Readiness for the Digital Economy in Africa?

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UNCTAD Intergovernmental Group of Experts on E-commerce and the Digital Economy (IGE) 2020
Dynamic nature of the digital economy

- The digital economy is underpinned by the spread of ICT across all business sectors to enhance its productivity, information flows, and efficiencies.

- Positive network effects associated with growth require critical mass and intensity of use.

- The backbone of the digital economy is hyper-connectivity which means growing interconnectedness of people, organisations, and machines that results from the Internet, mobile technology, Big Data, Artificial Intelligence (AI), and the internet of things (IoT).

- As with hyper-globalisation, hyper-connectivity presents opportunities and risks for Africa which require new areas of cooperation to ensure that global digital dividends.
Opportunities—E-commerce/trade

- E-commerce platforms present possibilities for greater visibility of African products, market expansion and reach with significantly lower financial investment than traditional commerce—this translates to job creation and inclusive & sustainable economic growth and development opportunities.

- Current pathways cater to established firms with scale and capital and urban elites

- Calls for an ambitious agenda at an African level, in areas such as digital infrastructure, logistics, customs procedures, data flows, taxation, and payment integration, among others; to discover continental best practices and promote regional harmonisation.

- The decision to include e-commerce in the third phase of negotiations of the African Continental Free Trade Area (AfCFTA) could potentially lead to an expanded market space for e-commerce players on the continent through coordinating initiatives and rules (data protection, payment integration, trust, etc.) on e-commerce at a continental level.
Uneven distribution of global platforms represents the uneven global ICT landscape—dominant platforms that reap the benefits of the digital economy concentrated in developed economies that already have the ICT infrastructure, institutions, human capital and high levels of Internet penetration to leverage the potential of digitalisation.

Markets in which these platforms operate exacerbate widening inequalities and power imbalances between hyper-digitalised and under-connected regions and countries.

Rising global market power of certain platforms have implications for competition, data protection and ownership, consumer protection and taxation and employment policies & regulation in Africa.
Platformisation as digital diver

Figure 1: Cumulative number of digital platforms launched since 2005

Note: Countries included in scan: Ghana, Kenya, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia. Launch year unknown for nine platforms.

Source: Insight2impact (2019) Africa’s digital platforms and financial services: An eight-country overview
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Box 2: Types of digital platforms

**Online Shopping (goods)**
Description: A virtual marketplace that enables consumers to directly access and purchase products displayed by vendors over the internet. This is limited to goods and grocery items.
Well-known example: Jumia

**Online Shopping (restaurants)**
Description: A virtual marketplace that enables consumers to directly access and purchase food items or meals displayed by restaurant or fast-food vendors over the internet.
Well-known example: Uber Eats

**Other**
Description: Does not fit into any of the other categories
Well-known example: Expedia

**Rental**
Description: Facilitates the exchange of spare capacity and demand, allowing consumers access to a product or capital asset for an agreed period.
Well-known example: Airbnb

**Freelance**
Description: Connects employers and freelance workers
Well-known example: Upwork

**E-hailing**
Description: Connects passengers and local drivers of cars, taxis or any other form of transportation using virtual devices such as a computer or mobile device.
Well-known example: Uber

**Logistics/courier**
Description: Connects customers to service providers for the delivery or distribution of a parcel or consignment from one location to another.
Well-known example: Delivery Bros

Source: Insight2impact (2019) Africa’s digital platforms and financial services: An eight-country overview
Figure 5: Payment methods accepted by % of platforms

Note: Payment methods unknown for 20 platforms.

Figure 19: Mobile money service and bank account ownership in Africa
Source: BIA After Access Survey data, 2017
Opportunities for work

- Digital platforms provide new income generating opportunities to millions of participants.

- In a 2016 survey undertaken by Research ICT Africa, on average 1.3% of adults with access to the Internet in our focus countries earn income through participating in the platform economy, and just over 50% of these platform participants (also known as microworkers) reported that this source of income was essential for meeting their basic needs.
African digital platforms and the future of financial services

4.8 million platform workers

Ghana: 176,000
Kenya: 286,000
Nigeria: 2,916,000
Rwanda: 24,000
South Africa: 1,297,000
Tanzania: 24,000
Uganda: 101,000

*No demand-side data on platform workers available for Zambia.

Authors: Renée Hunter, Chernay Johnson and Matthew Dunn (i2i), Onkokame Mothobi (Research ICT Africa)
Design: Lisa Bruwer
The Income that I generate through the platform is...
- Essential for meeting basic needs
- Important budget component
- Nice to have, can live without

**The platform worker**

- 54% Male
- 46% Female

The most common platform used:
- Freelance
- Most common level of education: Tertiary (Bachelors)

72% 14% 37%

Most common platform used:
- Online shopping
- Most common level of education: Secondary

81% 20% 67%

**The non-platform worker**

- Most common level of education: Secondary

41% 19% 29%

% with access to account

% with access to mobile money

% owning a smartphone
Economic dependence on platform work

Proportion of platform workers per type

The income that I generate through the platform is...
- Essential for meeting basic needs
- Important budget component
- Nice to have, can live without

Type of platform | Number of platform workers
--- | ---
[Image] | 216,000
[Image] | 1,216,000
[Image] | 2,821,000
[Image] | 897,000
[Image] | 26,000
Micro-workers across tasks

- Despite the hype generated around the digital economy and its potential to create employment, 72% of Africans do not use the Internet and are therefore excluded from the digital economy and online work or microwork.
- The adoption of microwork or online work in Africa is minimal—only 2% of the population in the surveyed countries are online workers, representing 3% of the economically active population.
- Much of this work is manual work, such as domestic work, data-entry or e-hailing, which is simply sourced online and not the kind of online work understood in the context of microwork—namely, piecemeal online work that is distributed among geographically untethered freelancers.

<table>
<thead>
<tr>
<th>Task</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Driving for a ride hailing app, Uber, Taxify</td>
<td>5%</td>
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<tr>
<td>Shopping for delivering household items</td>
<td>10%</td>
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<tr>
<td>Performing tasks online, completing surveys or doing data entry</td>
<td>25%</td>
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<td>Cleaning someone or doing laundry</td>
<td>22%</td>
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<tr>
<td>Other</td>
<td>15%</td>
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Source: RIA After Access Survey 2018
Use of trading & transport apps: Best performance from Latin American countries. Ghana outlier (good performance) in Africa

Mobile app usage (% of aged 15-65 feature or smartphone owners)
- Transport apps (public transportation info, taxis, Uber)
- Trading or E-commerce apps (selling and buying online e.g. ebay)

Q: Are you using these types of Mobile apps on your phone?

<table>
<thead>
<tr>
<th>Base</th>
<th>Argentina</th>
<th>Colombia</th>
<th>South Africa</th>
<th>Peru</th>
<th>Paraguay</th>
<th>Guatemala</th>
<th>India</th>
<th>Nigeria</th>
<th>Pakistan</th>
<th>Bangladesh</th>
<th>Ghana</th>
<th>Cambodia</th>
<th>Kenya</th>
<th>Tanzania</th>
<th>Rwanda</th>
<th>Mozambique</th>
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<tbody>
<tr>
<td>Feature or smartphone owners</td>
<td>982</td>
<td>1,020</td>
<td>1,552</td>
<td>972</td>
<td>809</td>
<td>846</td>
<td>1,397</td>
<td>795</td>
<td>571</td>
<td>936</td>
<td>458</td>
<td>878</td>
<td>1,074</td>
<td>789</td>
<td>660</td>
<td>667</td>
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Overall, higher use of transport and trading apps in urban areas

**Mobile app usage (% of aged 15-65 feature or smartphone owners)**

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<tbody>
<tr>
<td>Feature or smartphone owners</td>
<td>954</td>
<td>28</td>
<td>755</td>
<td>265</td>
<td>919</td>
<td>633</td>
<td>825</td>
<td>147</td>
<td>578</td>
<td>231</td>
<td>362</td>
<td>484</td>
<td>711</td>
<td>686</td>
<td>575</td>
<td>220</td>
<td>272</td>
<td>299</td>
<td>417</td>
<td>519</td>
<td>332</td>
<td>126</td>
<td>465</td>
<td>413</td>
<td>678</td>
<td>396</td>
<td>555</td>
<td>234</td>
<td>443</td>
<td>217</td>
<td>498</td>
<td>169</td>
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Digital readiness

- Physical Access
  Supply side issues: coverage, price quality of service.

- Socio-economic/demographic factors:
  education, gender, income, age skills

- Capabilities
  Individual, institutional

- Rights/Trust
  Privacy, safety, security, access to information (data protection, cybersecurity)

Inclusion/exclusion
Policy Considerations

• 2018 After Access Survey data shows that offline education, gender, income and locational inequalities mirrored online – and arguably amplified, as the economic and social value of being digitally networked increases exponentially, highlighting the need for a whole of government approach to demand side challenges of digital inequality not only infrastructural supply side challenges of digital divide.

• Until demand-side issues are addressed, and there is a critical mass of people online who are able to use the Internet intensively enough for the multipliers to be felt throughout the economy, expectations of the digital economy contributing directly and indirectly to economic growth and job creation will not be realised.

• Global nature of the Internet, digital policy and regulation frameworks require international policy coherence and coordination—active participation in multilateral digital economy negotiations such as the WTO moratorium on e-commerce and the OECD Inclusive Framework on base erosion and profit shifting (BEPS) to address the tax challenges of digitalisation are essential, as are UNCTAD capacity building and technical assistance.

• Greater cooperation & regional market integration can facilitate an interoperable, dynamic, and competitive regional digital ecosystem and unlock the potential of African digital economies and optimise opportunities offered by the African Continental Free Trade Agreement.

• In the context of post-COVID-19 economic reconstruction creating a secure and trusted environment for digital commerce and trade, enabling data flows by protecting private data, and aligning cybersecurity and data protection frameworks.
This research is made possible through the support of the: IDRC CRDI