXP. The experience of Kenya and Nigeria has shown that IXPs can greatly improve the the costs/quality of internet as well as spur local digital content generation which can spur digital literacy efforts and greater absorption of digital content. This can help develop both demand and supply sides of the digital economies in the region.

Development of IXP infrastructure will be a significant priority. IXPs are a necessary requirement for promoting local content development and absorption, reducing latency, and increasing reliability, speeds of locally originating transactions, while also reducing costs.

82 (Google, IFC, 2020)

83 (Google, IFC, 2020)

84 (Google, IFC, 2020)

85 (Kende M. , 2020)

Box 7: IXPs

An IXP is essential technical infrastructure where networks come together to connect and exchange Internet traffic. Many of the people and organisations involved in setting up an IXP are traditionally competitors. By deciding to work together they contribute to a better, more resilient local Internet infrastructure. This happens when there are people on the ground, championing Internet access for everyone and build a community to support this cause. For an IXP, a strong community is the foundation for success. IXPs help create shorter, more direct routes for Internet traffic. They provide a more affordable alternative to sending local Internet traffic abroad, only to have to return that traffic via an international link, which can be an expensive business.

Some of the types of networks that connect to exchange traffic are: Internet service providers (ISPs), mobile operators and content delivery networks (CDNs) such as Google, Baidu, Akamai, and Facebook.

The tangible benefits of IXPs are:

Cheaper: Because IXPs ensure that traffic between local senders and local recipients uses relatively cheap local connections, rather than expensive international links, the cost savings for ISPs can be significant – 20% or more in some countries.

Better: The switching capabilities of IXPs allow Internet traffic to be redirected when there are connectivity problems on the network. So, for example, if there's a breakdown in international connectivity, an IXP can keep local traffic flowing within the country. This contributes to a more resilient Internet.

Faster: By providing more direct network connections, IXPs improve the quality of access for local users. Access speeds for local content improves as much as tenfold with an IXP in place, because traffic is routed more directly.

More opportunities: IXPs attract a range of local and international operators because they provide them with a more cost-effective way to access potential local Internet users. This spurs innovation and creates business opportunities – it encourages local people to produce more relevant local content and applications.

In Africa, the Nigerian and Kenyan IXPs are considered as successful case studies, and since 2010, approximately 70 percent of the internet traffic has been localized in both countries, from a baseline of 30 percent.

There are three stages of maturity of IXPs:

Stage 1. The IXP mainly is used to exchange local traffic between local access providers.
Stage 2. International content is made available locally, attracted by the IXP and its member networks.
Stage 3. Local content is hosted locally, rather than in data centers located abroad.

Source: (Kende M. , 2020)

According to the African IXP Association, there are currently 46 active IXPs located in 42 cities in 34 countries in Africa.[86] The use of Internet exchange points (IXPs) as in Nigeria and Kenya has spurred internet traffic and lowered costs in these countries. The internet society contextualizes the importance of IXPs to the ongoing pandemic emphasizing the importance smooth accommodation of sudden increases of traffic due to the unprecedented increase in reliance on the Internet since social distancing and lockdowns began.[87]

86 https://www.af-ix.net/ixps-list

87 (Kende M. , 2020)

Prioritize regional efforts to develop ICT infrastructure

At the regional level, the East Africa Community and the East African Communications Organisation are conducting work on regional data connectivity and increasing awareness of its benefits. Regional coordination has increased the number of cross-border terrestrial cables.[88] This type of model can be studied by other RECs as well.

Explore approaches involving co-sharing of infrastructure development costs and resulting benefits.

The government can provide access to its own rights of way—whether along roads or highways, railroads, electricity transmission infrastructure, or other networks—and require providers to share the cost of deploying passive infrastructure, such as ducts for fiber, that they can all use. In Nigeria, work is being done on harmonizing rights-of-way in an effort to lower both access costs and administrative time.

Countries can also explore the development of universal access funds, although they are sound in theory but quite challenging to put in practice. The overall goal is to share infrastructure (and resulting costs for establishing and managing) in markets where it might not be profitable for individual telecommunications operators to develop the infrastructure separately. This is especially important considering that strains on government budgets are expected to continue in the long term, and cost sharing among service providers may help with increased penetration

Drive data center infrastructure development via a combination of policy and incentives

African countries will need a robust and secure data server infrastructure to support its fledgling digital economy growth. The Digital Transformation Strategy notes that a large share of data consumed in Africa is hosted overseas. Tier III and Tier IV data centre infrastructure designed to host mission critical servers and computer systems, with fully redundant sub-systems are needed.[89] This would boost data sovereignty goals as well.

Data server infrastructure development requires a combination of investment policies, data policies, cyber-security policies, among other regulatory instruments.

88 ibid

89 (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

Component 6: Cyberlaw framework

Snapshot of cyberlaws and Constraints

• There is a wide divergence in cyber legislation in Africa. • African countries can no longer afford cyberlaw gaps, especially as intra-Africa trade driven by E-commerce ramps up.
• Policymakers have limited understanding and experience with such legislation
• Lack of consistent or uniform regulatory frameworks and of coordination and cooperation between national and regional legislators
• Cyberlaws are developed in many ways and stages, at varying costs, often delayed by a scarcity of human and financial resources
• Legal gaps persist when engaging in cross-border e-transactions.
• Domestic and cross-border enforcement of cyberlaws is challenging (cybercrime)

Strategic Objectives

• Cover gaps in national cyberlaw framework must be covered, with pan-African harmonization as the end goal
• Strengthen implementation and monitoring capacities for Cyberlaw regulations
• Raise awareness of laws/regulations on data protection, cyber-crime, consumer protection to potential users
• Strengthen Cybersecurity policies and capabilities as a prerequisite for data center infrastructure development
Incorporate Standardized commercial regulations within
• AfCFTA to enhance predictability and legal certainty for companies seeking to do business internationally
• Strengthen data governance

There is a wide divergence in cyber legislation in Africa.

Across the continent, there is a broad gap among countries in terms of the core cyber regulations. As the accompanying table notes, there are many countries where either there is no legislation in place at all or where draft legislation exists in various stages.

At the country level, the absence of a legislative framework in the early stages of E-commerce maturity would not necessarily hinder E-commerce growth. Indeed, E-commerce companies note that the regulatory-light business environment allows them the necessary space to test out new ideas in a virgin sector, and innovate. The situation is different however when the continental level scope is considered. As efforts ramp up to develop intra-Africa trade, and given the wide divergence within e-commerce maturity between countries, a clear need emerges for regulatory harmonization so as to impart predictability and uniformity for E-commerce companies. African countries can no longer afford cyberlaw gaps.

Table 10: Cyber legislation in Africa

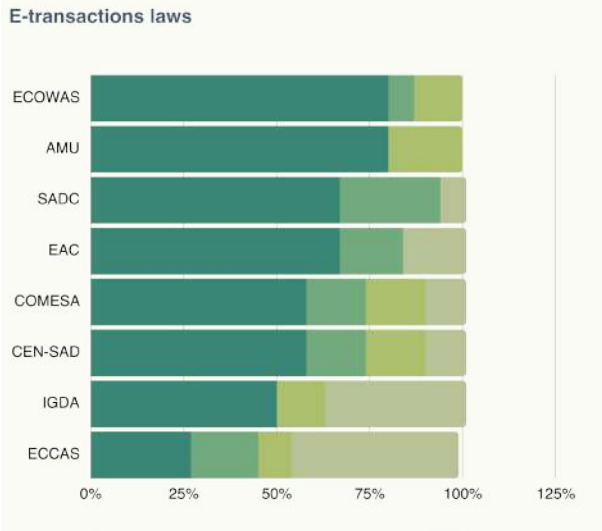
	E-transaction laws	Consumer protection	Data protection and privacy	Cybercrime
Legislation	33	25	27	39
Draft legislation	6	4	9	2
No legislation	6	8	13	12
No data	9	17	5	1

Source: UNCTAD Cyberlaw tracker

When the status of the cyber-laws are reviewed at the regional level, the disparity across the continent becomes clearer. In RECs where the digital agenda has picked up, such as EAC, SADC, ECOWAS and COMESA, the legislative framework has started developing in earnest, especially within the past decade. Regional efforts to harmonize cyberlaw framework have commenced, especially within ECOWAS, ECCAS and EAC, although these are still in early stages. SADC and EAC have harmonized regulations including for e-transaction laws while ECOWAS has adopted harmonised laws on data protection, e-transactions, and cybercrime.EAC has the Framework for Cyberlaws (2010), and electronic transaction bill (2014). COMESA has proposed e-legislation which will cover digital signature, e-transactions. The electronic transactions act, computer misuse act, and cyber security act are other legislations.

The EAC framework for cyberlaws is noteworthy in the sense that it recommends member states to develop a regulatory regime for data protection, but does not provide a specific recommendation on the selection of the law.[90] This type of flexible approach may prove palatable for member states, while serving to create harmonization across the region.

Figure 13: Cyberlaws at REC level



90 (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

Figure 13: Cyberlaws at REC level

Source: UNCTAD Cyberlaw Tracker, 2020

The gap related to E-transactions laws can restrict the growth of African E-commerce.

E-commerce companies and marketplaces will require harmonized laws on e-transactions to guarantee legal equivalence for paper and e-documents/online contract formation-signatures and digital authentication are related aspects. Fortunately, the UNCITRAL model laws have provided a solid base for developing countries across the world in developing e-transaction laws. Technology neutrality, non-discrimination of electronic communications and functional equivalence are key principles.[91] These principles are –

• Functional equivalence: electronic information is not the same as information on paper but should be legally effective if it can perform the same policy function as its paper equivalent.

• Technology neutrality: the law should not specify what technology e-communications must use to serve as functionally equivalent to paper-based information.

• Media neutrality/non-discrimination: the law should give equal effect to information on paper and in electronic form.

• Minimalism: law reform deals only with the impact of new media and does not otherwise affect substantive legal rules.[92]

A key consideration when dealing with cross-border law is that of choice of law and whether the e-transaction regimes on both sides are aligned. The EAC is developing an electronic transaction bill (2014) at the regional level, and individual EAC states have adopted recommendations from the bill which will be channeled to the domestic frameworks. The funneling down from the regional to domestic level of the key policy recommendations is an approach other RECs can also follow.

The African Union Convention on Cyber Security and Personal Data Protection of 2014 (otherwise referred to as the Malabo Convention) aims at harmonizing cyberlaw frameworks within Africa.

African countries are lagging in terms of regulating collection, classification (personal/non-personal, sensitive, non-sensitive), process and utilization of data by digital firms. The convention, passed in 2014, is currently only ratified by 8 African countries. The convention encourages AU member states in areas such as protecting critical cyber/ICT infrastructure, personal data and free-flow of data. The convention can serve to bring African countries closer to cyberlaws provided that identified substantive challenges (clarity on certain tenets, conflict with national laws for some countries, and other aspects) can be addressed.

An important opportunity exists to improve competition policies

The AfCFTA Protocol on Competition would need to expand the scope beyond traditional competition law items such as monopolies etc to include aspects of an increasingly digitalized economy, such as *use of artificial intelligence, data fusion, app-based transactions, algorithmic business intelligence and other digital platforms*[93]. As in the case of

91 (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

92 John Gregory, Carec Program

93 (UNECA et. al. , 2019)

data protection and consumer protection, the ensuring discussions *would coordinate approach to competition policy across relevant national authorities (such as information regulators and competition commissions) on a range of related issues, including personal data protection, data privacy and data security.*[94]

Consumer protection regulations need to be adapted to E-commerce aspects

Consumer protection laws suffer from the lowest levels of adoption in Africa, among the four main cyberlaws. In addition to altogether missing consumer protection regulations, the regulations are frequently not fit-for-purpose for the digital economy even where they exist. Consumer rights pertaining to incorrect marketing prior to purchase, and right to returns for defective goods upon delivery require specific attention when it comes to E-commerce transactions and consumer protection laws have to be amended in cases where they do not include this specificity. Consumers must be provided with information in all areas of *information disclosure, contract terms, secure payment mechanisms, consumer privacy, data security and dispute resolution and redress.*[95]

IPR protection regime across Africa is fragmented

Institutional weaknesses, fragmented regimes and market-side non-compliance are key challenges at the national levels, and these pose significant risks to the development of knowledge-based industries and regional integration in general. COMESA is currently the only market with a regional policy. IPR protection will especially be relevant to protect Africa's fledgling digital entrepreneurship sector marked by large proportion of digital startups.

Within the AfCFTA, there is a opportunity to advance a continental approach to IPR involving RECs and also regional institutions like the African Regional Intellectual Property Organization and the Pan-African Intellectual Property Organization. There are also recommendations for establishing a continental regulatory body to harmonize regulation and implementation of policies.[96]

Policymakers have limited understanding and experience with such legislation

Even in cases where the laws are adopted, implementation and enforcement are another matter altogether. In Africa, the enforcement of regulations related to E-commerce is lax. Part of the issue has to do with the institutional capacities and the e-readiness of policymakers to undertake the development of such complex legislation. The 'Digital Fog' noted earlier impacts the cyberlaw framework part of the ecosystem particularly hard, because the policymaking space has weak knowledge and understanding on the implications, risks and opportunities of E-commerce. Policymakers have limited understanding and experience with such legislation.

94 (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

95 (WTO, 2021)

96 (Africa Growth Initiative, 2020) noted in (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021)

Lack of consistent or uniform regulatory frameworks and of coordination and cooperation between national and regional legislators; Legal gaps persist when engaging in cross-border e-transactions.

Harmonization of cyberlaws at the regional level is in the early stages of development and necessarily requires fora where national regulators can meet and exchange views on a regular basis. This occurs sporadically and not across all RECs.

Cyberlaws are developed in many ways and stages, at varying costs, often delayed by a scarcity of human and financial resources

The due-diligence process involved in developing cyberlaws requires financial and technical resources, which can be a challenge for African countries. The process from due-diligence to promulgation is complex and iterative, and delays with securing esources can make the process especially long-drawn.

Cybercrime laws

Cybercrime regulations and accompanying cybersecurity policies/measures are of critical importance, and they focus on regulations banning unauthorized access to data, and harmful software. Council of Europe (Budapest) Convention is the global standard here. 39 African countries currently have a cybercrime law, while 12 countries do not have any. The Malabo convention encourages counties to develop national cybersecurity strategies, with capacity development to implement the regulations and the laws.

Strategic Objectives

- Cover gaps in national cyberlaw framework must be covered, with pan-African harmonization as the end goal
- Strengthen implementation and monitoring capacities for Cyberlaw regulations
- Raise awareness of laws/regulations on data protection, cyber-crime, consumer protection to potential users
- Strengthen Cybersecurity policies and capabilities as a prerequisite for data center infrastructure development
- Incorporate Standardized commercial regulations within AfCFTA to enhance predictability and legal certainty for companies seeking to do business internationally
- Strengthen data governance

1. **Cover gaps in national cyberlaw framework must be covered, with pan-African harmonization as the end goal**

Model laws and frameworks exist for guiding lawmakers. These include the UN Guidelines for online consumer protection (revised, 2015) for consumer protection, UNCITRAL model laws for e-transactions, Organization on Economic Cooperation and Development (OECD) Guidelines and Council of Europe Convention for data protection, and Council of Europe (Budapest) Convention for cybercrime.

Promising developments at the REC levels suggest that harmonization can start there. It should be noted that harmonization of cyberlaws does not require having the same legal tenets across the board, but rather compatibility can be the goal i.e. The focus is rather on ensuring that countries arrive at the same outcomes.

Private-sector consultation will be essential for effective cyberlaw development; consultative process should be undertaken across the ecosystem.

2. **Strengthen implementation and monitoring capacities for Cyberlaw regulations**

Implementation and enforcement to ensure compliance will be as important as the promulgation of E-commerce legislation. This may require both the establishment of new regulatory bodies (such as DPAs) at the national level, but also enhancement of capacities within institutions. Dedicated inter-ministerial working groups or task-forces with support at the highest levels of Government would be required as well, and these taskforces should include dialogue with the private sector as well, to mitigate risks of regulatory mismatches with industry needs. The PPD at the domestic level should be tied up with discussions at the regional level, including at the continental level.

3. **Raise awareness of laws/regulations on data protection, cyber-crime, consumer protection to potential users**

This strategic objective is aimed at ensuring the dissemination and awareness raising in simple form to all stakeholders within the E-commerce ecosystem to enable them to follow the letter of the law clearly. This can be achieved via dissemination workshops, online announcements and placement of information, distillation of legal tenets to simple to understand brochures among other means.

4. **Strengthen Cybersecurity policies and capabilities as a prerequisite for data center infrastructure development**

One of the primarily concerns that international firms note while arguing against data localization initiatives is that the national cybersecurity infrastructure in Africa is weaker than other parts of the world. There are other considerations that impact cost, but the regulatory aspect on cybersecurity, cybercrime is a necessary prerequisite for data center infrastructure development.

5. **Incorporate Standardized commercial regulations within AfCFTA to enhance predictability and legal certainty for companies seeking to do business internationally** [97]

This will ensure predictability and certainty for E-commerce firms seeking to conduct cross-border commerce within Africa.

6. **Strengthen data governance**

As noted in the section below, data governance will be of significant importance for the continent as the digital economy grows and both national and international private sector players interact. This strategic objective therefore assists governments in refining their thinking on data governance aspects and developing policies that will benefit the national interest but also contribute to the region's growth.

Cyberlaw framework: Spotlight on Data Governance
The core issues surrounding data

There is broad consensus among developed and developing countries alike that cross-border data flow is essential for innovation and growth within the global digital economy, and indeed this is why Data is referred to as the new 'oil'. The sheer pace of developments and dynamism within the global digital economy has literally removed the ceiling on the applications of data in business, governance and society. UNCTAD notes, data-related activities are no longer mere side activities in the production of and trade in goods and services; instead they have become a central feature in the production process and a key aspect of economic activity.[98] Discussions on Data value chains are now focusing on the positioning of countries and their readiness levels to climb up the value chain.

Organizations ranging from think-tanks to private sector representations such as the GSMA have argued the case that free-flowing access of data provides benefits to citizens, countries and societies, and organizations. African countries are in principle in agreement with this in principle (especially in consideration of future growth of African digital firms), albeit with significant concerns relating to certain areas[99] principally - protection of personal data, access to data by law enforcement, ensuring national security, advancing local economic competitiveness, and levelling the regulatory playing field.

The OECD notes that cross-border transfer of data leads to heightened policy and regulatory controls on issues of *privacy protection, regulatory control or audit, national security, data security, data integrity, economic development and digital industrial policies*[100]. Regulations are playing catch-up with actual activity within the digital economy, leading policymakers in countries with immature digital economies to place restrictions (such as data localization).

97 (UNCTAD, 2020)

98 (UNCTAD, 2019)

99 (Meltzer & Lovelock, Regulating for a digital economy: Understanding the importance of cross-border data flows in Asia, 2018)

100 (OECD, 2020)

The *multiplicity of applicable data regimes*[101] has also led to incoherencies and compliance challenges for companies.

Data policy has emerged subject of significant concern for African countries, with clashing perspectives in two interlinked but still individual areas, data protection, and cross-border transfer.

- **Data protection:** this refers to safeguarding of personal and corporate data (priority for African governments) and
- **Cross-border data transfer:** Facilitating free-flowing cross-border access to data (perspective of MNE technological firms, colloquially known as Big Tech, and of countries such as the US, which host most of the Big Tech firms).

The key area of disagreement is on how to enable cross-border data flow, and still maintain a high degree of data protection for African citizens, companies, and the government, by ensuring compliance of international private sector firms operating in Africa.

The rapid pace of digital economy growth has certainly stretched regulatory capacities, and in response, data localization policies[102] have been propagated among developing economies, both within and outside Africa, alarmed by the potential for violation of their citizen's sensitive personal data. These include China, Russia, Indonesia and Vietnam. African states such as Nigeria and Ghana have also established data localization regimes.

There is a **third** aspect to data policy which is equally, if not more contentious, for developing countries: how data can be leveraged to drive economic value for developing countries. This signifies the growing recognition of data as a resource.This is specifically important for Africa where policymakers are concerned about vast levels of data being collected and mined by international firms such as platforms. On one hand, policymakers recognize that there is potential for this data to be leveraged. instead for the benefit for African companies and society in general, but on the other hand, but there is again the 'digital fog' preventing governments from understanding the implications and developing sound policies, which safeguard countries' domestic policy space but also allowing domestic and international firms to thrive. The African private sector also is not well-equipped yet with infrastructure, and the human capital required to understand the potential of data. The result is policy paralysis both at the domestic level and international fora. Indeed, data is being compared to Africa's past experience with international partners resulting in discussions around data colonialism.

The core issue is this: Africa offers vast wealth in terms of big data and its multitude of use-cases, but largely lacks the expertise, infrastructure and technologies to benefit from these resources. Within the data value chain comprising of collection, analysis/processing, curation, storage and consumption, there are real and valid fears among African policymakers that African countries be relegated to the first and last stages i.e., data will be freely taken out and the economic value will remain with international firms while African citizens, governments and businesses will remain consumers of the final product derived. This is not unlike what has happened with a range of productive sectors on the continent.

Current developments within Africa:

1. At the regional level, the following frameworks have been developed:
    a. SADC Model Law on Data Protection (2010)
    b. ECOWAS Supplementary Act on Personal Data Protection (2010)
    c. EAC Framework on Cyberlaws (2008)
    d. ECCAS Model Law/CEMAC Directives on Cybersecurity

2. The AfCFTA protocol on trade in Services notes that 'privacy of individuals in relation to the processing and dissemination of personal data and the protection of confidentiality of individual records and accounts' is an exception to restraint on trade, thus emphasizing its importance. The AfCFTA E-commerce protocol can provide a common framework on data protection.

3. Despite the relative datedness of these frameworks, a number of African countries (17) have developed their own data protection law based on principles identified by these frameworks, especially related to the rights of data subjects and establishment of data protection authorities. This leaves a broad swatch of the continent without any form of data protection policies, a significant risk for E-commerce development.

4. In 2014, the African Union Convention on Cyber Security and Personal Data Protection (the Malabo Convention) was adopted. Progress on ratification has been sluggish, and of 15 required ratifications (for the convention to enter into force), 14 countries have signed it and 8 member states have ratified the convention. Contributing challenges include lack of detail [103]and specificity in terms of data protection tenets, which may result in weak harmonization among data protection regulations developed by member states, and ultimately challenges with enterprise level compliance levels. The convention prohibits the transfer of personal data to non-member states unless the state can ensure adequate level of protections. South Africa, Mauritius, Kenya and Nigeria have similar provisions via national laws.

101 (OECD, 2020)

102 Cross-border data flow restrictions can take one of several forms. Examples – 1) data cannot be transferred outside international borders, 2) the data can be transferred outside national borders, but a copy must be maintained domestically, 3) prior consent is required before global transfers are allowed. (Meltzer & Lovelock, Regulating for a digital economy: Understanding the importance of cross-border data flows in Asia, 2018). Additional restrictions can include local access requirements, local storage requirements and /or local data processing of data requirements. (UNCTADa, 2021)

103 (researchICTsolutions, 2020, p. 9)

International developments

Key initiatives focusing on cross-border data transfer and data protection

Four types of arrangements exist in relation to cross-border data transfer: plurilateral arrangements; trade agreements; unilateral instruments; and private sector and other initiatives[104]

1. **Plurilateral arrangements:** These are based on consensus and focused on ensuring harmonization, interoperability and trust development. OECD's privacy guidelines[105], the Council of Europe's Convention 108, and the Asia-Pacific Privacy Framework are the three main privacy frameworks that have formed the basis of more than 100 national privacy frameworks [106]worldwide as well as the guidelines adopted by the UN General Assembly and the Commonwealth of Nations. These frameworks are also aligned with the EU's GDPR regulation which is one of the most stringent data protection frameworks existing globally. Some of these arrangements are binding (the EU's convention 108) while others such as the APEC privacy framework are not binding. The AU's Malabo convention also falls in this category.

   An interesting aspect is the CBPR system via which companies may opt for a government-backed data privacy certification and via which companies can demonstrate data-privacy compliance consistent with the APEC Privacy Framework.

104 (OECD, 2020)

105 The OECD privacy guidelines' paragraphs 16-18 may be useful for African policymakers: (16). A data controller remains accountable for personal data under its control without regard to the location of the data. (17). A Member country should refrain from restricting transborder flows of personal data between itself and another country where (a) the other country substantially observes these Guidelines or (b) sufficient safeguards exist, including effective enforcement mechanisms and appropriate measures put in place by the data controller, to ensure a continuing level of protection consistent with these Guidelines. (18). Any restrictions to trans-border flows of personal data should be proportionate to the risks presented, taking into account the sensitivity of the data, and the purpose and context of the processing.

106 **Invalid source specified.**

Table 11: Examples of plurilateral agreements

Non-binding plurilateral agreements	
OECD Privacy Guidelines	**ASEAN PDP Framework**
Australia, Austria, Belgium, **Canada**, Chile, Colombia, Czech Republic, Denmark, Estonia, Finland, **France**, Germany, Greece, Hungary, Iceland, Israel, **Italy**, **Japan**, Republic of Korea, Latvia, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland,Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the **United Kingdom**, and the **United States**.	Brunei,Cambodia, Indonesia, lao, Malaysia, Myanmar, Philipines, Singapore, Thailand, Viet Nam
Binding plurilateral agreements	
Malabo Convention **African Union Convention on Cyber Security and Personal Data Protection**	**Convention 108** **(Convention for the Protection of individuals with regard to Automatic Processing of Personal Data)**
The African Union Convention on Cyber Security and Personal Data Protection has not entered into force yet, the following are the ratifying countries as of latest available data published 28/06/2019: Ghana, Guinea, Mauritius, Namibia, Senegal.[32]	Albania; Andorra; Armenia; Austria; Azerbaijan; Belgium; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; France; Georgia; Germany; Greece; Hungary; Iceland; Ireland; Italy; Latvia; Liechtenstein; Lithuania; Luxembourg; North Macedonia; Malta; Monaco; Montenegro; Norway; Netherlands; Poland; Portugal; Republic of Moldova; Russian Federation; Slovak Republic; Romania; San Marino; Serbia; Spain; Slovenia; Sweden; Switzerland; Turkey; Ukraine; United Kingdom; Argentina; Burkina Faso; Cabo Verde; Morocco; Mauritius; Mexico; Senegal; Tunisia; Uruguay.
APEC Privacy Framework	**2013 Additional Protocol to the Convention**
Australia, Brunei Darussalam, **Canada**, Chile, Hong Kong, **China**, Indonesia, Japan, Malaysia, **Mexico**, New Zealand, Papua New Guinea, Peru, The Philippines, the **Russian Federation**, Singapore, Republic of Korea, Chinese Taipei, Thailand, Viet Nam; and the **United States**.	Albania; Andorra; Armenia; Bosnia and Herzegovina; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; Finland; **France**; Georgia; **Germany**; Hungary; Ireland; Latvia; Liechtenstein; Lithuania; Luxembourg; North Macedonia; Monaco; Montenegro; Netherlands; Poland; Portugal; Republic of Moldova; the **Russian Federation**; Slovak Republic; Romania; Serbia; Spain; Sweden; Switzerland; Turkey; Ukraine; **Argentina**; Cabo Verde; Morocco; Mauritius; Senegal; Tunisia; Uruguay
APEC Cross-Border Privacy Rules (CBPR) System	**2018 Protocol amending to the Convention**
The **United States**, **Mexico**, **Japan**, **Canada**, Singapore, **Republic of Korea**, **Australia**, Philippines and Chinese Taipei, with more expected to join soon	Bulgaria, Croatia, Lithuania

Note: G20 economies in bold. Data valid as of 16/03/2020

Source: (OECD, 2020)

2. **Trade Agreements:**

    • The recent Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the United States Mexico-Canada Agreement (USMCA) include substantive rules on cross-border data transfers, local storage requirements and the protection of personal information. The agreements stipulate that cross-border data transfers shall not be restricted, while allowing parties to maintain measures that achieve legitimate public policy objectives (provided measures are non-discriminatory nor unnecessarily trade restrictive). They also stipulate that use of domestic computing facilities shall not be required as a condition for conducting business. These agreements also require parties to adopt a framework for the protection of personal information and encourage the development of mechanisms to promote compatibility between different privacy protection regimes. They also require parties to publish information on personal information protection. These provisions are subject to dispute settlement mechanisms under each agreement unless otherwise provided.

    • At the same time, new digital trade partnership agreements that include provisions on data flows are emerging. For instance, the Japan-US Digital Trade Agreement and the Digital Economy Partnership Agreement between Chile, New Zealand and Singapore (DEPA), include similar principles on cross-border data flows, computer facilities and the protection of personal information as those detailed above. In sum, trade agreements and digital partnership agreements are increasingly incorporating provisions that refer to the flow of data and promote interoperability between data protection regimes. These often reference well-established principles requiring that approaches be transparent, non-discriminatory, not unnecessarily trade restrictive to meet desired policy-objectives and that are interoperable to promote cross border data flow. They also recognise the importance of personal data protection.

    • The ASEAN E-commerce agreement includes provisions on data-flows, data localization, and personal data protection, which are couched in best endeavor terms. Overall, the agreement mandates members not to impose requirements on businesses seeking to establish operations to setup computer facilities in the members' markets.[107]

    • Digital Economy Agreements (DEA) have recently started appearing on the trade negotiations landscape, with the Digital Economy Partnership Agreement (DEPA) signed between Chile, New Zealand, and Singapore as one of the foremost ones.

3. **Unilateral instruments:** These mainly refer to an adequacy determination where a country (or rather a designated, independent data protection authority) assesses that the data protection framework of another country (where the data transfer is destined) is acceptable or adequate to the country. The EU-US privacy shield framework is an oft-utilized framework allowing firms to navigate between each other's privacy frameworks. Other forms of permissions within standard contract clauses and Binding contract rules (BCRs) [108] can be utilized also, but should require the permissions of the DPA.

4. **Private sector led initiatives:** The private sector in the form of business associations as well as the ISO (ISO/IEC 27701:2019)have undertaken steps to provide guidelines for policymakers involved in developing privacy legislations. While promising, these types of initiatives are still in early stages of evolution.

Data protection challenges: the African context

Proponents of free cross-border movement of data argue that the digital-economy growth in developing countries depends on investment, best-in-class technologies, and data-driven insights, which can only be facilitated via a liberal cross-border data flow regime. They further argue that many developing countries simply do not possess the infrastructure or expertise that will be required for hosting data locally, and the additional compliance required by data localization policies will provide unsustainable for MNEs to invest in the countries. Fairly strong business cases can be made both for and against data localization; the general agreement is that these are rather stringent measures with potentially strong implications inhibiting digital economy growth, and therefore must be applied with care. **The focus of African policymakers must rather be on developing robust national data protection frameworks, aligned as far as possible with regional and international frameworks, aimed at facilitating trust and compliance between international digital economy firms and national governments.**

Root-causes of data policy challenges in the African context include the following:

    • Weak policy-level understanding of the power of data, and indeed the overall digital economy, has led to slow development of meaningful policies, and consensus driven regional position on data

107(UNCTADa, 2021)

108 BCRs bind the affiliates of a multinational company located in different countries to apply effective rights and legal remedies for the protection of data. (OECD, 2020)

policy. Policy makers are understandably hesitant to embark on policy-making when they do not fully understand the potential, implications and risks related to data-policy issues.

• The African track-record in terms of managing natural resources wealth has been decidedly weak. The continent is rife with case-studies of MNEs engaging purely in exports of natural resources, even when regulations prohibit non-value added exports. Meaningful supplier-MNE relationships based on spillovers of knowledge, expertise and technology are far and few in between.

• In the context of the digital economy, the vast and diverse data generated as a result of local and international digital economy firms conducting business in Africa can certainly be considered as a resource. This resource needs to be protected first and foremost to ensure that the rights of citizens and African businesses are not harmed. This is especially the case given that African countries with some exceptions are not equipped to understand the ramifications of cross-border transfer of data.

• The rise of big tech accompanied by a severely weak data-protection regulatory environment in much of African poses real and significant risks on potential misuse of African citizens' personal data and corporate data. Policymakers are understandably hesitant to grant unfettered access to multinational digital economy firms, particularly as the globally, platforms are under scrutiny for their role in exacerbating drivers of fragility, and engaging in dubious business practices.

• Recent cases of data misuse by international digital firms, where weak regulation has led to interference in domestic politics etc.

• African firms need to tap into the expertise and innovations occurring outside the continent, ranging from cloud computing solutions to Over the Top (OTT) service providers, to mobile apps facilitating communications, among countless others. This will not be feasible by forcing service providers to undertake significant compliance burdens, but neither can the personal data of citizenry as well as enterprise level data be subjected to misuse.

• Enthusiastic proponents of a liberal cross-border data transfer regime sometimes tout quantitative and qualitative benefits, which can border on overestimations. For instance, a frequently cited (including by UN organizations such as UNCTAD) McKinsey estimate states that "The international dimension of flows [of goods, services and finance has] increased global GDP by approximately 10 percent, equivalent to a value of $7.8 trillion in 2014. Data flows represent an estimated $2.8 trillion of this added value." This figure likely is not applicable or accounts for the African context, and primarily reflects growth within digital-economy environments.

• It should be noted that a shadow/un-stated reason for African governments forging a position against cross-border data flow deals with their assessment that African data and the involvement of African consumers in the value chain of cross-border digital transactions should be monetized in their country's favor. This issue of data policy is thus at least indirectly linked with data taxation as well.

Strategic Objectives

1. Consider a continental data protection policy. Encourage ratification (and implementation) of the Malabo convention by African member states by supporting the following amendments[109]:
    I. Allow for parts of the Convention to be ratified rather than the Convention as a whole,
    II. Clarify and simplify the language in the Convention,
    III. Insert mechanisms for pre-authorisations to ensure that they do not impede e-commerce
    IV. Focus carefully on the harmonisation of AU country member data protection laws and tools and
    V. Enable industry to take the lead with standards and codes of conduct which could be incorporated into the Convention if approved by sufficient Member states.
2. At the national level, develop base data protection policies based on the core set of data protection principles[110], which provide a basis for compatibility and harmonization with other frameworks:
    1. Openness: Organizations must be open about their personal data practices.
    2. Collection limitation: Collection of personal data must be limited, lawful and fair, usually with knowledge and/ or consent.
    3. Purpose specification: The purpose of collection and disclosure must be specified at the time of collection.
    4. Use limitation: Use or disclosure must be limited to specific purposes or closely related purposes.
    5. Security: Personal data must be subject to appropriate security safeguards.
    6. Data quality: Personal data must be relevant, accurate and up-to-date.

109 (TRALAC, 2019)

110 (UNCTAD, 2016)

7. Access and correction: Data subjects must have appropriate rights to access and correct their personal data.

8. Accountability: Data controllers must take responsibility for ensuring compliance with the data protection principles.

A balance should be struck as far as possible in terms of developing data protection laws which can promote private sector activity for African firms as well as international digital firms that provide services for African citizens and businesses.

The laws should be developed in harmonization with existing frameworks (e.g. the Malabo Convention), should include as part of the scope data held by both public and non-public sectors, and reduce exceptions[111] as much as possible to increase scope of coverage. It should also be ensured that the law specifically covers platforms and marketplaces as part of the scope.

Countries must review their own situation and requirements, prior to embarking on any stringent regulations. For instance, data localization regulations may carry weight with international digital firms when applied in big markets such as India and Russia, but when applied in smaller countries, these may prompt the firms to exit the markets.

3. Review examples of licensing reform such as India's unified licensing for traditional and OTT service providers, which effectively recognizes that *convergence of fixed and mobile, voice and text and video offers opportunities to attract new investment into the information, communications and media sector.*[112]

4. African governments should leverage data as a bargaining chip to negotiate fair terms with global digital platforms seeking to work on local data and in domestic economies.[113] Promotion of joint-ventures is always a recommended approach, and policymakers are encouraged to focus on incentives and rules which can facilitate this.

5. Consider an AU wide data-sandbox, for testing cross-border data transfers in a controlled environment. This could be part of a broader regulatory sandbox aimed at testing E-commerce ecosystem wide applications.

6. Establish independent data protection authority (DPA) as envisaged by the Malabo convention. Care must be taken to ensure that the DPA is empowered and capacitated, so as to mitigate risks of the DPA becoming a bottleneck.

7. Develop consistent criteria for assessing adequacy in the level of personal data protection within the data-protection regulatory framework of another AU country, or a non-AU country for that matter.

8. Ensure clarity of scope and definitions within African regulations as this has proved to be an important reason for non-compliance by firms. Examples include definition of personal[114] and non-personal data, what 'local' storage and processing exactly refers to, among other aspects.

9. Ensure that national legal framework on data protection contains specific provisions on cross-border data transfers.UNCTAD recommends that countries can make one or a combination of the following options[115] available for companies as part of the cross-border data transfer provisions:

    I. One-off data transfers that meet common derogations or 'tests' (for example, requirements to fulfil a contract, emergency situations, valid law enforcement requests etc.);

    II. Ongoing data transfers where the target jurisdiction ensures an equivalent level of protection;

    III. Data transfers where the original company agrees to be held accountable for any breaches; and/or

    IV. Data transfers where the company is bound by a set of corporate rules that apply across all its activities.

10. Improve policy-level understanding of the power of data: Undertake capacity building initiatives in collaboration with international organizations such as UNCTAD which would sensitize policymakers in data-policy issues. The training would be conducted either separately or as part of an overall E-commerce ecosystem wide or cyberlaw framework specific scope.

111 Member states should only permit exceptions to the applications of privacy and personal data protection laws for matters of national sovereignty, natural security or public safety, where it satisfies a legitimate aim, is necessary, proportionate and not arbitrary **Invalid source specified.**

112 (Meltzer & Lovelock, Regulating for a digital economy: Understanding the importance of cross-border data flows in Asia, 2018)

113 (UNCTADa, 2021)

114 The OECD notes for example that - Personal data itself encompasses many different types of data that deserve to be distinguished and addressed differently in some cases, given the different context and the different level of risks associated with their collection, processing and use. The GDPR as a case in point provides elevated protection for certain categories of personal data, often considered sensitive, by expressly prohibiting their processing (unless certain conditions are met). (OECD, 2020

115 (UNCTAD, 2016)

Component 7: Digital Entrepreneurship

Snapshot and growth drivers of African Digital Entrepreneurship segment	Challenges
• Digital entrepreneurship is thriving in countries with a relatively strong and existing ICT and E-commerce base. • International digital firms have modified their products and services to suit the African market. • Significant opportunity exists for a demographic dividend in Africa, which can be leveraged for the digital economy. • The developer community is growing in Africa	• Digital literacy in its many forms will be a key impediment for E-commerce growth. • Hubs and Accelerators are concentrated in select countries. The network is expanding but these innovation builders face significant barriers to growth • Significant skills-mismatch issue between skills providers and industry.
Strategic Objectives	
• Accelerate national digital literacy campaigns • Accelerate national and regional e-government agendas • Undertake future skilling studies • Revise national skills framework for IT • Strengthen the skills and entrepreneurship infrastructure for E-commerce	

Digital entrepreneurship is thriving in countries with a relatively strong and existing ICT and E-commerce base.

In African countries where the internet infrastructure is relatively well developed and where consumers and enterprises have the benefit of affordable, reliable and fast internet access, digital entrepreneurship has taken root. Of course, the extent depends on other factors such as the presence of innovation ecosystem builders (incubation labs and mentoring facilities), quality of IT education, and a supportive public sector, but the overall trend is that such environments are more conducive than others in Africa. This is why South Africa, Kenya and north African countries have a much more mature digital entrepreneurship ecosystem.

Significant opportunity exists for a demographic dividend in Africa, which can be leveraged for the digital economy.

Africa has the world's youngest, fastest growing, and increasingly urbanized workforce.[116] It is population reached 1.2 billion in 2015 and is projected to reach 3.1 billion by 2063. African youth between the ages of 10 and 24 made up 31 percent of the overall African population in 2015, and they represent 21 per cent of the 1.8 billion young people in this age category worldwide.[117] By 2025, it is expected that 60 percent of the continent's population will be under 24.[118] If future projections on demographics, middle-class led consumer growth, urbanization and GDP growth hold true, there will be significant potential for the digital economy to take root.

African digital startups-driven mainly by young Africans- are increasingly involved in providing assistance to segments of society (rural populations for instance, healthcare) and businesses (logistics services for the informal sector). Many E-commerce firms, operating within urban centers, are depending on young Africans for their last mile delivery needs. These largely informal M/SMEs play an important part within the E-commerce value chain, and can be nurtured to professionalize.

Within the digital economy and particularly E-commerce, there is ample room for accommodating this valuable emerging workforce, in a range of skillsets and professional roles.

Box 8: Makerspaces and their growing popularity within the digital economy

A makerspace is a collaborative space where people can explore their interests, create things, and 'tinker' using tools and materials. Makerspaces provide the resources and guidance for people to gain hands-on experience in areas like electronics, robotics, coding, and 3D modelling, or even just prototyping with cardboard and art supplies. Many makerspaces are located in schools, libraries, or other facilities. When a permanent facility is not feasible, many communities have organized temporary maker events called Maker Faires. Maker Faire Africa took this concept to a continental level, hosting annual Maker Faire events.

Makerspaces have also been known to support entrepreneurship and promote business start-ups. They also help young people to gain problem-solving skills and motivate them to pursue STEM careers. Makerspaces can also be integrated into job-related digital skills training programmes or primary and secondary schools to provide opportunities for learners to experiment and further develop the new skills they acquire.

Source: (ITU, 2018), http://makerfaireafrica.com/, https://www.makerspaces.com/what-is-a-makerspace/

Digital literacy in its many forms will be a key impediment for E-commerce growth.

Digital literacy challenges are highly prevalent within the public sector, within the enterprise base, as well as within the consumer base in Africa.

At the public sector level, digital literacy issues are a core impediment for policy making and for inter-ministerial coordination. A 'digital fog' permeates through most public sector institutions in Africa – a natural result of the weak e-readiness within the country as well as slow progress on national e-government agendas.

At the consumer level, mobile-money and voice services are readily utilized by African consumers, but this is not the case for more advanced use-cases. A number of contributing factors exist and vary based on the country in question – relatively high cost of internet as well as the reliability and latency of internet services, access to smartphones, habituation to more complex digital services. This has directly prevented the demand side (consumers) from absorbing digital content as well as engaging in E-commerce.

116 (Google, IFC, 2020)

117 (UNFPA, 2017)

118 (Google, IFC, 2020)

At the enterprise level, digital literacy has so far presented barriers for developing online presence as well as leveraging internet services, even when they exist. This is particularly true for Microenterprises.

International digital firms have modified their products and services to suit the African market.

Digital MNEs including Google and Facebook have made accommodations to their products in order to cater to the African market. Examples include:[119]

- Internet browsers such as Opera and Chrome utilize data compression to allow users save significant percentage of mobile data while browsing. Similar technology has been utilized for google products such as Google Go.
- Provision of 'zero' rating usage for certain products – a prominent example being the Facebook 'free basics 'program.

These adaptions have had a spillover impact on the increased adoption of digital content in spite of the weak internet infrastructure.

Despite the growth of digital talent, there is a severe skills mismatch issue and the choices that influence curricula within skills providers may be influenced by costs, instructor quality/availability, and simply a lack of mechanism to keep tab on industry requirements.

Developer communities are growing in demand and influence and they play an important role in fostering intra-regional interaction among developers seeking to understand trends from other African countries. Pan-African programs are also growing, with increasing alliances between hubs, corporations, communities. Hackathons are common within the main IT hubs.

Hubs and Accelerators are concentrated in select countries. The network is expanding but these innovation builders face significant barriers to growth

Hubs, incubators and accelerator type facilities[120] are essential innovation builders needed develop a conducive environment for digital entrepreneurship. Hubs have doubled in three years to 650 in 2019, and there are currently more than 90 accelerator programs in Africa.[121] Examples of hubs, many of whom are internationally known, include Bongohive, and ccHub. Accelerator-linked investments were also particularly common, with Flat6Labs, Y Combinator, Founders Factory Africa, 500 Startups and MEST Africa among the most prolific investors on the continent in 2020. [122]

These innovation builders follow the opportunity, and therefore it is no surprise that the vast majority are located in countries which are already relatively advanced in terms of digital maturity and digital-startup activity. Depending on the country context and the opportunity, industry- and verticals-specific programs have emerged in recent years.

The key challenges facing innovation builders are the following:

1. Finding bankable startups and building a pipeline. Accelerators and startups are co-dependent on each other's success and accelerators need bankable companies to invest in. Accelerators have actively started sourcing startups in addition to the traditional applications process by startups, due to less promising results from the latter.
2. Funding for operational management of the accelerator as well as to support startups engaged with the accelerators.
3. Expanding to high potential yet nascent markets – accelerators face the same risks as external investors in terms of the uncertainties involved.

The developer community is growing in Africa

119 (Google, IFC, 2020)

120 Hubs offer co-working spaces, mentoring environments and networking events, while accelerators provide a structured, cohort-based support infrastructure to accompany selected startups as part of their growth trajectory.

121 (Google, IFC, 2020)

122 (Disrupt Africa, 2020)

The tech community, especially developers, is growing in Africa, as noted via the following salient points.

Box 9: Africa's growing developer and digital talent - key takeaways

1. There are nearly 700,000 professional developers across Africa with more than 50% concentrated in five key African markets: Egypt, Kenya, Morocco, Nigeria, and South Africa.
2. The top two developer training pathways are through university programs and self-taught channels. Yet a skills gap exists, and curricula in engineering programs are often dated and lack opportunities for students to apply skills learned in the classroom.
3. Africa Code Week is a five-year campaign engaging one million young people, and equipping 200,000 science teachers with resources to teach ICT – in 2016, the campaign engaged over 400,000 students across 30 countries, including a nearly 50% participation rate of girls in the coding workshops.
4. Coding classes are driving growth in software development training. Training programs from companies such as Decagon, Gebeya, Google, Moringa School, Semicolon, and Umuzi blend traditional learning with online, flexible learning and bootcamp-style experiences. These STEM-related programs, outside of formal education institutions, fill knowledge and skills gaps and equip participants with the expertise they need for increasingly advanced jobs in technology.
5. Women currently comprise one in five of the total population of developers in Africa. While this number is still low, the growth of the ecosystem has begun creating many opportunities for women coders, especially in Egypt, Morocco, and South Africa. Developer communities across Africa are helping new developers learn new skills and upskill existing ones, offering shared connections, giving mentors a chance to share their knowledge, sparking curiosity, and encouraging entrepreneurship and creativity.

Source: (Google, IFC, 2020) and (ITU, 2018)

Significant skills-mismatch issue between skills providers and industry.

Skills providers in the IT (and broader areas linked to E-commerce such as supply chain) face challenges in upgrading and adjusting course curricula in line with industry requirements. The issue of skills-mismatch exists even in developed countries, and is not only afflicting developing countries, however the extent and impact is much more exacerbated in the latter. The root causes are steeped in resource constraints (in terms of financial and technical resources) faced by skills providers, and also the natural challenges of the speed at which larger educational institutions can adjust their course offerings.

Strategic Objectives

1. Accelerate national digital literacy campaigns

In order for Africa's e-commerce sector to take root, stakeholders across the ecosystem -consumers, procuring businesses (in case of B2B transactions), public sector officials, among others- should possess high levels of digital literacy.

African countries must prioritize digital literacy within their national development agendas, and implement community wide sensitization programs for internet adoption, policies that may reduce costs of devices and internet access.

The rural urban digital divide is also well known. Governments must accelerate national digital literacy campaigns across the country, so that consumers become comfortable with available technology and the various benefits involved. It is only when a fair bit of trust and habituation occurs (especially among non-urban and older citizens) that they would experiment and then engage sustainably with E-commerce.

2. Pursue national and regional e-government agendas

E-government can play an important role in meaningfully improving digital-literacy and citizen confidence in undertaking digital transactions. For businesses involved in cross-border trade, single window and other cross-border paperless trade measures are invaluable in reducing costs and uncertainties of doing business. This has a regional implication as well, and therefore both national governments and RECs speed up the e-government agendas.

3. Build the digital capacities of SMEs, including their offline-online transition

Governments can team up with marketplaces and development partners to accelerate the pace of offline to online transition for SMEs. There are a number of mechanisms which have worked in developing country contexts, including direct support to marketplaces for onboarding SMEs, SME self-paced training programs, as well as community level SME trainings to help them increase digital literacy and enhance participation in E-commerce.

4. Undertake future skilling studies

These assessments are essential to understand future occupations, professions, roles and skills that will be required for growth in high priority sectors, including E-commerce and the broader digital economy. The results form the basis of course adjustments by skills providers as well as the line-ministry responsible for education and IT education in particular.

5. Revise national skills framework for IT

    a. Conduct due-diligence into skills mismatches occurring between skills-development framework and industry vis-à-vis the E-commerce sector, and ensure that recommendations are integrated within relevant strategies and roadmaps.

b. Support certificate level skills training providers who are often better places than universities in terms of assessing evolving industry needs and reacting via course corrections. Universities and higher education skills providers (degree level institutions) cannot update curricula and adapt to changing market situations as swiftly.

c. Revise and reinvigorate TVSD/ TVET (Technical and Vocational Skills Development, and Technical and Vocational Education and Training) models aimed at digital skills development and digital literacy enhancement.

d. Support on-the-job training schemes where companies providing structured internships and industry training opportunities for university students or young professionals can avail of tax incentives (or other type of incentive mechanisms9)

e. Support the development of a digital-entrepreneurship course curricula at the intersection of management, entrepreneurship and the digital economy.

6. Strengthen the skills and entrepreneurship infrastructure for E-commerce

Innovation ecosystem builders such as incubators/ accelerators/innovation labs will be very important for the growth of Africa's overall digital economy. African governments can help by ensuring conducive support for these organizations to operate. In simple terms, making the business environment conducive for these organizations and making it easier for them to establish presence and expand will help digital startups and firms within the E-commerce ecosystem. This is especially pertinent given the fact that most of such institutions are very much focused on certain established e-commerce markets like Nigeria and South Africa. Supporting them will help support the E-commerce sector.

This strategic objective also focuses on possibilities of developing E-commerce parks which can provide shared facilities and services for E-commerce companies. The capacities of sector associations will also be supported.

Component 8:
Business Environment for Digital Economy

Snapshot and growth factors	Challenges
• SMEs form the backbone of African economies • Select African countries have done well to improve their operating business environments, but overall performance compared to other regions remains weak.	• Taxation regulations are not adapted to digital-firms, especially marketplaces, in countries where E-commerce is just picking up pace • Fragmentation of regulations for setting up presence in African jurisdictions
Strategic Objectives	
• Review processes from registration, licensing to taxation and company liquidation to ensure that these are adapted to the dynamic digital economy; Publish all guidelines clearly in an easily accessible format. • Harmonize regulations at the regional level Consider instituting a short-term taxation relief for E-commerce firms or SMEs seeking to progress on their offline to online transitions • Conduct a detailed review of the SME development framework and improve alignment with the digital economy	

SMEs form the backbone of African economies

African M/SMEs will drive sustainability within the continent's E-commerce sector, and ultimately serve as the harbinger of jobs and value-added African products. Small and medium-sized enterprises form the backbone of the African economy, representing more than 90% of businesses and employing about 60% of workers[123], many of whom are women and youth, so the economic and socio-economic implications for M/SME led private sector are significant. The potential, latent as it may be, of M/SMEs to ultimately drive Africa's intra-continental trade mandate, is much greater than the larger enterprises, although the latter may be better placed currently in terms of export competitiveness.

Select African countries have done well to improve their operating business environments, but overall performance compared to other regions remains weak.

The World Bank's 2020 Doing Business rankings highlight the fact that most African countries are lagging behind significantly in terms of their respective business environments. Mauritius, Rwanda are exceptions to this, and many other countries including Morocco, Kenya, Zambia, Togo, Malawi and select others have made improvements in select areas.

123 ITC

Table 12: Doing Business 2020

2020 Ranking		Ease of doing business	Starting a business	Getting Credit	Protecting minority investors	Dealing with construction permits	Getting electricity	Registering property	Paying Taxes
1	Mauritius	13	20	67	18	8	28	23	5
2	Rwanda	38	35	4	114	81	59	4	38
3	Morocco	53	43	119	37	16	34	81	24
4	Kenya	56	129	4	1	105	70	134	94
5	Tunisia	78	19	104	61	32	63	94	108
6	South Africa	84	139	80	13	98	114	108	54
7	Zambia	85	117	4	72	67	129	149	17
8	Botswana	87	159	80	72	44	139	82	59
9	Togo	97	15	48	120	127	99	56	174
10	Seychelles	100	147	144	143	106	104	65	36
11	Namibia	104	165	80	88	84	76	173	88
12	Malawi	109	153	11	79	128	171	90	88
13	Côte d'Ivoire	110	29	48	120	128	141	112	114
14	Djibouti	112	123	132	103	152	121	117	133
15	Egypt	114	90	67	57	87	77	130	156
16	Uganda	116	169	80	88	74	168	135	92
17	Ghana	118	116	80	72	104	79	111	152
18	eSwatini	121	155	94	162	96	132	104	73
19	Lesotho	122	84	94	147	165	158	114	110
20	Senegal	123	60	67	114	131	119	116	166
21	Nigeria	131	105	15	28	55	169	183	159
22	Niger	132	56	48	120	180	159	115	169
23	Cabo Verde	137	121	144	170	50	154	69	87
24	Mozambique	138	176	165	147	61	103	136	127

Source: (researchICTsolutions, 2020); Original Source: World Bank DB Indicators

Although the business environment does not fully reflect the operating environment faced by digital firms, which in many cases can be more challenging than traditional SMEs, this weak rankings have implications on the realization of overall M/SME growth potential, and investor attraction.

It is interesting to note though that despite the weak rankings of Nigeria*, it remains firmly positioned as a magnet for investment and growth within the startup community. This is perhaps an indication that other factors are at play including the large domestic market which has a high readiness for absorbing digital solutions; the spillover impact of the fintech sector which has benefited consumers; and emergence of digital solutions adapted to the local context.*

Taxation regulations are not adapted to digital-firms, especially marketplaces, in countries where E-commerce is just picking up pace given. That the E-commerce sector is relatively new to most African countries, the regulations ranging from business registration to taxation are not adapted well. This is not unique to the African context, however, a process of introspection leading to tailored E-commerce specific elements is urgently required. Essentially, the business environment has to be improved specifically keeping E-commerce M/SMEs in mind.

As noted in the marketplaces section, the taxation framework in many African countries is not well adapted to the format where taxation is collected on the actual revenue of marketplaces (i.e., the commissions, after paying the sellers conducting business on the marketplaces). In some countries, the cash-registers that companies utilize are directly connected to the tax departments, and the latter base their calculations on the total sales reflected via the registers.

These issues with marketplace taxation are not only limited to Africa; the sector is new in many developing countries where the sector is emerging and taxation departments have to sensitize themselves to the nuances faced by this sector.

Fragmentation of regulations for setting up presence in African jurisdictions. African SMEs face significant challenges in scaling up across Africa, and one of the main contributing factors is the fragmentation of the regulatory

landscape establishing a business. Examples include that of marketplaces which have to register in multiple African countries in order to be able to operate there. Company registration, licensing are of course the prerogative of each country's domestic space; the overall implication however is that the cost and effort burden for SMEs (and larger firms) to register and comply with regulations in multiple jurisdictions does make it challenging to foster intra-regional trade.

The need for harmonization is especially important given the context of the relatively smaller markets in many African countries, thus requiring ease in being able to conduct business in other African markets. This is likely a medium-longer term concern as many digital startups will operate in local markets initially, but still given the intra-regional trade competitiveness focus, this is an important consideration.

Informality is a major concern

Informal businesses drive a significant portion of economic activity, a fact that regulators and governments will need to adapt to in a flexible manner. Marketplace platforms have indicated the perceived unfair competition from informal businesses as a strain on their operations.

This aspect has to be carefully considered by Governments. Informal trade is not ideal for domestic resource mobilization and the greater SME development/ formalization agenda, however it is still a major source of livelihoods for citizens in an environment where jobs and employment creation is weak. Stringent regulations imposed immediately will curtail entrepreneurship and impact livelihoods, while the existing informality does not bode well for government revenues – hence the concern at the official level regarding E-commerce activity taking place via social media platforms.

Access to finance is one of the dominant challenges for M/SMEs

Compounding the weak e-readiness of M/SMEs is a weak business environment in general for the sector, and it is exacerbated for digital M/SMEs. Access to financing both in terms of operational and investment capital is a severe constraint for African M/SMEs and routinely figures as a top constraint within enterprise surveys. This will likely remain an entrenched and long term issue. As the E-commerce sector grows however, and based on the lead taken by certain pan-African banks that are especially keen to expand their services vis-à-vis digital economies, the access to finance conditions for Digital SMEs will grow.

Strategic objectives

1. **Conduct a detailed review of the SME development framework and improve alignment with the digital economy**

The strategy recommends that the National SME development framework should be reviewed and updated to reflect tenets of digital economy. Strategies and policies in aid of M/SME development, and integration of E-commerce SMEs as part of the scope is very important. To the extent possible, the framework should support Incentives provided in form of M/SME incentive schemes (both taxation and otherwise), and applicability for e-commerce M/SMEs.

2. **Review of key regulations for digital SMEs, and Harmonize regulations at the regional level**

An important need exists for governments to review the entire process map for digital SMEs starting from their registration to liquidation. In many cases, these processes are not applicable or feasible to apply for digital economy firms. A good example is that of registration for E-commerce firms, who frequently straddle multiple sectors and this may have implications for requiring licensing from more than one authority (examples such as healthcare firms, agro-processed foods etc). The challenge occurs as most SMEs are not aware clearly on the requirements and in some cases, these regulations may not even be well defined yet.

To assist SMEs to scale their operations beyond their immediate jurisdictions, governments can coordinate with each other to harmonize regulations aimed at allowing digital SMEs to operate in different African markets with reduced burden. Companies registered in one jurisdiction should be able to seamlessly operate in other. This is of course being negotiated as part of AfCFTA negotiations. This is also an area where RECs can take the lead.

3. **Improve access to financing for E-commerce companies**

The strategy acknowledges that one of the key challenges cited by digital SMEs across Africa is weak access to financing. This strategic objective recommends creation of specific loan instruments for E-commerce companies so that they can access operational and investment capital.

4. Review taxation regulations at the national and regional levels

Governments may wish to consider short term taxation relief for E-commerce firms. In the early stages of the sector's development, it will likely be burdensome for startup firms to manage operations, scale up and still be able to deal with administrative and taxation burdens. There are a number of examples of countries with expanding E-commerce sectors, spurring growth via limited tax-holiday mechanisms.

Business Environment for Digital Economy: Spotlight on digital taxation

The theme of digital taxation is part of the overall topic on business environment for digital economy, but deserves a separate chapter. This has a direct implication on domestic resource mobilization issues, and competition (level playing field) between local firms and international MNEs.

African countries must be mindful of the following factors when embarking on digital taxation initiatives:

1. Ongoing progress in the multilateral fora including the OECD inclusive framework as well as regional tax platforms such as ATAF.
2. Trade-offs between embarking on unilateral digital services tax versus an international framework (ongoing via OECD's inclusive framework on BEPS).
3. Leveraging the opportunity offered by VAT and adapting these systems for more complex digital use-cases such as E-commerce; At the same time, reviewing regulations and institutional capacities to ensure compliance and ease of use for firms.
4. Proposals by G24 and adopted regulations by India and other countries on profit allocation issues for digital MNEs, in particular focusing on 'fractional apportionment' based on real activities of MNEs in the source jurisdiction (market).
5. Considerations of providing time-limited tax incentives for certain types of digital MNE firm activity based on their development benefit to local firms.

1. Domestic Resource Mobilization (DRM) remains a pressing regulatory concern for African policymakers and Regional Communities. Traditionally, this focus has been driven by twin motives of raising additional financing for development, and reducing leakage of national revenue via tax loopholes and other illegal mechanisms. Indeed, the low tax to GDP ratio of African economies and the downward pressure exerted on growth projections due to the ongoing pandemic have prompted a renewed call for developing a common African position on international tax rules, and for enhanced participation in international fora such as the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

2. In recent years, this agenda has expanded to include challenges posed by increased digitization MNE operations as well as cross-border digital trade. There is broad consensus that the current framework for international taxation is not fit for purpose when it comes to the new business models[124] propagated via the Digital Economy including marketplaces, streaming services, shared-economy services, and also increased digitization of MNE supply chain operations. A key concern for African countries relates to the activities of multinationals who carry out business on the continent, without creating sufficient presence (i.e., a nexus) in the countries of operation and are therefore exempt from paying taxes in those jurisdictions based on the existing international taxation rules. This is especially the case for digital platforms which have actively courted and benefited from high consumer-demand in large African markets in line with increased affordability and expansion of internet services.

3. Additionally, African Policymakers believe that individual and business consumers offer significant opportunities for Digital MNEs to introduce new value streams and services, and that African economies are incurring a significant opportunity cost in the form of missed taxation from these MNEs. The premise is that the user knowledge and activity are core contributors to the overall value creation of the digital economy (in addition to algorithms etc.) especially if the user information is monetized via advertising at some point; Therefore, the taxation of the MNE should include this user contribution.

4. Recent research[125] has indicated that the challenge goes beyond establishing 'nexus', and is rather one of attribution of profits - current taxation rules inordinately favor residence jurisdictions (company's HQ), rather than source jurisdictions (markets in which the company makes profits); Even if the MNEs have established a local nexus including subsidiaries/affiliates, the current international tax framework allows them the flexibility of assigning minimum profits to the market jurisdiction and therefore have limited taxation liability. From the perspective of African taxation authorities, this has created a situation where MNEs -especially those operating within the digital economy space, requiring a smaller physical footprint in market jurisdictions – can derive significant profits from African markets, with minimum taxation obligations. There is widespread consensus – among African Ministries of Finance, Economic Planning and Integration, Central Bank Governors and Tax administrators, Commissioners-General - garnered via high level discussions organized by the AU and the African Tax Administrative Forum (and other regional bodies) , that this situation is neither tenable nor equitable, and may pose harm to the overall national development agenda of African countries. These concerns are not limited to the African context and have been raised by other developing countries as well.

124 Including (but not limited to) e-commerce marketplaces, streaming services providing content, intermediation platforms, online software, social media.

125 (Ndajiwo, 2020)

Current approaches for international tax framework reform vis-à-vis digitalization issues

5. The OECD inclusive framework on BEPS constitutes the platform with most global representation and activity aimed at revising international taxation laws, and making them fit for purpose for the Digital Economy. 137 countries are members of the framework, of which 25 are African countries. Observer status is also afforded to a number of regional tax organizations, including the African Tax Administrative Forum (ATAF). Work is progressing simultaneously across two pillars: Pillar 1, focuses on revising nexus and profit-allocation (transfer pricing) rules, which in almost all African countries are based on the arms-length principle, allowing MNEs to allocate profits to tax-friendly jurisdictions, regardless of activity in market jurisdictions. Reforms in pillar 1 are expected to result in a more equitable profit distribution based on the MNE's 'real' activity in the market, and define rules of a taxable nexus without the physical presence requirement. Pillar 2 is focused on instituting a global minimum effective tax rate for taxing profits of MNEs. These reforms are aimed at opening possibilities for fair and equitable tax-revenue generation for market jurisdictions. The Framework has set mid-2021 as a timeline for identifying a consensus-based solution.

6. There is significant risk for African countries if the inclusive framework does not carve our meaningful changes to international tax rules, no least due to the severe pressure exerted by the pandemic on revenue streams. In the absence of consensus based international reforms, African countries have focused their energies on unilaterally deploying taxation on digital services, with the focus mainly on indirect taxation (via VAT, excise tax and other types). The most common type of taxes are on telecommunication services (internet, voice, mobile-money transfer transactions). These are relatively easily applied and collected. There is evidence[126] however that these taxes may prove excessively burdensome for consumers and may undermine their adoption of digital services, in effect proving counter-effective for financial inclusion and digital economy growth.

7. VAT in particular is a type of indirect tax that is **recommended**[127] by the OECD as a viable mechanism for collecting taxes on cross-border transactions, including those within the digital economy. The VAT rules are focused on the destination principle, i.e., they are levied in the country of final consumption, i.e., where the final consumer resides. VAT may provide immediate revenue streams for African countries, while the consensus driven, multilateral rules for international taxation are adapted via the OECD inclusive framework, as well as proposals[128] tabled by the G24 group of developing countries. Many African countries do have the legal mechanisms in place for imposing VAT on digital services by non-residents, however, it is the enforcement that is the issue. This is in turn tied to the capacity constraints of national revenue authorities in the areas of remote registration of suppliers and tracking/monitoring.

8. European countries, specifically France, Italy and Spain, and the UK (formerly part of the EU) have gravitated towards instituting a Digital Services Tax (DST) applied to a wide range of internet services derived from a digital interface. The EU has published a package on fair taxation of digital services[129] – The first proposed Directive represents a (long-term) solution where Member States would be able to tax profits that are generated in their territory, even if a company does not have a physical presence there. The second one represents a targeted (short-term) solution and introduces a Digital Services Tax at EU level at a rate of 3% on gross revenue from digital services. The DST would be applied to the profits stemming from activities conducted in specific market jurisdictions, and is assessed based on a set-criteria indicating whether the firm has a 'digital presence' or not in the jurisdiction. It is noteworthy that for the second proposal, the threshold limits for taxing transactions is quite high and aimed specifically at large firms (total annual worldwide revenues of €750 million and EU revenues of €50 million), thereby ensuring that smaller businesses such as start-ups remain unburdened.

9. India has an equalization levy in place since 2016, and revised in 2020, which taxes all non-resident e-commerce operators at the rate of 2 percent of revenues of the operator. Taxes are applied on sale to Indian residents as well as advertising targeted at Indian residents.

10. It should be noted that for the most part, African countries have not introduced digital services tax or taxes such as India's equalization levy, because of the resources required to calculate the non-resident MNE's revenues generated in the local jurisdictions, and then ensuring compliance. Instead, indirect taxes on mobile transactions etc. have been the norm.

126 (Ndajiwo, 2020)

127 The OECD has issued guidance on the digital economy-VAT intersection, including international VAT/goods and services tax guidelines issued in 2017 and endorsed by over 100 jurisdictions. Noted in (Forbes, 2020)

128 (G24 Working Group on Tax Policy and International Tax Cooperation, 2019)

129 https://ec.europa.eu/taxation_customs/business/company-tax/fair-taxation-digital-economy_en and https://www.pwc.com/gx/en/about/assets/ec-proposals-digital-taxation.pdf

Box 10: Taxes on electronic transmissions/intangibles (including digital products)

1. **New laws have been framed to tax imports of digital products and services in Australia and New Zealand.** In July 2017, the Australian government introduced a Goods and Service Tax (GST) on imports of digital products and services. Under this law, supplies to Australian consumers of digital products and services from non-Australian suppliers are to be charged GST, provided these supplies are above 75,000 Australian dollars. This includes supplies from non-Australian electronic distribution platforms, and implies that non-Australian suppliers (of digital products or services) have to register for GST electronically. From 2018 onwards, this will apply to B2C as well as to B2B businesses. New Zealand changed its GST law in 2016. Under this law, all supplies of remote services and intangibles carried out by suppliers outside New Zealand are subjected to GST. Suppliers outside New Zealand need to register for GST if the total value of supplies exceeds 60,000 NZ dollars. Unlike Australia, GST is imposed only on B2C businesses; like Australia, electronic platforms are also liable to pay GST.

2. **The EU has also initiated a two-stage process for taxing the intangible imports of goods and services (mainly online) from outside the EU.** The first stage was implemented in 2015 whereby VAT obligations covered all companies outside EU carrying out cross-border online sales of goods and services to final consumers within EU, in line with the principle of taxation in the destination member state. The second stage, known as the 'VAT e-commerce package', will enter into force in 2021.

3. **The Indonesian government amended its law in 2018,** bringing electronic transmissions into the ambit of customs duties. Regulation 17, which provided a new Chapter 99 covering intangible goods (i.e., software and other digital products) that were previously not covered under Indonesia's tariff system, became effective from March 2018.

4. **In 2017, India also initiated compulsory registration** under GST for foreign companies providing online information database access and retrieval (OIDAR) services.

Source: Noted in (Banga, Gharib, Mendez-Parra, & Macleod, E-commerce in preferential trade agreements. Implications for African firms and the AfCFTA, 2021) Original source: WTO

Recommendations related to digital taxation

Harmonization of taxes are essential for meaningful implementation of a single digital market in Africa, providing clarity to both African and international firms.

1. African countries must actively and meaningfully participate in the OECD inclusive framework on BEPS, and increase membership up from the currently 25 African states who are members. Meaningful participation would be especially important in order to truly reflect African interests in revised proposals for international taxation rules under both Pillars 1 and 2 of the inclusive framework.

2. Strive to develop a uniform African position on digital taxation. Promote active discussions in regional groupings including the ATAF, tax administrative forms in West and East Africa. The VAT technical committee established as part of ATAF should actively explore and propose technical guidelines on E-commerce related VAT.

3. While a global consensus gradually takes shape within the OECD inclusive framework, the G24 group, or other fora that are working in this area, African countries may opt to undertake unilateral steps on digital taxation via DSTs. *While a common position is obviously preference*, countries are within their rights to assess their position and impose taxes unilaterally. In this regard, there should be a common position against retaliation by powerful actors such as the US.

4. Countries should immediately leverage VAT as a means of taxing digital transactions, focusing on the following:

    a. Strengthen VAT legislations by providing clarity on definitions on what constitutes digitalized services.

    b. Expand the VAT regimes to include more complex digital services and use-cases such as E-commerce. This is already expected in Nigeria, Ghana, Senegal, Kenya, Rwanda and Uganda.

    c. Maintain reasonable VAT thresholds to minimize administrative paperwork as well as consider the benefits of certain digital services to the economy. Consider a simplified collection and compliance mechanism for service providers to boost compliance, including remote registration systems.

    d. Review current VAT regimes that are mainly focusing on essential mobile transactions as they may pass on inordinate burden on consumers and curtail digital adoption among the population, especially the low income earners. VAT regimes should instead be targeted to ensure that the large MNEs offering digital economy services pay their fair share based on their real activity in the African jurisdictions.

    e. Where mobile transactions taxes are deemed necessary, these should be based on progressive thresholds.

    The advantages of the VAT based revenue is that most countries are already geared up for collecting VAT based taxation and this could be strengthened to adapt to more complex digital services such as E-commerce , in the short term.

5. Consider supporting G24 tabled proposals for 'fractional apportionment'[130] which allocates profits based on the real activities in each country, rather than the current bias towards MNEs' HQ locations. Other proposals put forward by India as part of their domestic laws may be considered as well.

6. Countries may wish to incentivize specific services which are deemed necessary for offline to online growth of local M/SMEs. Countries may weigh carefully the extent of support that specific digital service is providing to fledging sectors, such as E-commerce firms, and grant time-limited incentives such as taxation benefits on a case by case basis depending on the developmental benefit of the services. A good example is that of Instagram type services which are utilized by SMEs as a digital marketing tool for promoting themselves to international markets. Consider that the bulk of SMEs will operate via marketplaces where it will be difficult to develop a unique selling proposition and individual brands, and therefore such services are frequently the only tool at the disposal of SMEs.

130 Noted in (Ndajiwo, 2020)

Component 9: Investment Promotion

Snapshot of Investments segment (digital economy specific)	Challenges faced
• Year on year investment levels have grown at a significant pace in the past decade. • Investment is concentrated within the "big four" markets of Nigeria, Kenya, South Africa and Egypt. • The African fintech sector is key destination for FDI	• Lack of uniformity in corporate structures across African counties, posing challenges for scaling up in such a heterogeneous environment. • Unfamiliarity and lack of information among investors on the investment landscape and regulations. • IP laws - difficulty in getting IP transferred outside the country. Significant gap in early-stage and pre-seed funding Investments geared at firms with African founders are still limited.
Strategic Objectives	
• Countries must review their investment regimes to assess fit for purpose with digital economy needs • Type and form of investments are both important. • Important lessons have been learned and these must be applied to the E-commerce sector. Investment models such as JVs should be promoted. • Ensure that investor facing information is kept up-to-date	

Year on year investment levels have grown at a significant pace in the past decade.

Africa presents a significant first-movers advantage for investors seeking to leverage the vast untapped potential that the internet economy on the continent has to offer. Consider that 19 of the top 20 fastest countries in the world are in Africa. The increasing urbanization coupled with increasing disposable income of a growing middle class population is expected to drive the consumer base significantly.

Within the E-commerce sector, investments worth USD 134 Million across 30 deals were closed in 2019, reflecting a 2 percent year on year increase, and 36 percent year on year increase in number of deals.[131] This trend has been continuing for the past five years in a row.[132] Indeed, 397 tech startups raised USD 701.4 Million in 2020 versus USD 185.7 Million raised by 125 tech startups in 2015.[133] The top stand-out investments of the year include Egyptian e-health venture Vezeeta (US$40,000,000), Nigerian, fintech Flutterwave (US$35,000,000), South African retail-tech startup Skynamo (US$30,000,000), Kenyan agri-tech company Twiga Foods (US$29,400,000), and Kenyan conservation tech solution Komaza (US$28,000,000).[134]

Investment is concentrated within the "big four" markets of Nigeria, Kenya, South Africa and Egypt.

In 2020, tech startup based investments were received in 24 African countries. Of these, almost 90 percent was concentrated in Nigeria, Kenya, Egypt and South Africa which constitute the leaderboard (followed by Ghana and Morocco) in terms of investors' preferences for startup funding.[135] Nigeria leads by a large margin due to its large consumer market and economy's size .

131 (Google, IFC, 2020)
132 ibid
133 (Disrupt Africa, 2020)
134 (Disrupt Africa, 2020)
135 (Disrupt Africa, 2020)

Country	Notes
Kenya	• This is the second year in a row that Kenya has had the fewest funded startups among the "big four" countries, but raising the highest total amount, accounting for 27.3 per cent of the continent's total investment. This is due to the consistently high average ticket size raised by Kenyan ventures. • Kenya accounted for some of the continent's standout rounds of the year, such as agri-tech company Twiga Foods (US$29,400,000) and conservation venture Komaza (US$28,000,000). Other notable raises in the country went to logistics startup Sendy (US$20,000,000), retail-tech solution Sokowatch (US$14,000,000), and energy ventures SunCulture (US$14,000,000), Angaza (US$13,500,000), and Solarise (US$10,000,000). •Fintech and E-commerce dominate in terms of investment received, with e-health, logistics and energy and agri-tech as the other beneficiaries.
Nigeria	• Accounts for the 2nd highest investment funding raised and the most number of total startups which have benefited from investment. • Fintech Flutterwave raising a US$35 million Series B. There were a few other impressive deals, however, as fellow fintech Bitfxt secured US$15 million, as did e-health venture 54gene (US$15 million). Fintech Aella Credit, e-health startup Helium Health, and fintech Kuda each raised US$10 million. • Nigeria is well suited for attracting smaller ticket investments, and indeed investments of all sizes. High prevalence of accelerators and early-stage venture funds covering the smaller ticket sizes in Nigeria - the likes of Y Combinator, Ventures Platform, Microtraction, Acuity Ventures, Ingressive Capital, Kepple Africa Ventures and Sherpa Ventures. • Both domestic and International entities are also more than willing to back Nigerian ventures.
Egypt	• Emerging leader in attracting E-commerce and retail-tech investments. • Egypt stands apart from the norm across the continent in that fintech is much less a focus for investors than it is elsewhere. E-commerce and retail-tech is favorite when it comes to investors in the • North African country, and beyond that investment is much more spread out than in other markets. • More signs of wider ecosystem growth in Egypt came in the larger spread of investment across a greater number of companies.
South Africa	• Fintech has been a leader in South Africa for the last few years when it comes to investment, along with E-commerce, along with E-health and ed-tech. • South African startups benefit from the relatively mature status of the local ecosystem, which has active investors at most stages of the startup lifecycle. Early-stage is well covered by an active angel investment scene incorporating a relatively high number of groups and individuals, as well as early-stage funds like E4E Africa.

Source: (Disrupt Africa, 2020)

The African fintech sector is key destination for FDI

The tightly-adjacent fintech sector which is an investment-darling within the African startups space bodes well for future E-commerce related investments. Fintech and E-commerce are relatively the most mature spaces in terms of tech investments in Africa, from the perspective of number of firms receiving funding and the total investment.

Table 13: Key African startup investment figures for select sectors

Sector	Number of firms	Notes
Fintech	99	160.3 million. Along with E-commerce, Fintech is one of the most mature spaces for investment in Africa,
E-commerce and retail tech	55	Saw total funds grow by 85.6 per cent.
E-health	41	More than 250 percent year on year growth in terms of companies receiving funding
Logistics	29	saw more startups receive funding, combined amount raised by startups in Logistics and transport sector declined
Energy	22	--
Recruitment and HR	18	More than 250 percent year on year growth in terms of companies receiving funding
Property tech	10	Almost 200 percent percent year on year growth in terms of companies receiving funding
Ed-tech	17	More than 250 percent year on year growth in terms of companies receiving funding
Agritech	16	--
Transport	15	saw more startups receive funding, combined amount raised by startups in Logistics and transport sector declined
Entertainment	10	Fastest growing segment in terms of investment recieved
AI/IOT	10	-
Marketing	6	-

Source: (Disrupt Africa, 2020)

Key Challenges

Lack of uniformity in corporate structures across African counties, posing challenges for scaling up in such a heterogeneous environment.

For investors who are not comfortable in frontier economies, Africa poses significant risks in terms of long term investments and exits. One of the key challenges is again the fragmentation in terms of the business regulations, including corporate structures and compliance requirements for firms. This creates an entry barrier for firms who may be seeking to invest across countries.

Unfamiliarity and lack of information among investors on the investment landscape and regulations.

Investors find it challenging to collect relevant and up to date information on regulations. Published information may be outdated, and getting the right information increases the cost of due diligence. A related area is of conducting broader due diligence on identifying bankable investment opportunities in Africa.

Significant gap in early-stage and pre-seed funding

The venture capital space is growing and there are a number of African and international African-focused venture capital firms active. Still, access to early stage and pre-seed funding between USD 50,000 and USD 500,000 is lacking across the continent, and a recent Google survey noted 82 percent of African startups reporting difficulties in accessing funding.[136] A significant disparity has also been noted in terms of investments destined for Anglophone and Francophone countries, with the latter accounting for only 0.5 of the total funding in 2019.[137]

Investments geared at firms with African founders are still limited.

Although not a challenge in itself, investment by African founders as compared to firms with expat founders is still limited. This points to a broader digital entrepreneurship challenge linked to investments, which must be addressed. For example, in 2020, all the major rounds raised in Kenya went to companies with expat founders/CEOs. The African startup report 2020 notes that ' For those Kenyan entrepreneurs starting out, looking for seed or other early-stage funding, the prospects might not be so bright. While there is a cluster of accelerator-linked investors (the likes of MEST Africa, Villgro Africa) and a few VC firms (Kepple Africa Ventures, Musha Ventures) willing to back the early stages of the pipeline, generally speaking smaller ticket-sizes are harder to achieve in Kenya.'

136 (Google, IFC, 2020)

137 (Google, IFC, 2020)

Strategic Objectives

1. Align investment regimes with digital economy needs

African investment promotion agencies (IPA) have a direct mandate to promote sectors which are of strategic interest and where there is an identified need for inflow of expertise and mandates. The challenge however is that investment promotion regimes are not fit for purpose with the needs of the digital economy. There is a need for IPAs to review and update the regulatory framework in terms of incentives and regulations. For each ecosystem component, investment priorities should be defined at the national level, which investment agencies can utilize for shaping their investment promotion and aftercare initiatives.

There is also an important need to enhance the investment promotion and aftercare environment for Fintech. Perhaps more than any other segment, the fintech sector will benefit from overseas as well as intra-regional investment. Recent investments in the sector have included Interswitch (USD 200 million, November 2019), Flutterwave (USD 35 million, January 2020), Jumo (USD 55 million, February 2020), among other high profile investments. The ongoing pandemic has naturally slowed down investment activity. According to a recent survey by AFTS[138], 50 percent of AFTS membership who identify as fintech investors noted slowing down investments/fundraising due to COVID-related concerns', while 27.3 noted a continuation regardless of the pandemic. 13.6 percent noted increased attention towards existing investments, while 9.1 percent assessed that they were more bullish on the African market than before the pandemic. Companies such as Opay, Palmtech and Interswitch are all vying for a pan-african presence, utilizing solid bases such as Nigeria for their expansion plans. Investment promotion agencies in Africa are recommended to review the overall investment promotion and aftercare framework and assess if they are fit-for-purpose vis-à-vis investment.

Type and form of investments are both important. Important lessons have been learned and these must be applied to the E-commerce sector. Investment models such as JVs should be promoted.Not all investments are created equal, and certainly the lessons learned in Africa within the primary industries sector should serve as a reminder that investments that result in transfer/spillovers of best practices, technology-transfer, and productive capacity building among local suppliers and partners should be prioritized. Joint-ventures are particularly useful in cases where there are at least some lead firms which can partner up with foreign investors. A good example of this is that of international logistics firms that can partner up with local logistics providers for facilitating last mile delivery in the country. The investment agreements should be developed in a way that supports these types of modalities, and investor commitments must be monitored.

138 (Africa Fintech Summit, 2020)

2. Ensure that investor facing information is kept up-to-date

A relatively low hanging fruit is for governments to publish accurate and latest regulations and incentives on official websites so that investors have a clear idea. Contact point information should also be provided for ease of conducting business. IPAs may also publish studies and analysis which can feed into the due diligence of investors. This is very important because investors are not only interested in entry opportunities but also how their exit strategies will be planned.

3. Actively promote E-commerce specific investment opportunities

This strategic objective recommends that E-commerce specific investment requirements that are identified at national levels be actively promoted and facilitated by investment promnotion agencies and other public sector agencies. Specialized attention is required because E.commerce investments in areas such as reverse logistics, multi-client warehousing, 3PL/3PF services are critical to the growth of national E-commerce ecosystems.

Conclusion

There is significant qualitative and quantitative evidence that E-commerce and the broader digital economy can provide significant benefits for Africa's overall economic and socio-economic development. A recent Google/IFC study[139] estimates that the internet economy can add up-to USD 180 Billion to Africa's combined GDP by 2025. Local connectivity, increasing mobility and a dynamic, young urban population are stated as the key factors for this growth trajectory, which will depend on the extent and speed at which sectors including Agriculture, education, financial services healthcare, and supply chains can digitalize.

Likewise, An Accenture study notes that Africa's iGDP (or the internet's contribution to GDP) will contribute approximately USD 115 Billion or 4.5 percent of Africa's GDP in 2020[140], rising to USD 712 Billion or 8.5 percent of the continent's GDP in 2050. According to these projections, the iGDP contributions in 2020 are already higher than the average for Nigeria (24.6 percent), South Africa (21.6 percent), Egypt (15.4 percent), Algeria (9 percent), Morocco (7.8 percent), and Kenya (7.4 percent).

There are of course significant challenges that must be overcome. It would be unreasonable to expect that at the national level, the various technical areas constituting E-commerce ecosystems will grow at the same pace. The stretched priorities of policymakers, technological and financial barriers and enterprise/market-side dynamics will likely result in certain areas progressing at varying paces. When these variances at the continental levels are considered, the risks to cross-border trade become evident, and must be managed. policymakers, regulators, negotiators, institutions, and enterprises should account for unevenness as part of their operations.

On balance though, the current pace and trajectory of E-commerce growth on the continent is promising, and the timing is right for synchronizing this with the AfCFTA implementation. Overall, there is a growing realization that intra-regional trade and E-commerce share a symbiotic relationship Africa's trade competitiveness is directly tied to the extent that the E-commerce ecosystem grows in lockstep.

139 (Google, IFC, 2020)

140 Noted in (Google, IFC, 2020)

Strategic Plan of Action

1. DIGITAL ECONOMY POLICY FRAMEWORK

Strategic objective	Activity	Priority	Entry point of action	Expected impact	Implementor
1.1 . Harmonize e-commerce definitions at national level	1.1.1. Articulate a precise definition and scope of E-commerce, to be adhered by line ministries and technical agencies. Sensitize line-ministries and technical agencies on the adopted definition.	High	Immediate	Common understanding and adherence of the accepted scope of E-commerce which can translate to effective policy-making coordination among AUMS line ministries and technical agencies.	AUMS
	1.1.2. Harmonize E-commerce definitions at the REC levels among member states.	High	Medium-term	- Improved predictability among businesses conducting cross-border trade via E-commerce. - Enhanced harmonization and interoperability on E-commerce between AUMS - Improved efficacy of REC-led e-commerce initiatives.	RECs, AUMS
	1.1.3. As a long-term initiative, adopt a collective standard-setting based approach for the E-commerce ecosystem aimed at developing interoperability of technologies between AUMS, in areas such as open banking. The EU model of standards can be considered as a benchmark and adapted to Africa.	Low	Long-term	- Interoperable building blocks in the form of common standards leading to coherent e-services environment within AUMS - Ultimately, enhanced interoperability of e-services at the regional level.	AUC, RECs,
1.2 Sensitize public sector officials (including AfCFTA negotiators) on E-commerce fundamentals	1.2.1. Develop an online, self-paced course on E-commerce covering fundamentals on entire E-commerce ecosystem, aimed at African policymakers and senior decision makers, as well as technical officers. The online, self-paced course content will be accompanied by instructor led sessions on a regular basis, and the course content will be kept updated in line with global developments.	High	Medium-term	Improved knowledge - at the AUMS policymakers level - on the fundamentals of E-commerce and the essential interdependencies within the E-commerce ecosystem components.	AUMS
	1.2.2. Enhance the capacity of national AfCFTA negotiators (including TIS negotiators) as they undertake AfCFTA negotiations, via a structured training program focusing on e-commerce fundamentals, and relevant topics under negotiation (such as communications, financial services which fall under the scope of the existing negotiations)	High	Immediate-term	Enhanced capacities of AfCFTA negotiators on specific topics relevant to the current (and anticipated) technical areas under negotiation.	AfCFTA Secretariat, AUC
1.3. Develop institutional leads and enhance inter-ministerial coordination for E-commerce	1.3.1. Appoint (preferably single) institutional lead for E-commerce and a representative public private dialogue (PPD) mechanism which can	High	Immediate-term	- Improved stewardship of the sector with clearly delineated accountability. - Improved coordination between national various public and non-public (enterprises, civil society) stakeholders.	AUMS

1.4. Integrate E-commerce within national /regional development agendas and sector development activities	1.4.1. For national sector strategies and capacity development initiatives which have a market-side dimension, ensure that E-commerce related activities are included in the implementation	High	Medium-term	- Increased enterprise capacities for integrating E-commerce within MSME operations - Enhanced sustainability of sector development efforts.	AUMS
	1.4.2. Develop specialized training programs aimed at enhancing enterprise level capabilities to recognize strategic opportunities in target markets, and implement e-commerce channels. This should be implemented both at AUMS and REC level initiatives.	High	Immediate-term	- Enhanced enterprise capacities for integrating E-commerce within MSME operations	AUMS RECs
	1.4.3. Undertake trade and digital economy assessments for developing a broad yet informative understanding of the current state of the E-commerce ecosystem. At a minimum, the assessments should: - Inform the current state of the E-commerce ecosystem, and identify the underlying dependencies between the various ecosystem areas. - Serve as an actionable needs-assessment for policy-makers and development partners in terms of upgrading the national E-commerce ecosystem. In cases where such assessments have already been undertaken, and where the E-commerce ecosystem maturity meets a minimum threshold level, E-commerce strategies for individual countries should be undertaken.	High	Immediate-term	Improved understanding, among policy makers and development partners, of the current state, barriers and opportunities facing individual AUMS. Improved ecosystem level understanding of E-commerce among key public-sector stakeholder institutions.	AUMS
	1.4.4. Integrate E-commerce within the mandate and scope of operations for export promotion agencies/trade promotion organizations', in order to enhance support in favor of SME-led cross-border trade, particularly via E-commerce. Specific services could include - trainings for offline-SMEs to develop online-presence, - digital marketing and branding, - marketplaces onboarding (in collaboration with marketplaces), online/ physical helpdesks etc, . - collaborating with marketplaces specifically in the area of SME onboarding. In parallel, enhance fundamental knowledge on E-commerce within EPAs and TPO staff to build their capacities for integrating E-commerce in the offered services.	High	Immediate-term	Enhanced institutional support for MSMEs to integrate E-commerce in their business operations and cross-border operations.	AUMS
	1.4.5. Consider developing DFTAs within RECs in line with lessons learned from Africa (COMESA) as well as international examples such as Malaysia.	High	Medium-term	Seamless cross-border trade andenhanced access to regional markets for MSMEs from member states	RECs, AUMS
	1.4.6. Ensure interoperability between e-services such as the recently launched eCO (COMESA) and other e-services (involving functions such as taxation and customs authorities) in COMESA and other RECS.	High	Medium-term	Increased predictability and support for businesses to conduct business within the RECs.	RECs

	Develop satellite accounts for digital value-added for all economic activities,. See (researchICTsolutions, 2020)	Medium	Long-term	Supported , statistics, collection related to the national digital economy in Africa	AUMS, Subcommittee at the AfCFTA level.
1.5. Strengthen national capabilities for E-commerce statistics collection	1.5.1. Consider deploying open-government data initiatives where public sector information is made available for sharing to the general public, for use in research and economic activities. An AU-wide or regional interactive data platform (similar to the WDI or WITS databases) can be envisaged to ensure that the benefits extend beyond national borders. Capacity building for raising awareness on open gov data would need to be included.	Medium	Long-term	Increase in beneficial use-cases for E-government services, derived from research conducted at the private-sector and academia levels.	AUC, RECs
1.6. Develop and deploy national Digital ID systems aligned regionally	1.6.1. Implement national digital ID systems integrated with key government services s. Develop a harmonized framework to support interoperability of Digital ID systems at national and regional levels. To aid implementation: • leverage the institutional mechanism available via the African Programme on Accelerated Improvement of Civil Registration and Vital Statistics (APAI-CRVS). • Ensure that national Digital ID frameworks follow the Ten Framework Principles for Good Digital ID and the Digital Economy proposed by the ECA.	High	Medium term	- Implementation of verifiable digital ID systems which will ultimately drive economic and socio-economic growth. - Improved implementation of regulations aimed at facilitating cross-border trade.	AUMS, DPs

2. MARKETPLACES

Strategic objective	Activity	Priority	Entry point of action	Expected impact	Implementor
2.1. Develop a conducive business and regulatory climate for marketplaces;	2.1.1. Review the taxation framework to ensure that it is fit-for-purpose for E-commerce firms (especially marketplaces), and incentivizes MSME involvement in the sector (via short term taxation benefits and other mechanisms where feasible)	Medium	Medium-term	Improved business environment for both marketplaces and MSME firms to engage in E-commerce	AUMS
	2.1.2. Ensure harmonization at the regional and pan-African levels: • Mutual recognition of digital contracts. • Mutual recognition for digital skills and services • Predictability for both marketplaces and consumers on their rights and responsibilities, including relating to returns. • Clarity on restrictions and exceptions to transfer of personal information across borders, and the obligations of marketplaces. • Protection of IP including those at the pre-patent concepts levels. • Clarity on taxation requirements including VAT for marketplaces.	Medium	Medium-term	Improved cross-border/intra-Africa business environment for E-commerce firms.	AUMS
	2.1.3. Conduct root-cause analysis to understand why marketplaces allow vendors onboarding/ operations only from select African countries., and to gauge whether these restrictions stem from regulatory issues (for example if national jurisdictions do not allow local marketplaces to onboard non-citizens/ non-resident firms) or whether this is the result of business due-diligence conducted by marketplaces.	Medium	Immediate-term	Enriched understanding of the contributing root-causes which can drive enabling and informed regulations.	AUMS
	2.1.4. As a means of helping MSMEs assess the benefits of becoming formal entities, Governments can also pilot initiatives where marketplace registration processes serve as temporary KYC for a trial period – i.e. informal MSME receive permissions to test marketplaces for a trial period without going through formal govt registration with the premise that one they are convinced of the value proposition of the marketplace, they may be incentivized organically to formalize. Donors can assist in such pilots by providing limited financial and technical support to selected participants.	Low	Medium-term	Incentivization of MSMEs to join/ test participation in marketplaces in an otherwise challenging business environment.	AUMS

2.2 Foster trust between marketplaces and related stakeholders	2.2.1. Launch consumer literacy initiatives aimed at sensitizing them on: - the benefits of participating in marketplaces - Rights and obligations of consumers and the mechanisms available to protect consumers including ratings/reviews.	High	Immediate-term	Improved sensitization of consumers on the benefits, pitfalls, rights and obligations related to E-commerce so that they can make informed decisions.	AUMS
	2.2.2. Explore Trustmarks or industry led voluntary standards of operation that are a symbol of agreed best practices and ethical behavior among marketplaces. Note: the caveat exists that the trademarks may only work in certain cases where the market and sector is sufficiently developed.	Medium	Medium-term	Additional mechanism (beyond enforcement mechanisms) for encouraging consumer trust and good enterprise practices	Sector organizations, E-commerce associations
	2.2.3. In collaboration with marketplaces, linking marketplaces with national ID/KYC systems among broader existing identify verification frameworks as a means of validating vendors.	Medium	Long-term	Increased verifiability of consumers and vendors, leading to enhanced trust on demand and supply sides over the medium-long term.	Marketplaces AUMS
2.3 Link national export promotion and regional integration with marketplace-SME engagement	2.3.1. Establish MSME onboarding programs in collaboration with marketplaces and sector associations (for sectors which have high absorptive capacities for E-commerce such as Tourism). This can take the form of cost-sharing with marketplaces, anchoring of training programs within sector associations, and direct support for SMEs to cover misc. costs.	Medium	Medium-term	Access to tangible and meaningful support for MSMEs to join and participate on E-commerce marketplaces.	AUMS/TPOs Marketplaces
2.4 Promote innovation and investments in marketplace converging sectors - particularly logistics and fintech - – to develop a conducive ecosystem	2.4.1. Consider innovative mechanisms where major local e-commerce sites, delivery providers and fintech firms are connected and leverage existing e-government infrastructure to ensure nationwide coverage. Consider examples such as Bangladesh's example (Ek-shop initiative) for securing insights from successful cases.	Medium	Medium-term	Increased participation of rural enterprises in E-commerce	AUMS Marketplaces
	2.4.2. Strictly on a case by case basis, Governments can consider taking the lead in developing a B2B2C marketplace with the goal of piloting the project and proving the concept of marketplace based cross-border E-commerce. Note: This has to be carefully considered so as not to displace other private sector actors or grant preferential treatment to the government led marketplace.	Low	Medium-term	Access to a bridging mechanism that brings the consumers and vendors closer and supports discovery, matching and transactions.	AUMS

3. FINTECH/ DIGITAL PAYMENTS

Strategic objective	Activity	Priority	Entry point of action	Expected impact	Implementor
3.1. Review and adapt fintech regulations at the country level	3.1.1. Adopt policies aimed at developing cash-less economies in areas such as e-kyc, virtual onboarding.	High	Immediate-term	Improved financial inclusion in the hinterland	AUC/ Central banks
	3.1.2. Undertake a complete review of missing regulations in fintech and determine a model that they wish to follow in terms of guidelines – either prescriptive or based on 'testing grounds/sandboxes', ringfenced by strict guidelines.	High	Immediate-term	Deployment of model to guide future fintech growth in the country.	AUC
	3.1.3. Implement inter-ministerial and inter-agency public private taskforces to co-develop the regulatory environment for fintech. The private sector should be involved in the discussions as well on a need basis, and these taskforces can be instituted at the national as well as regional level.	High	Immediate-term	Improved coordination both at the intra-public sector level and at the public-private sector levels in aid of guiding the fintech sector growth	AUMS
	3.1.4. Develop a financial inclusion strategy, with a strong focus on Digital financial services (DFS), digital and financial literacy as core focus areas.	High	Immediate-term	A vision and multi-year strategy to guide financial inclusion for the country, which will indirectly impact E-commerce growth.	AUMS
	3.1.5. Implement risk-based approaches to AML/CFT mechanisms at the national level.	High	Medium-term	Preserved or enhanced access to international correspondent banking relationships, and safeguarding the national financial sector.	AUMS
3.2. Pursue harmonization of broader payment systems harmonization with the goal of pan-African interoperability across Fintech services	3.2.1. Foster Interoperability within the continent in payment systems at three levels: 1. across models - mobile-money, bank accounts, cards), 2. between payment players within each model, i.e. 3. at the cross-border level involving regional and pan-African tiers. The role of not only Afreximbanls PAPSS and regional payment systems will be essential, but also of private sector led solutions	High	Medium-term	Increased consumer and private sector confidence in digital transactions.	AUMS, AUC
	3.2.2. Encourage interconnectivity between will allow the central bank infrastructure, fintech community, mobile money operators, online lenders, commercial banks and others via APIs to communicate and share data with each other. For instance, The applications can include sharing mobile-money users information and history (always with their permissions) to online lenders as a proxy creditworthiness check as a means of granting fast-disbursing SME loans. The EU's efforts to promote open banking via the Payment Service Directive 2 can be used as a reference.	Medium	Medium-term	Acceleration of fintech sector growth as well as increased diversity of use-cases for the benefit of consumers and E-commerce firms.	AUMS
3.3. Spur innovation and entrepreneurship within the African Fintech sector	3.3.1. Establish regulatory sandboxes –at the AUMS and potentially the REC levels- for facilitating testing/ approval/scaling up of innovative fintech products, in a regulatory-light environment.	High	Medium-term	Facilitation of innovation considering perspectives of both regulators and fintech firms, while also taking into account the naturally high pace of developments occurring within the global fintech sector	AUMS/ central banks
	3.3.2. Encourage development of Fintech specific incubators and accelerators to boost the entrepreneurship potential in the sector.	Medium	Medium-term	Enhanced digital entrepreneurship, focusing on fintech sector	AUMS

3.4. Strengthen enterprise side awareness and capacities to engage in cashless transactions	3.4.1.	Strengthen enterprise side capacities - M/SMEs, retail merchants - to leverage and integrate Fintech in their operations, via sensitization campaigns, marketing campaigns (directly from fintech and banking firms) and trainings.	High	Immediate-term	Enhanced enterprise side capacities and confidence in undertaking digital transactions	AUMS

4. DOMESTIC AND CROSS-BORDER TRADE LOGISTICS

Strategic objective	Activity		Priority	Entry point of action	Expected impact	Implementor
4.1. Pursue customs reforms and harmonization	4.1.1.	As per WCO recommendations, build capacities of national customs administrations related to effective and efficient risk management and Customs procedures on cross-border E-Commerce, leveraging the suite of relevant WCO instruments and tools.	High	Medium-term	Integration of E-commerce relevant tenets in national customs frameworks, leading to improved clearance times and possibly costs/ administrative burden for E-commerce firms.	AUMS/ customs authorities
	4.1.2.	Explore mechanisms for improving harmonization of de-minimis values and ensuring reciprocity.	High	Medium-term	Improved business environment for E-commerce firms while operating cross-border.	AUMS/ customs authorities
	4.1.3.	Develop an online platform making available all necessary procedures and documentation in terms of trade administration.	High	Immediate-term	Improved predictability, consistency and transparency of customs procedures with due visibility to all partners.	AUMS/ customs authorities
	4.1.4.	As recommended by WCO, customs administrations should engage in close cooperation with Tax authorities as the responsible government body for tax regimes. In cooperation with Tax authorities, alternative collection models should be considered (e.g. vendor model, intermediary or consumer/buyer collection model), to move away, as appropriate, from the current transaction-based duty/tax collection approach where duties and taxes are assessed and collected at the border, towards an automated account-based approach that may involve collection of duties and taxes prior to shipping or arrival of the goods. Continue progress towards implementation of TFA commitments. (WCO, 2018)	High	Medium-term	Emergence of E-commerce as a revenue channel for supporting Governments' fiscal space.	AUMS, WCO, DPs
	4.1.5.	In a phased manner, and based on the prevailing domestic conditions (along with the administration's priority, capacity, human and financial resources and internal procedures), consider adopting WCO's framework of 15 standards[141] on cross-border E-commerce. As initial steps, countries can focus their energies on the following: - De-minimis regime - Immediate release guidelines with simplified entry thresholds , - Simplified importer/exporter registration requirements, - Facilitation of cross border returns - Reduced documentation requirements, including simplified goods declaration - Fast track inspection and quarantine processes. - Possibility to submit documents prior to arrival and electronically. **Specifically for cross-border returns**, consider adapting to the WCO guidelines. These include: - Reconciling inbound and outbound shipments and granting duty and, if applicable, tax exemption on reimportation into the country where the goods were originally shipped from	Medium	Medium-term	- Integration of E-commerce relevant tenets in national customs frameworks based on established best practices, leading to improved clearance times and possibly costs/ administrative burden for E-commerce firms. - Gradual harmonization of customs clearance procedures	AUMS/ customs authorities

		- Submission of proof of re-export (such as import and/or export declaration and/or proof of the refund amount); and - Electronic drawback/refund system to allow authorized intermediaries to apply for drawback/refund on behalf of the eligible party.				
		4.1.6. Adapt national customs regimes to develop express shipments capabilities via air-transport. Establish expedited customs clearance procedures for such air-shipments (which will constitute the bulk of B2C E-commerce shipments). Alignment with regional initiatives like SAATM should be maintained.	Medium	Immediate-term	Enhanced E-commerce clearance procedures for B2C transactions.	AUC/customs
		4.1.7. Customs administrations should cooperate together and engage with the WCO and other international organizations to build and enhance their capacities related to effective and efficient risk management and Customs procedures on cross-border E-Commerce, leveraging the suite of relevant WCO instruments and tools. Where possible, harmonize customs regulations among member states based on the WCO framework guidelines so as to have uniformity and seamlessness in clearance of goods. Countries should also seek capacity building support from the WCO for progressing in these areas.	Low	Medium-term	Improved coordination and ultimately harmonization on regional customs regimes.	AUMS/ customs authorities
		4.1.8. WCO Members that notify their intention to implement the Framework (of 15 standards on cross-border E-commerce) should, based on their respective needs, receive assistance from the WCO in collaboration with other development partners. Support may include digitalization of essential functionalities involved in cross-border trade including: E-payments of customs duties and fees, electronic submissions of customs declarations, electronic application and issuance of preferential certificate of origin.[2]	Low	Medium-term	Access to capacity development support for national customs authorities.	AUMS, WCO
		4.1.9. Commission a feasibility study to assess application of blockchain in developing a risk based approach in customs controls, which can accelerate clearance rates.	Low	Medium-term	Better understanding of emerging technologies on E-commerce related customs clearance processes.	AUMS
4.2.	Establish National single windows (NSWs) and coordination mechanisms/tools for streamlining interagency collaboration	4.2.1. Accelerate the adoption of select Trade facilitation instruments, in particular national single windows and national trade facilitation committees. Care should be taken that the single window architecture and implementation is also scalable to more complex functionalities in the future.	Medium	Medium-term	Improved cross-border trade facilitation.	AUMS
		4.2.2. Enhance the relationship between customs, taxation, and other ministries to streamline the customs clearance processes as related to E-commerce parcels. Ensure that postal service representation exists at key entry points particularly airports.	High	Medium-term	Improved institutional coordination leading to a streamlined and reduced effort/cost burden for E-commerce firms.	AUMS
4.3.	Promote investments in 3PL/3PF and warehousing services	4.3.1. Work with investment promotion agencies to help attract investments within the reverse logistics and 3PL/3PF areas, given that there is a significant dearth of such expertise and accompanying technologies. When possible, approach this from a regional standpoint.	High	Medium-term	Inflow of technical knowhow and infrastructure that are currently gaps within national E-commerce value chains.	AUMS
		4.3.2. Develop warehousing infrastructure and especially multi-vendor warehousing facilities in strategic locations which will help E-commerce store and ship their products cross-border in as economically and streamlined manner as possible, while also accounting for reverse-logistics functionalities in the case of returns.	High	Medium-term / long-term	Access to on-demand, E-commerce tailored infrastructure and services which can be utilized by SMEs on an affordable basis.	AUMS

1 The standards focus on *Legal Framework for Advance Electronic Data, Use of International Standards for Advance Electronic Data, Risk management for facilitation and control, Use of Non-Intrusive Inspection Technologies and Data Analytics, Simplified clearance procedures, Expanding the Concept of Authorized Economic Operator (AEO) to Cross-Border E-Commerce, Models of Revenue collection, De Minimis, Prevention of Fraud and Illicit Trade, Inter-Agency Cooperation and Information Sharing, Public-Private Partnerships, International Cooperation, Communication, public awareness and outreach, Mechanism of measurement, and Explore technological Developments and Innovation.*

2 WCO

4.4. Support rejuvenation of African postal services, while promoting healthy competition with private operators	4.4.1.	Support rejuvenation of African postal services – leverage the services offered by the UPU in terms of their ORE, DRE, Ecom@Africa and Easy Export Program. In a phased manner, explore digitalization of postal services as well as expansion in terms of E-commerce type services.	High	Medium-term / long-term	Raised operational capabilities for national postal services	AUMS/ National postal authorities PAPU
	4.4.2.	Enhance collaboration between postal services and E-commerce firms, especially marketplaces, to serve as pick-up/drop-off points as well as fulfilling delivery logistics for the firms.	High	Immediate-term	Strengthened order-fulfillment capabilities/ options for E-commerce firms, and increased convenience for consumers.	AUMS/ National postal authorities
	4.4.3.	Examine the liberalization of the domestic parcels delivery sector. In addition to the postal services, professional parcel delivery services should be allowed access so as to support the anticipated growth in e-commerce.	Low	Long-term	Access to additional mechanisms for first, middle and last mile delivery services	AUMS
4.5. Improve last mile delivery	4.5.1.	Test and scale up adoption of innovative/disruptive technologies to mitigate challenges from deep infrastructural issues such as physical addressing. The use of alternate addressing systems reliant on GPS location are a very good example of this, especially given that a number of postal office systems have adopted (what3words, GhanapostGPS,SnooCODE) and are piloting such approaches . These initiatives should be supported especially as resource challenges for resource intensive initiatives will continue to be a long term challenges. Awareness should built on the consumer side of such projects to promote adoption.	Medium	Immediate-term	Entrenched challenges of physical addressing and consumer/business findability are bridged via innovative technologies.	AUMS/ National postal authorities PAPU
4.6. Improve enterprise level capabilities related to logistics and order fulfillment.	4.6.1.	Improve enterprise awareness on national and regional rules on cross-border trade procedures, customs duties and administrative requirements, as well as taxation. To facilitate this, increase transparency in terms of sharing the information online or prominent and easy to access locations for exporters.	High	Immediate-term	Improved enterprise side awareness on customs regulations and processes.	AUMS
	4.6.2.	Launch training programs for smaller scale delivery firms, M/SME operations engaged in last mile operations with the end goal of professionalizing these services.	Low	Medium-term	Reduce fragmentation among the last mile delivery services	AUMS
	4.6.3.	Launch or scale up(if existing) Authorized Economic Operator / Best Trader schemes where E-commerce (and related)firms who demonstrate a strong adherence to regulations and practices benefit from speedy clearance for their cross-border shipments as well as other streamlined procedures.	Medium	Medium-term	Incentives for exporting firms to invest in good practices and adherence to national regulations	AUMS

5. ICT INFRASTRUCTURE

Strategic objective	Activity		Priority	Entry point of action	Expected impact	Implementor
5.1. Explore mechanisms to further expand national internet connectivity and improve affordability	5.1.1.	Continue the expansion of 3G/4Gpenetration in the hinterland as well as improve the very low fixed line connectivity (starting with urban areas).	High	Immediate-term	Deepened nationwide penetration of 3G/4G, serving tier 2 cities and hinterland as well as tier 1 cities.	AUMS
	5.1.2.	Focus on infrastructure development for energy, internet infrastructure at the border areas. This needs to be coupled with safety measures.	High	Immediate-term	Expanded infrastructure network at the border areas.	AUMS
	5.1.3.	Conduct careful due-diligence in terms of 5G expansion and rollout, ensuring that existing priorities for instance in terms of expanding nationwide coverage of 3G and LTE networks is not adversely impacted).	High	Medium	Informed policy-making in the area of 5G investments, pilots and scaling-up.	AUMS RECs
5.2. Support development of IXPs	5.2.1.	Support the development of IXPs, based on the experiences in Nigeria, Kenya and South Africa, and in collaboration with the African IXP association.	Medium	Medium-term	Enhanced local content and adoption by consumers	AUMS, RECs
5.3. Prioritize regional efforts to develop ICT infrastructure	5.3.1.	Promote subregional broadband backbones and internet access points (as recommended by SADC E-commerce strategy framework)	Medium	Medium-term	Cost-effective, affordable and secured ICT infrastructure and broadband network	REC
	5.3.2.	Study the experiences of the EAC and the East Africa Communications Organization on regional data connectivity (a cross-border broadband infrastructure network within the EAC) and whether this initiative can be scaled up within other RECs as well.	Low	Immediate-term	Informed policy making and infrastructure development related to regional connectivity	REC, AUMS
5.4. Explore approaches involving co-sharing of infrastructure development costs and resulting benefits.	5.4.1.	Develop national strategies for achieving universal access to electricity, integrated with universal internet access goals where feasible. Ensure that the strategy includes consideration of digital economy aspects in areas such as powering data centers, rural electrification, telecommunications infrastructure powering and maintenance.	High	Medium-term	National vision for universal access is articulated.	AUMS
	5.4.2.	Review universal access funds that are active in Africa, and either comprehensively revise them or dismantle, given the undeforming state.	High	Immediate-term	Improved efficacy of universal access funds.	AUMS
	5.4.3.	Facilitate infrastructure sharing between telecommunications providers by governments and and carried out on a commercial basis.	Medium	Medium-term	Expanded penetration of telecommunications infrastructure in the hinterland.	AUMS
5.5. Drive data center infrastructure development via a combination of policy and incentives	5.5.1.	Support the development of data centers either via investment or via PPPs, focusing on tier III and tier IV data center infrastructure. Accompanying this growth should be a combination of investment policies, data policies, cyber security and other regulations and capacity building initiatives.	Medium	Medium-term	Improved investment and regulatory environment for attracting data center infrastructure.	AUMS

6. CYBERLAW FRAMEWORK

Strategic objective	Activity	Priority	Entry point of action	Expected impact	Implementor
6.1. Cover gaps in national cyberlaw framework must, with pan-African harmonization as the end goal	6.1.1. Consider adapting measures to encourage ratification of AU African Union Convention on Cyber Security and Personal Data Protection (Malabo Convention). - Encouraging/allowing member states to ratify part of the convention, - Clarify and simplify the language in the Convention, - Insert mechanisms for pre-authorisations to ensure that they do not impede e-commerce - Focus carefully on the harmonization of AU country member data protection laws and tools and Enable industry to take the lead with standards and codes of conduct which could be incorporated into the Convention if approved by sufficient Member states. See (TRALAC, 2019) A task force at the AU level has been established to assess it.	High	Immediate-term	Progress towards harmonization on data-protection	AUC, AUMS, DPs, RECs
	6.1.2. Promulgate e-transactions laws at the national levels paying due consideration to the following: • Harmonization with regional partners and key trading partners/regions to the extent possible to allow a predictable environment for the private sector. • Adopt technology-neutral e-transaction laws and revise existing laws where necessary. • Extending legal recognition extend legal recognition of e-signatures, electronic contracts and evidence at a national level to those originating in other jurisdictions. ○ Adopting uniform laws, whose content is similar if not identical; ○ Adopting explicit rules on cross-border recognition in national legislation (see, for instance, Article 12 of the UNCITRAL Model Law on Electronic Signatures); and ○ Adopting dedicated international legislation, preferably multilateral (such as the Electronic Communications Convention). See (UNCTADa, 2021)	High	Medium-term	Improved legal basis for e-transaction laws at the national basis and interoperability at the regional level.	AUMS, RECs, DPs
	6.1.3. At the regional level, **Harmonize/ ensure mutual recognition** of e-signature legislation as well as other cyberlaw regulation operating between various African jurisdictions, and to the extent possible with international regions. A related requirement is for the establishment of certification authorities which can govern the e-signatures. As far as possible ensure flexibility in use of authentication technologies.	Medium	Medium-term	Interoperable and mutual-recognition of E-signature at the regional level	AUMS
	6.1.4. Adapt existing consumer protection framework to the E-commerce context. Make iterative progress towards harmonization and /or compatibility with other jurisdictions in Africa.	High	Medium-term	Consumer protection frameworks are adapted to the unique requirements of the E-commerce sector.	AUMS
	6.1.5. Develop copyright laws with fair use of protected works, so as to protect IPR but also define the circumstances in which the unlicensed use of the copyright protected works may be justified e.g. in cases of such as news reporting, teaching, and research.	Medium	Medium-term	IPR laws contribute to digital economy growth.	AUMS
	6.1.6. Develop the AfCFTA protocol on IP Protection, keeping in mind that the benefits of the IP rights would need to be extended to all WTO member states, as the TRIPS agreement does not provide exceptions to regional preferential trade agreements established after its coming into force.	Medium	Medium-term	Development of a robust AU wide IPR protection guidelines based on the AfCFTA protocol	AUMS, RECs

6.2. Strengthen implementation and monitoring capacities for Cyberlaw regulations	6.2.1. Establish data protection authorities (DPAs) to regulate national data protection regulations, particularly around the issue of cross-border transfer of data. Undertake capacity development initiatives for DPAs. Review activity at the regional levels, such as the proposal within the EAC strategy proposal for equipped control rooms.	High	Medium-term	Upgraded capabilities of public sector bodies such as DPAs for ensuring compliance with the regulations.	AUMS
	6.2.2. Develop online dispute resolution mechanisms[143] . As a preliminary measure, ensure that consumer complaints can be submitted online. Scope should ultimately expand to regional and Pan-African levels.	High	Medium.-term	Mechanism for resolving disputes between consumer and E-commerce platforms (companies), and in the process reduce burden on the legal systems.	AUMS
	6.2.3. Establish a continental regulatory body to harmonize regulation and implementation of IPR policies at the national , regional and continental levels, working on close collaboration with national governments, RECs and regional institutions.	Medium	Medium-term	Harmonized IPR regulations providing predictability for IP holders, e-commerce vendors, marketplaces and other stakeholders.	AUC, RECs, AUMS
6.3. Raise consumer awareness of laws/ regulations on data protection, cyber-crime, consumer protection	6.3.1. Undertake nationwide dissemination and awareness raising of laws/ regulations on data protection, cyber-crime, consumer protection etc.	High	Medium-term	Increased awareness among consumers and companies on the rights and obligations related to relevant regulations	AUMS
6.4. Strengthen Cybersecurity policies and capabilities as a prerequisite for data center infrastructure development	6.4.1. Establish and resource Computer Emergency Response Teams (CERTs) in all member states and institute mechanisms for boosting cooperation between member states and international partners on cybersecurity issues.	Medium	Medium-term	Enhanced capacities for countries to respond to cyber security incidents.	AUMS
6.5. Incorporate Standardized commercial regulations within AfCFTA to enhance predictability and legal certainty for companies seeking to do business internationally	6.5.1. Incorporate Standardized commercial regulations within AfCFTA.	Low	Long-term	Enhanced predictability and legal certainty for companies seeking to do business internationally.	AfCFTA Secretariat AUMS
	6.5.2. Explore alternatives to electronic signatures such as important contractual terms such as time and place of dispatch and receipt, acknowledgement of receipt, party locations and use of automated message systems. Both technology neutral or technology specific (based on public key infrastructure for example as implemented by ECOWAS). (UNECA et. al. , 2019)	Medium	Immediate-term	Increased diversity of options beyond electronic signatures.	AfCFTA Secretariat, AUMS, RECs

143 See (Suiminen, 2018, p. 28) for case studies.

6.6. Strengthen Data Governance	6.6.1.	Ensure that national legal framework on data protection contains specific provisions on cross-border data transfers. UNCTAD recommends that countries can make one or a combination of the following options[144] available for companies as part of the cross-border data transfer provisions: I. One-off data transfers that meet common derogations or 'tests' (for example, requirements to fulfil a contract, emergency situations, valid law enforcement requests etc.); II. Ongoing data transfers where the target jurisdiction ensures an equivalent level of protection; III. Data transfers where the original company agrees to be held accountable for any breaches; and/or IV. Data transfers where the company is bound by a set of corporate rules that apply across all its activities.	High	Medium-term	- Enhanced protection for data belonging to private citizens and companies. - Clearly delinated conditions for cross-border data transfer.	AUMS
	6.6.2.	Identify specific data categories which are especially of interest (either from a national security, economic development, citizens protection, among other reasons) for countries and segregate them from other types of cross-border data flows. (UNCTADa, 2021)	Medium	Medium-term	Identification of Data categories to inform AUMS negotiations and investment promotion instruments.	AUMS
	6.6.3.	Strengthen public private dialogue mechanisms at the national level to understand capacity building requirements for the private sector in terms of developing digital intelligence capabilities .	Medium	Medium-term	Enhanced support for Local firms to incrementally move up the data value chain.	AUMS
	6.6.4.	Improve coordination between AML/CFT authorities in relation to cross border movement of data.	Medium	Medium-term	Improved AML/CFT compliance and security.	
	6.6.5.	Consider the approach advocated by Cote d'Ivore (as part of the JSI initiatives) that any agreement on E-commerce rules include a mechanisms similar to the TFA which involves countries agreeing to a set of common principles and measures to be implemented on a phase-by-phase basis and based on their individual capacities to do so.	Medium	Medium-term	Emergence of a capacity based approach for implementing agree common principles and measures.	AUMS
	6.6.6.	Review examples of licensing reform such as India's unified licensing for traditional and OTT service providers, which effectively recognizes that *convergence of fixed and mobile, voice and text and video offers opportunities to attract new investment into the information, communications and media sector.*[145]	Low	Immediate-term	Improved investment promotion climate for AUMS within the digital economy.	AUMS
	6.6.7.	Consider an AU wide data-sandbox, for testing cross-border data transfers in a controlled environment. This could be part of a broader regulatory sandbox aimed at testing E-commerce ecosystem wide applications.	High	Medium-term	Enhanced	AUMS AUC RECs
	6.6.8.	Develop consistent criteria for assessing adequacy in the level of personal data protection within the data-protection regulatory framework of another AU country, or a non-AU country for that matter.	Medium	Meidum-term	Harmonization of data protection policies within the AU.	AUC,RECs
	6.6.9.	Ensure clarity of scope and definitions within African regulations as this has proved to be an important reason for non-compliance by firms. Examples include definition of personal[146] and non-personal data, what 'local' storage and processing exactly refers to, among other aspects.	High	Immediate-term	Improved understanding by policymakers, private sector and other stakeholders on AUMS specific scope and definitions of data protection elements.	AUMS
	6.6.10.	Undertake capacity building initiatives which would sensitize policymakers in data-policy issues. The training would be conducted either separately or as part of an overall E-commerce ecosystem wide or cyberlaw framework specific scope.	High	Immediate-term	Improved policy-level understanding of thepotential of data.	DPs, AUMS

144 (UNCTAD, 2016)

145 (Meltzer & Lovelock, Regulating for a digital economy: Understanding the importance of cross-border data flows in Asia, 2018)

146 The OECD notes for example that - Personal data itself encompasses many different types of data that deserve to be distinguished and addressed differently in some cases, given the different context and the different level of risks associated with their collection, processing and use. The GDPR as a case in point provides elevated protection for certain categories of personal data, often considered sensitive, by expressly prohibiting their processing (unless certain conditions are met). (OECD, 2020)

7. DIGITAL ENTREPRENEURSHIP

Strategic objective	Activity	Priority	Entry point of action	Expected impact	Implementor
7.1. Accelerate national digital literacy campaigns	7.1.1. Expand nationwide digital literacy campaigns and integrate this focus in the national development agenda. The digital literacy thrusts must be focused on a range of stakeholders including youth, older citizens, public sector, merchants, and the broader public.	High	Immediate-term	Improved consumer and MSME uptake of digital content and services, indirectly contributing to E-commerce growth, in both urban and rural areas.	AUMS, RECs
	7.1.2. Conduct O2O (offline to online) transition programs (pilots), anchored in select sectors. Place specific focus on women and youth operated enterprises.	High	Immediate-term	Accelerated pace of MSMEs with an online presence and engaging in E-commerce, starting with sectors with a high absorptive capacity for E-commerce such as Tourism, Agro-industry etc.	AUMS, REC, DPs
	7.1.3. Develop a cohort of national coaches who provide E-commerce trainings (via a hands-on approach over a period of time) a set of offline firms possessing a minimum threshold of e-readiness.	Medium	Immediate-term	Increased options for MSMEs to seek guidance on developing online presence, and understand the fundamentals of E-commerce.	AUMS, REC, DPs
7.2. Undertake future skilling studies	7.2.1. Develop sector skills councils (or public private discussion platforms of similar nomenclature) for the ICT/e-commerce /digital-economy areas ,to provide a dedicated forum for policy-makers, skills-providers, and the industry to constructively discuss private sector requirements for the present, and equally important for the future. This can be implemented both at the domestic and regional levels.	High	Immediate-term	Greater alignment between skilling institutions and emerging industry requirements.	AUMS
7.3. Revise national skills framework for IT	7.3.1. Revise national skills framework for IT education. Conduct due-diligence into skills mismatches occurring between skills-development framework and industry vis-à-vis the E-commerce sector, and ensure that recommendations are integrated within relevant strategies and roadmaps.	High	Immediate-term	Reduced skills-mismatch issues between skills providers and industry requirements.	AUMS, RECs

7.4. Strengthen the skills and entrepreneurship infrastructure for E-commerce	7.4.1. In countries where the E-commerce ecosystem maturity has reached a particular threshold, consider developing E-commerce parks led by a PPP model which would provide a range of business, technical and financial services and potentially taxation benefits or grant benefits. The E-commerce parks could include the following components: ß Hubs where SMEs can establish business operations in a co-located space. ß Shared services for maintaining office space, printing, meeting/ brainstorming rooms etc. ß High speed internet capabilities. ß Logistics hub providing multi-client shared warehousing, inventory management services s as well as end-to-end fulfillment services adapted to E-commerce operations. ß Learning and training spaces	High	Medium-term	Center of excellence for E-commerce providing SMEs - which are at a relatively high degree of readiness - to have access to a suite of infrastructural and technical support services.	AUMS, RECs, DPs
	7.4.2. Incentivize innovation builder organizations such as accelerators.	High	Immediate-term	Improved business environment for incubators and other innovation ecosystem builders, making it easier for them to establish presence and expand.	AUMS
	7.4.3. Consider implementing E-commerce-wide sandboxes to test and scale new models in AUMS.	High	Medium-term	Accelerated introduction of a diversity of E-commerce models in AUMS.	AUMS
	7.4.4. Support the development of E-commerce sector associations and empower them by involving in public private discussions aimed at policy-making and overall sector growth.	Medium	Long-term	Greater advocacy for E-commerce and an anchor for launching a range of support services for current and future E-commerce firms.	AUMS
	7.4.5. Consider developing trust labels (granted at the country or preferably regional or pan-African level) for websites.	Low	Medium-term	A symbol of trust for consumers conveying that the website meets a minimum set of criteria laid down as best practice, in terms of security, data protection and other aspects.	E-commerce associations

8. BUSINESS ENVIRONMENT FOR DIGITAL ECONOMY

Strategic objective	Activity	Priority	Entry point of action	Expected impact	Implementor
8.1. Conduct a detailed review of the SME development framework and improve alignment with the digital economy	8.1.1. Review and update National SME development framework reflect tenets of digital economy. Strategies and policies in aid of M/SME development, and integration of E-commerce SMEs as part of the scope is very important. To the extent possible, the framework should support Incentives provided in form of M/SME incentive schemes (both taxation and otherwise), and applicability for e-commerce M/SMEs.	High	Immediate-term	A conducive business environment for E-commerce firms Accelerated offline-online MSME transition	AUMS
8.2. Review of key regulations for digital SMEs, and Harmonize regulations at the regional level	8.2.1. Review processes from registration, licensing to taxation and company liquidation to ensure that these are adapted to the dynamic digital economy; Publish all guidelines clearly in an easily accessible format.	High	Immediate-term	Administrative processes are aligned to the dynamics of the E-commerce sector and the digital economy.	AUMS
	8.2.2. Establish a fully online business registration and licensing functionality for companies, preferably as part of a national single window system.	High	Medium-term	Ease of starting online businesses and getting licenses.	AUMS/Single window lead agency
	8.2.3. Develop the framework for Electronic invoicing – promote electronic invoicing within national jurisdictions and progress towards interoperable electronic invoicing by private sector, acceptable and interoperable across borders.	Low	Medium-term	Ease of issuing electronic invoices within national jurisdictions and at the regional level.	AUC, RECs, AUMS
	8.2.4. Explore options for facilitating mutual recognition of digital SMEs within RECs so that they can operate relatively easily across borders.	Medium	Medium-term	Digital firms are able to freely operate across borders, with access to larger markets.	RECs, AUMS
8.3. Improve access to financing for E-commerce companies	8.3.1. In the medium term, consider the feasibility of e-commerce specific loan guarantees to facilitate E-commerce transactions. The loan-guarantees can be utilized by both e-commerce firms and larger business buyers seeking to make larger size transactions. Financial institutions would refer loan requests to a specific credit guarantee fund established for the purpose. The case of China and Korea can serve as an example,	Low	long-term Note: the business environment in African countries is not feasible at the current moment for such schemes.	Improved access to financing for digital firms.	AUMS/ Central Bank, Ministry of Finance

8.4. Review taxation regulations at the national and regional levels	8.4.1. Consider instituting a medium term (3-5 year) taxation relief for E-commerce firms or any firms on revenue gained from digital payments. This will serve as a means of incentive for merchants and companies to engage in digital-payment transactions. A specific bank account for receiving the digital payments can be identified by companies for estimating the value for taxation firms.	High	Immediate-term	Improved incentivization for MSMEs to engage in digital transactions, particularly in terms of accepting digital payments.	AUMS
	8.4.2. Revise national taxation regulations to make them fit for purpose for E-commerce marketplaces. The rules should be adapted to reflect their taxable income to commissions rather than gross sales (since those include payments passed on to suppliers.	High	Immediate-term	Taxation regime is fit-for-purpose for E-commerce companies, particularly marketplaces.	AUMS
	8.4.3. Strive to develop a uniform African position on digital taxation. Promote active discussions in regional groupings including the ATAF, tax administrative forms in West and East Africa. The VAT technical committee established as part of ATAF should actively explore and propose technical guidelines on E-commerce related VAT.	High	Medium-term	Enhanced policy level understanding of the nuances of digital taxation issues, contributing to ultimate consensus.	RECS, ATAF
	8.4.4. Review taxation relief/reduction for smartphone, ICT equipment that is imported in the country. In parallel, support the incubation of repair-services for IT equipment and safe disposal to reduce environmental impact.	Medium	Medium-term	Improved affordability and sustainability of imported devices and IT equipment which can drive growth in the sector.	AUMS
	8.4.5. Countries may explore VAT[147] as a means of taxing digital transactions, focusing on the following: a. Strengthen VAT legislations by providing clarity on definitions on what constitutes digitalized services. b. Expand VAT regimes to include more complex digital services and use-cases such as E-commerce. This is already expected in Nigeria, Ghana, Senegal, Kenya, Rwanda and Uganda. c. Maintain reasonable VAT thresholds to minimize administrative paperwork as well as consider the benefits of certain digital services to the economy. Consider a simplified collection and compliance mechanism for service providers to boost compliance, including remote registration systems.	Medium	Immediate-term	Improved revenue collection for national governments via fair taxation.	AUMS
	8.4.6. Consider supporting/exploring G24 tabled proposals for 'fractional apportionment'[148] which allocates profits based on the real activities in each country, rather than the current bias towards MNEs' HQ locations. Other proposals put forward by India as part of their domestic laws may be considered as well.	Medium	Medium-term	Due-diligence and discussions leading to a strengthened African position on taxation for MNEs.	AUMS
	8.4.7. At the AUMS level, incentivize specific services which are deemed necessary for offline to online growth of local M/SMEs. Countries may weigh carefully the extent of support that specific digital service is providing to fledging sectors, such as E-commerce firms, and grant time-limited incentives such as taxation benefits on a case by case basis depending on the developmental benefit of the services, eg. Instagram type services which are utilized by SMEs as a digital marketing tool for promoting themselves to international markets.	High	Immediate-term	Reliable access for African E-commerce firms to value-added services provided by digital SMEs.	AUMS

147 The advantages of the VAT based revenue is that most countries are already geared up for collecting VAT based taxation and this could be strengthened to adapt to more complex digital services such as E-commerce , in the short term.

148 Noted in (Ndajiwo, 2020)

9. INVESTMENT PROMOTION

Strategic objective	Activity	Priority	Timeframe		Responsible
9.1. Align investment regimes with digital economy needs	9.1.1. Review Investment Promotion and aftercare regimes for alignment with digital economy needs and update the regulatory framework in terms of incentives and regulations. For each ecosystem component, investment priorities should be defined at the national level, which investment agencies can utilize for shaping their investment promotion and aftercare initiatives. Investment models such as JVs should be promoted.	Medium	Medium-term	Investment promotion regimes are tailored to the needs of AUMS E-commerce sectors.	AUMS/investment promotion agency
9.2. Ensure that investor facing information is kept up-to-date	9.2.1. Publish accurate and latest regulations and incentives on official websites to provide clarity for investors. Contact point information should also be provided for ease of conducting business. Ensure that investor facing information is kept up-to-date in terms of accurate and latest regulations and incentives on official websites.	High	Immediate-term	Clear and updated information is available for investors to help with their due diligence.	AUMS/Investment promotion agency
9.3. Actively promote E-commerce specific investment opportunities	9.3.1. Prioritize investments in the following areas: • 3rd party logistics/fulfillment services (3PL/3PF) including reverse logistics. • Establishment of logistics hubs with large multi-client shared warehousing spaces coupled with professional inventory management processes as well as end-to-end fulfillment services adapted to marketplace operations. • Packaging services • Specialized fintech operators including escrow and PSP services.	High	Medium-term	Access to critical infrastructure that will be essential for eventually scaling up the E-commerce sector.	AUMS/Investment promotion agency

10. INVESTMENT PROMOTION

Strategic objective	Activity	Priority	Timeframe		Responsible
10.1. Align investment regimes with digital economy needs	10.1.1. Review Investment Promotion and aftercare regimes for alignment with digital economy needs and update the regulatory framework in terms of incentives and regulations. For each ecosystem component, investment priorities should be defined at the national level, which investment agencies can utilize for shaping their investment promotion and aftercare initiatives. Investment models such as JVs should be promoted.	Medium	Medium-term	Investment promotion regimes are tailored to the needs of AUMS E-commerce sectors.	AUMS/investment promotion agency
10.2. Ensure that investor facing information is kept up-to-date	10.2.1. Publish accurate and latest regulations and incentives on official websites to provide clarity for investors. Contact point information should also be provided for ease of conducting business. Ensure that investor facing information is kept up-to-date in terms of accurate and latest regulations and incentives on official websites.	High	Immediate-term	Clear and updated information is available for investors to help with their due diligence.	AUMS/Investment promotion agency
10.3. Actively promote E-commerce specific investment opportunities	10.3.1. Prioritize investments in the following areas: • 3rd party logistics/fulfillment services (3PL/3PF) including reverse logistics. • Establishment of logistics hubs with large multi-client shared warehousing spaces coupled with professional inventory management processes as well as end-to-end fulfillment services adapted to marketplace operations. • Packaging services • Specialized fintech operators including escrow and PSP services.	High	Medium-term	Access to critical infrastructure that will be essential for eventually scaling up the E-commerce sector.	AUMS/Investment promotion agency

Annex

E-commerce definition and process flow

The accompanying schematic indicates the typical process flow / stages within an E-commerce ecosystem, and is utilized here to better articulate the diagnostics within Africa's overall E-commerce sector. Utilizing the process flow as a lens for the diagnostics ensures that the interests and needs of the ultimate beneficiary of this project – M/SMEs either already engaged or seeking to engage in E-commerce – are kept firmly in the forefront.

The process flow is simply a lens, and not an exact mapping of the existing models in Africa. Indeed, there is a fair bit of variance within the actual E-commerce models (marketplaces, vs. self-managed, vs. dropshipping for example). The E-commerce components noted in an earlier schematic are indicated along this process flow diagram. As indicated, most of the components are relevant throughout the process flow.

Definition and scope of E-commerce

For the purposes of this strategy, the OECD definition for E-commerce /electronic transactions is used. The AU also aligns itself to this definition.

Table 14: OECD definition of E-commerce

OECD definition of e-commerce	Guidelines for interpretation
An e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of **orders**. The goods or services are ordered by those methods, but the **payment** and the ultimate delivery of the goods or services **do not have to be conducted online**…	**Include:** orders made in web pages, extranet or EDI. The type is defined by the method of making the order. **Exclude:** orders made by telephone calls, facsimile, or manually typed email.

Description of process flow

1. Production/sourcing products: M/SMEs manage their production processes or source products from suppliers.

   Warehousing /inventory management: Received products are then stored and organized in shelving. The inventory is organized/stored (as stock keeping units or SKUs) in organized bins / warehouses. Proper warehousing is essential for efficiency in the order processing stage. Note that warehousing E-commerce operations is quite different than warehousing utilized in traditional logistics.

2. Development of digital presence: M/SME must make a strategic decision on which model to pursue. They may choose to develop their own e-commerce web-shops or participate in marketplaces. There are also solutions such as plug and play software which can be connected to websites to provide e-commerce transactional capabilities. Alternatively, platforms such as shopify provide template based e-shops solutions for companies on a subscription basis.

3. Consumer browsing + order placement: Consumers browse the E-commerce firm's website/online catalog and place an order online.

4. Payments: Payments can be conducted online anytime between order placement and order delivery, or via cash on delivery. Digital payments can include mobile-money, credit cards, bank transfers (and in the future cryptocurrency possibly). The OECD definition of E-commerce still considers the cash on delivery option as part of E-commerce to accommodate developing country contexts such as those in Africa, where cash is still the predominant form of payment.

5. Order fulfillment (Order processing + pick/ pack/shipping): The order fulfillment process is triggered by order placement. Products are 'picked', packaged/labelled, and shipped to customers. Interface with inventory management software becomes highly relevant here with the alternative being manual checklists. There are three main models for fulfillment available in general: self-fulfillment, drop-shipping (gaining ground in South Africa particularly), and 3rd party logistics/fulfillment.

   The order fulfillment process also includes the administrative procedures involved with customs authorities and any other necessary paperwork required for exports.

6. Delivery logistics – domestic and cross border^.

   a. **First-mile delivery -** refers to movement from retailer warehouses or 3PL/3PF warehouses to the delivery provider (post/courier company). Activities involve Addressing/labelling, Use of automation /technology in generating labels, CRM, Packaging, and Scheduling pickups.

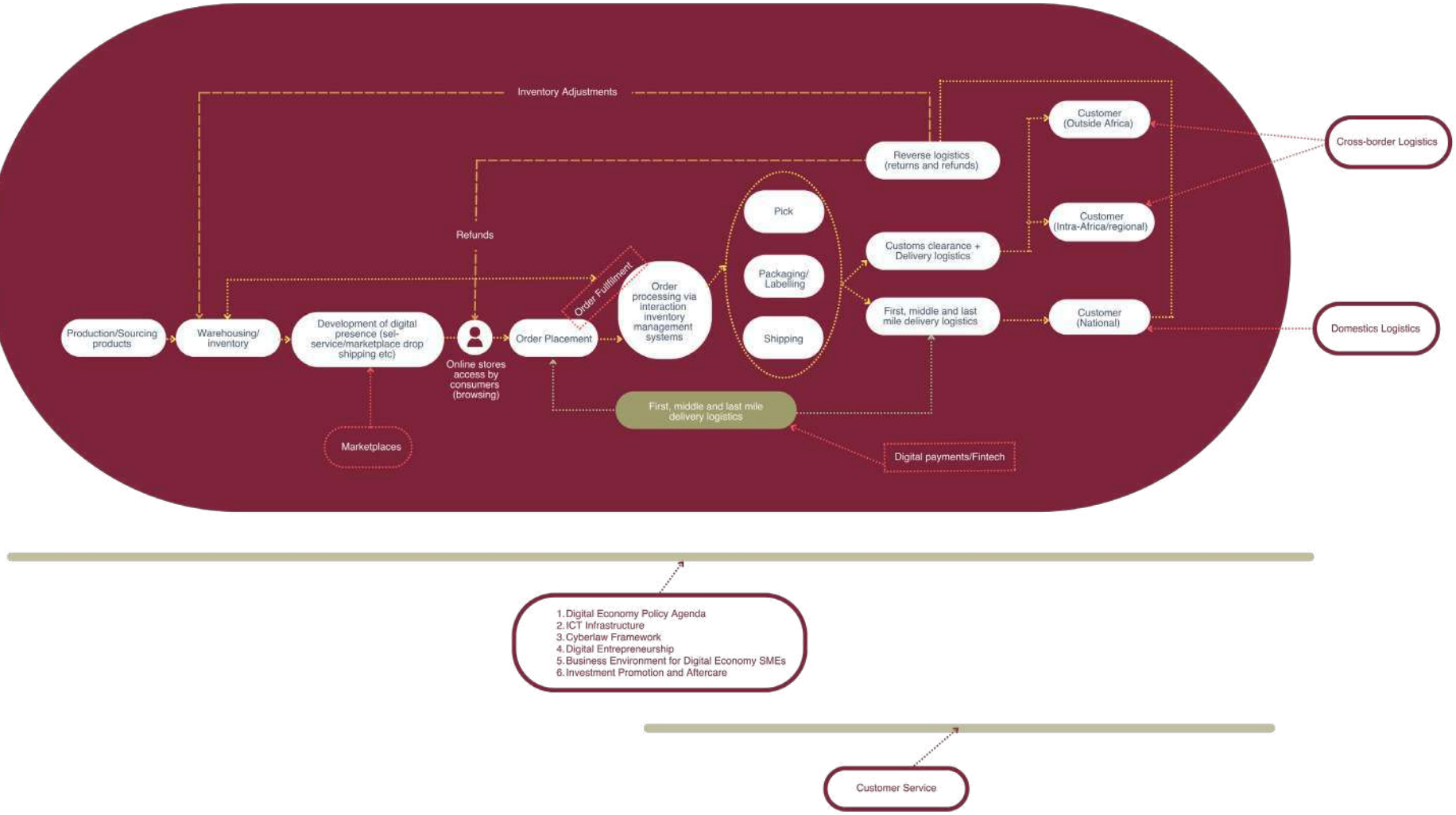
   b. **Last mile delivery –** refers to final delivery to the end-consumer. This process may involve a chain of delivery provider services ending with local transportation services. Some of the important considerations that firms must keep in mind here are physical addressing issues, coordination between primary delivery services and subcontracted local transportation services, managing changes to order re. in-progress delivery, managing goods rejected/retuned upon delivery, track and Trace challenges in case of local transportation, and increasing crowdsourcing of local providers by main delivery firms.

   It should be noted that for cross-border trade, the combined order-fulfillment and cross-border delivery logistics areas can be much more complicated than for domestic shipment. In Africa, the combination of challenges such as enterprise level unfamiliarity with international trade, road transportation challenges, customs-clearance issues and overall fragmentation of delivery operators have resulted in limited cross-border trade taking place by individual e-commerce firms.

7. Reverse logistics (returns and refunds): Returns are a way of life for E-commerce firms and it is estimated that 30 percent of all retail e-commerce sales are returned. They must develop appropriate strategies for managing return requests, a process which can get quite complicated when dealing with cross-border sales. E-commerce firms must either manage the entire returns process on their own or contract 3PL/3PF firms to assist them.

8. Customer Care and Service: Customer care is essential throughout the entire lifecyle of the transaction – including both for the pre-and after-sales process.

Figure 14: High level E-commerce process flow



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