Intergovernmental Group of Experts on E-Commerce and the Digital Economy
First session
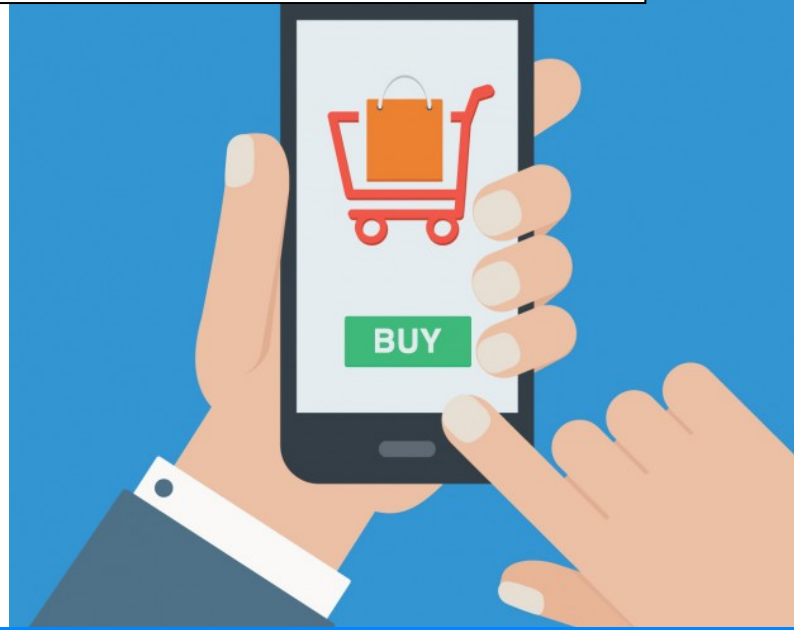
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Contribution by

BURUNDI

E-commerce in East African Community

DRAFTED BY

Burundi Shop

33, Boulevard de l'OUA,
B.P. 429 Bujumbura-Burundi
Tel.   +257 22 21 81 27
Mob. +257 79 37 59 15
E-mail: info@burundishop.com
www.burundishop.com

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Overview

The East African Community (EAC) is one of the most dynamic regions in Africa. According to EAC data, trade within the EAC increased from US$4.5 billion in 2011 to US$5.1 billion in 2015 and household spending increased from US$ 103.436 billion in 2012 to US$ 117.301 billion in 2015.

With the urban extension, dramatic increase of population, positive economic growth and growing purchasing power of household, the consumption level is constantly growing and trade between countries is instant following the same pace.

Outside its premises, the EAC trades extensively with neighboring countries including DRC, Zambia, Somalia, Ethiopia, Sudan, etc. The largest market within the region is the Democratic Republic of Congo (DRC) which the import volume in 2015 was US$ 5.64 billion. In 2015 EAC exports to DRC and Zambia are respectively US$481 and US $ 464 million, while within the same period, imports were US $17 and US$110 million. Again for Burundi, between 2012 and 2015, exports to DRC increased from US $ 9.2 million to $ 28.3 million (Data: Burundi Revenue Authority) while for the same period, Rwanda's exports to DRC increased from US$48 million to US$186 millions.

Some Internet and mobile data

East African community contries	Population in million	Mobile users	Internet penetration	Active social media users	Social mobile usage	Urbanisation	Facebook users (gender dimention)		Broadband connectivity (3G &4G) rate
							Men	Women	
Burundi	11.74	48%	5,20%	4%	3%	13%	74%	26%	7%
Kenya	47.86	82%	67%	14%	13%	26%	63%	37%	23%
Rwanda	12.02	79%	27%	5%	4%	30%	68%	32%	42%
Uganda	40.99	65%	45,6	6%	5%	17%	66%	34%	23%
Tanzania	56.02	72%	14%	9%	7%	27%	68%	32%	39%
South-Sudan	12.91	21%	18%	1%	1%	19%	84%	16%	22%
EAC	**181 ,54**	**61%**	**29%**	**7%**	**6%**	**22%**	**42%**	**58%**	**26%**

THE MOBILE ECONOMY AFRICA 2016
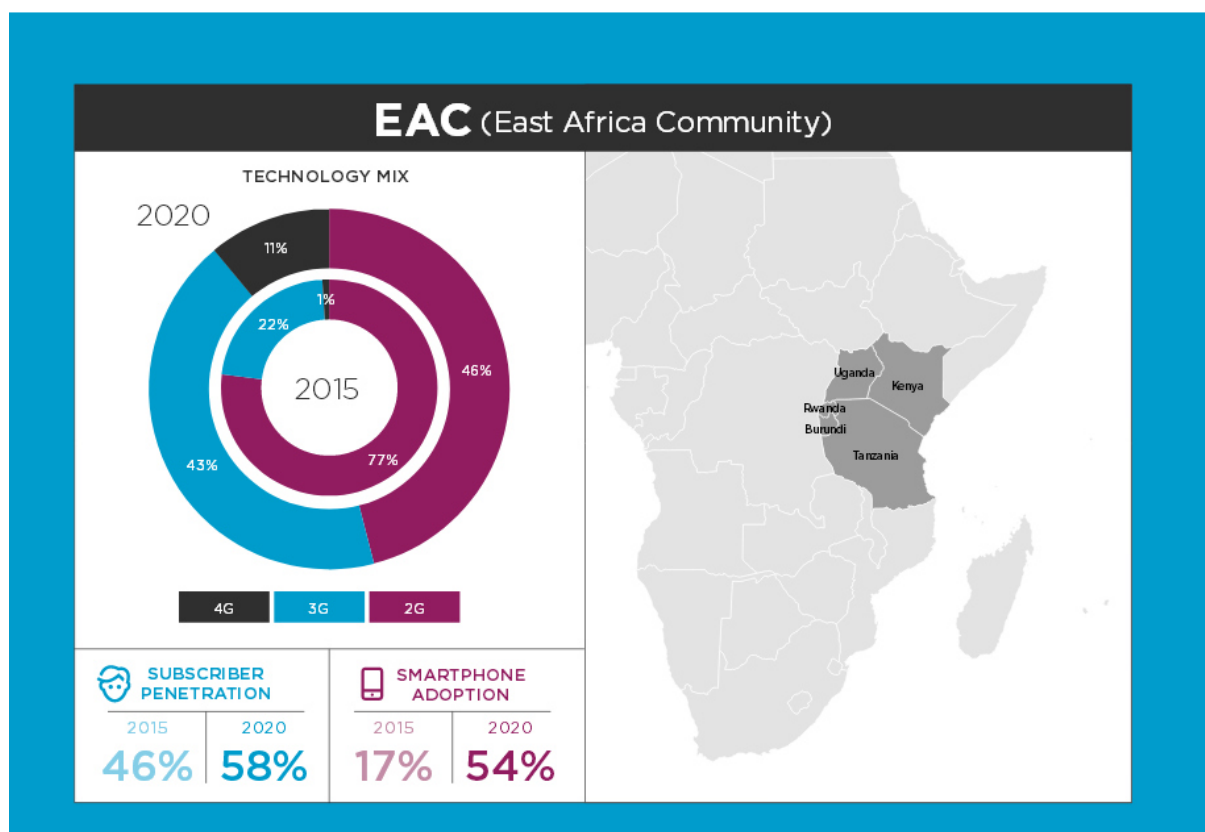
Business challenges for small trade

The East African common market and several actions have already been undertaken including strengthening the integration, by removing restrictions on the movement of people, goods/services and capital within the East African community. However, the "***non-inclusion of small traders in its global economy still is a continuous challenge of integration as they constitute a large part of the global trade (Up to 55% of trade)***". Although the priority is to reduce border waits and transit periods for containers; small traders until now still have not been able to sell their products to communities outside their physical range and in different countries. The main trade challenge faced by small businesses are:

Insufficient capital: Since there is no way to buy goods for their shop remotely, they often purchase goods or raw materials in small quantities despite the distance from their residences to supply markets and costs involved.

Lack of funds for marketing: Almost small traders in East Africa do not have budget for product and service awareness, which makes it difficult for buyers to locate easily the products or services they need to buy.

Inefficient and costly public transport, especially for those who live too far away from the areas where vehicles pass regularly.

Cash risk: Most of small traders in rural area still carry their business cash in pocket or bag due to lack of banks.

E-commerce challenges

<u>The lack of e-commerce solutions and related services</u> tailored to the local context. Almost all e-commerce solutions currentlyon the market are not adapted to the realities of rural populations.

- **<u>Lack e-commerce skills</u>**: Despite the advent of the 3G, Internet communication remains limited to urban people. In rural areas, the vast majority of the population still not has access to Internet connection and those whom are yet connected don't not know how to use most Internet applications.

- **<u>Lack of online Payment systems associated to</u>**: While credit cards still is the preferred method of payment for online transactions in the World, in East African countries. This method still is accessible to small amount of people because of financial inclusion rate is very low.

- **<u>Lack of local logistic services associated to e-commerce</u>**: Until now, there are no logistic services adapted to small trade. Shipment within country still is carried out by the customer himself.

- **<u>Trust issues on virtual transactions in rural areas</u>**: In rural areas many people still are afraid of virtual transactions and prefer physical contacts even through phone.

- **<u>Inadequate legal and regulatory framework:</u>** Although East African States are in the process of innovating of ICT regulation, e-commerce still not yet has a clear legal and regulatory framework.

E-commerce opportunities

- **High rate mobile penetration**

- **High rate mobile money penetration in the Wrld**: The World Bank 2014 Global Findex report says that mobile money is most widespread in East Africa, where one in every five adults has a mobile money account **Rapid growth of Internet usage**

- **Interest in e-transactions**: The survey result on the **Use of the Internet in Burundi**, conducted by **Burundi Internet General Applications Network (BIGAN) in 2010** has shown that more than 70% of respondents in rural communities believe that E-commerce can significantly contribute to address most of their business challenges in particular those related to supplying goods to remote areas, enabling them to order online through a suitable and trustily supply chain.

- **Mobile money adoption by customer (users):** mobile money has played a critical role to drive financial inclusion in Africa and East Africa still is the leading region in this area.

E-commerce expectations

- The EAC business integration will be all-inclusive from large to small trade,
- Increased awareness of intraregional manufactured products and services,
- Increase trade in local, intraregional and international trade enable trade directly with importers and manufacturers avoiding brokers and thus saving money,
- Giving buyers more options and encouraging competition, enabling customers to do easily a price comparison before purchasing,
- Reduce risks in collections, payments and logistics by using credible systems and corporations,
- Increase in Entrepreneurship and discovery of African craftsmanship and talents locally, regional and internationally, e.g. all items at Nairobi's Masai market will be marketed locally, intraregional and internationally.
- Generate directly and indirectly generate new jobs especially for young people.

Actions to be undertaken

E-commerce needs a special support fund it can provide with:

1. Expanding the sustainable coverage of Internet connectivity to underserved population groups (typically in rural or remote communities) by promoting infrastructure sharing, regulatory best practice and technical innovation, addressing key issues such as mobile-specific taxation to help make internet access more affordable,

2. Implementing legal and regulatory framework for e-commerce,

3. Providing training to people (especially to students and women) so they understand the benefits and opportunities of being online and have the skills to easier use the mobile and internet transactions,

4. Providing technical support to financial institutions so they can implement and make accessible the payment systems associated to e-commerce,

5. Provide technical and financial support to e-commerce companies so that their can introduce local logistics services associated to e-commerce,

6. Encouraging and promoting local developers in development of e-commerce applications, local relevant content and services that are suitable to local needs.

Conclusion

If the above actions made possible, e-commerce could dramatically increase business connectivity in cross-border trade around East African Community and worldwide, increasing cross border implications.

E-commerce is the only way that could provide to East African businesses and citizens a fully access to EAC Common Market, incorporating for the first time small traders and making huge social impacts. The benefits should be potentially very large for the poor and small traders, thereby allowing them to participate in sustainable development.