

Readiness for the Digital Economy in Africa?

Alison Gillwald

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

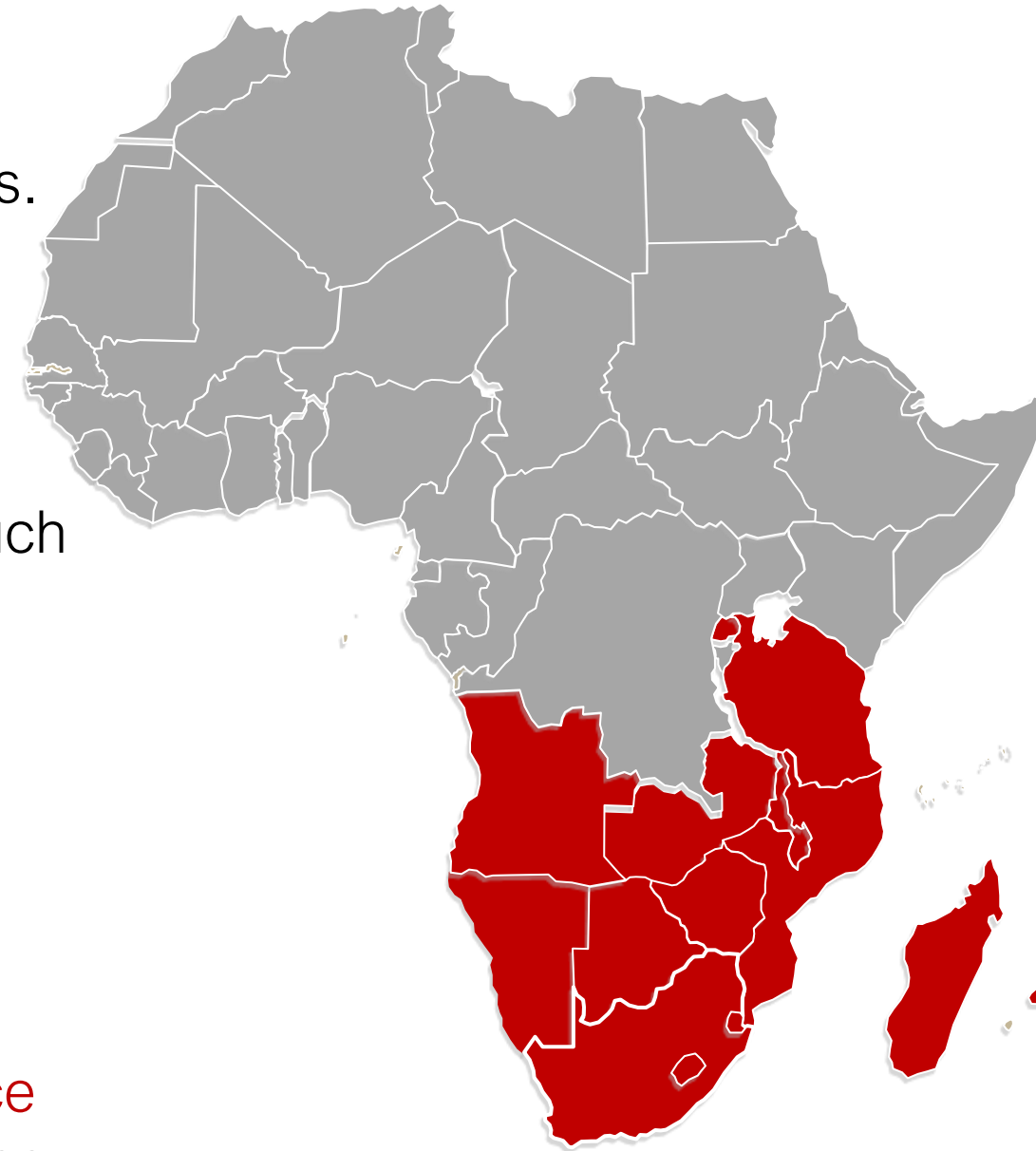
Dynamic nature of the digital economy



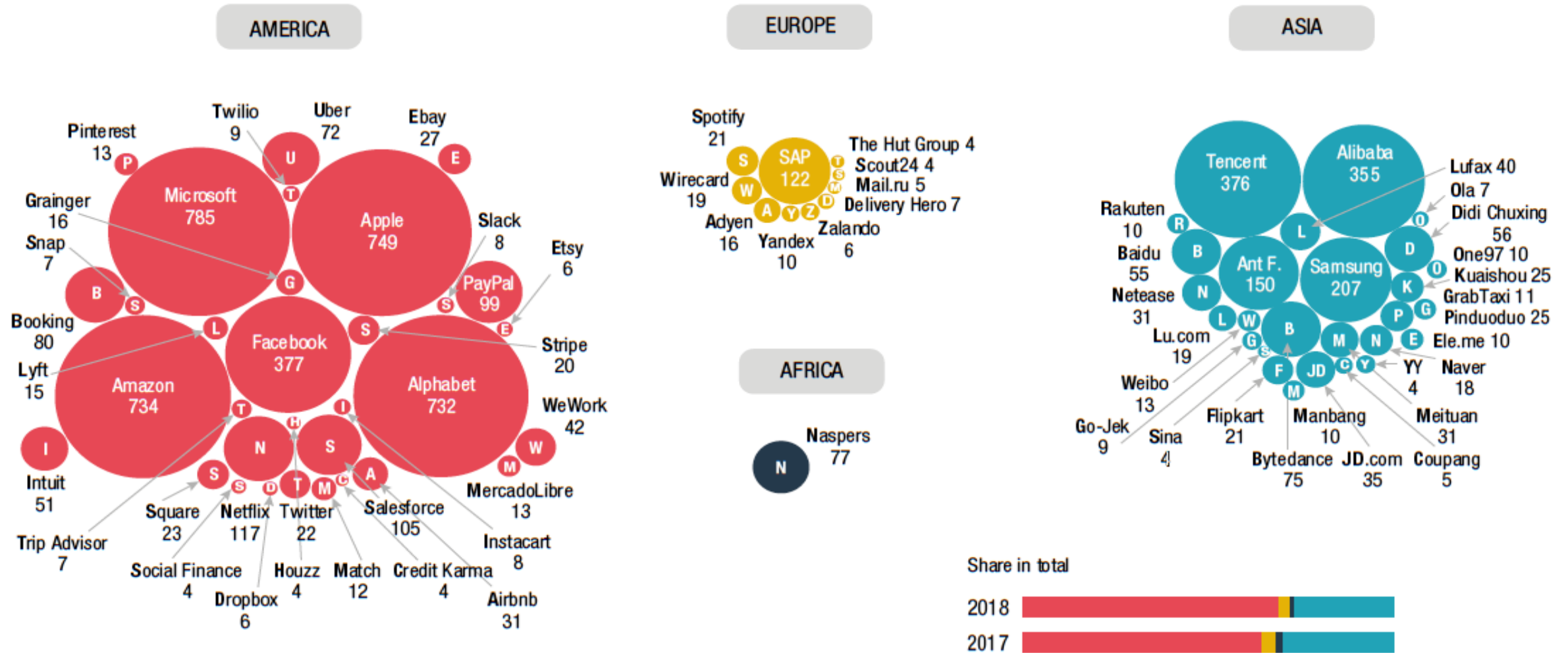
- ❖ The digital economy is underpinned by the spread of ICT across **all business sectors** to enhance its productivity, information flows, and efficiencies
- ❖ positive network effects associated with growth require critical mass and intensity of use.
- ❖ The backbone of the digital economy is **hyper-connectivity** 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.



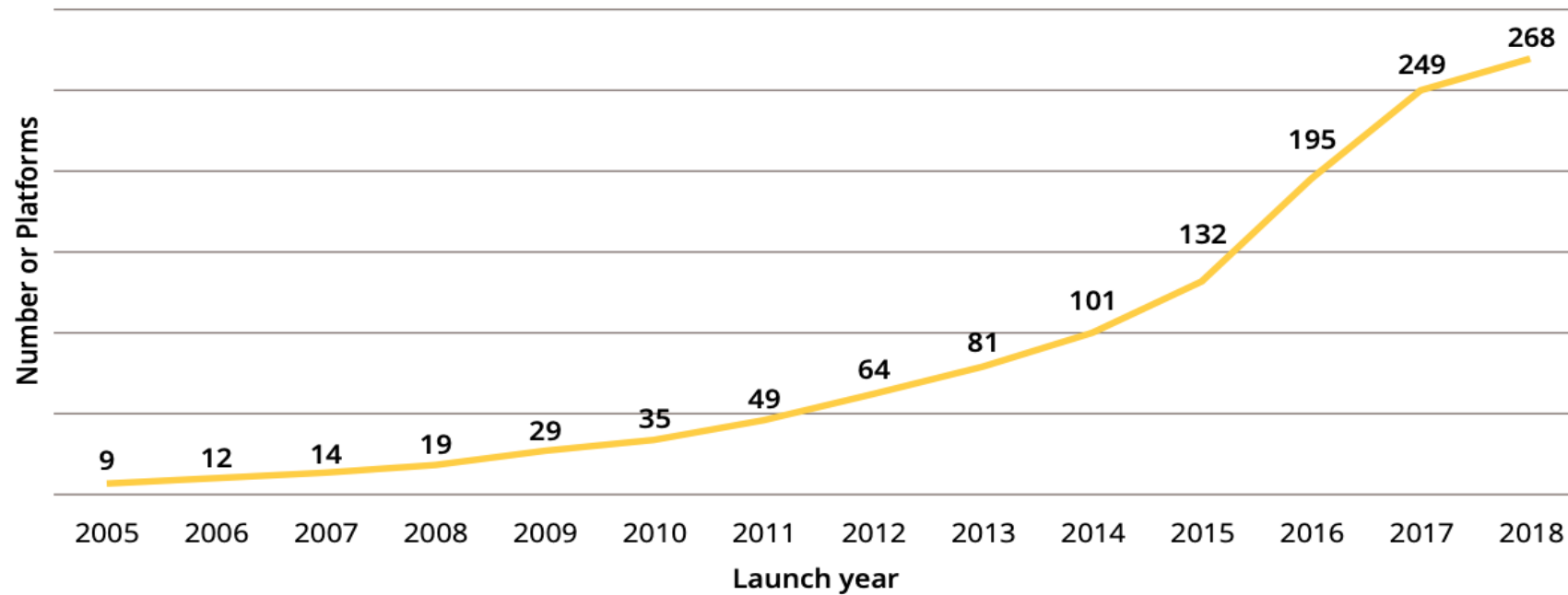
Risks—uneven global ICT landscape



- ❖ 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.

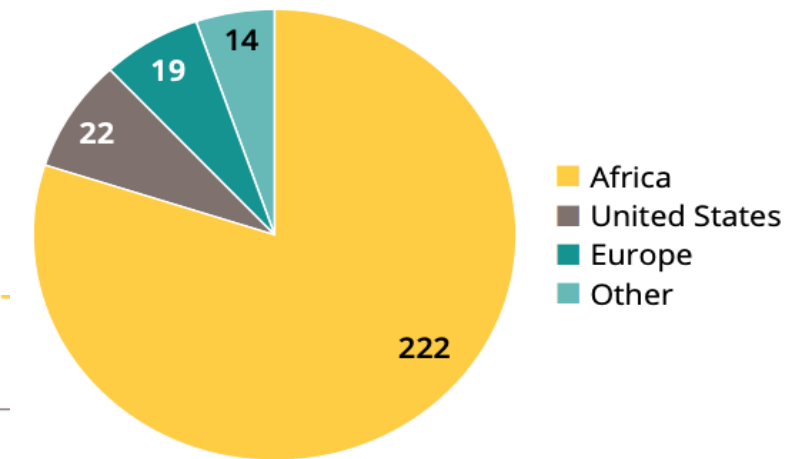
Platformisation as digital diver

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.

Figure 2: Platforms per region of origin



Source: Insight2impact (2019) Africa's digital platforms and financial services: An eight-country overview

Figure 4: Platforms per type

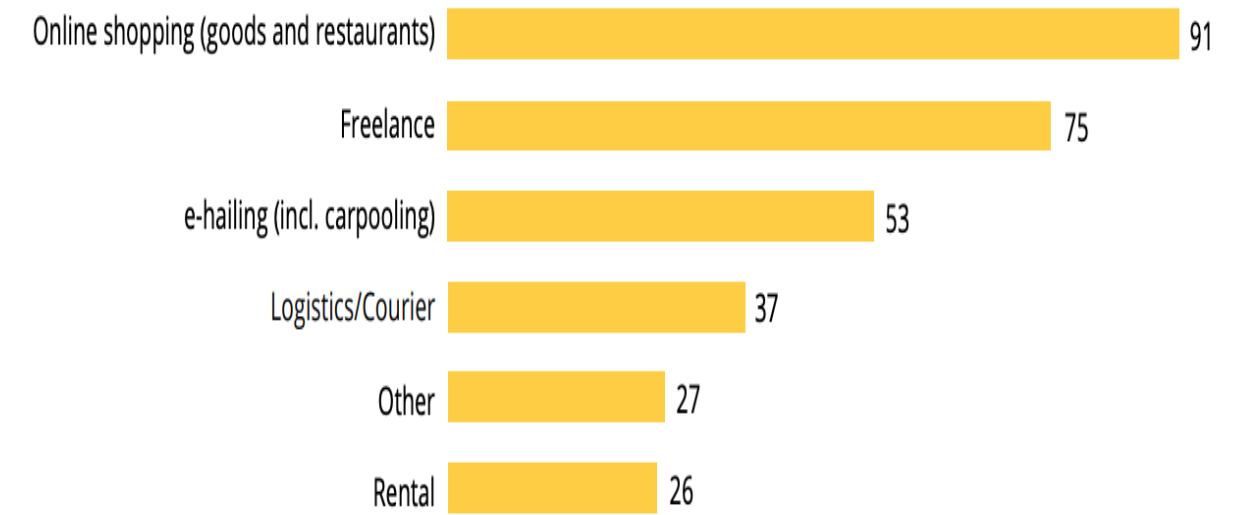
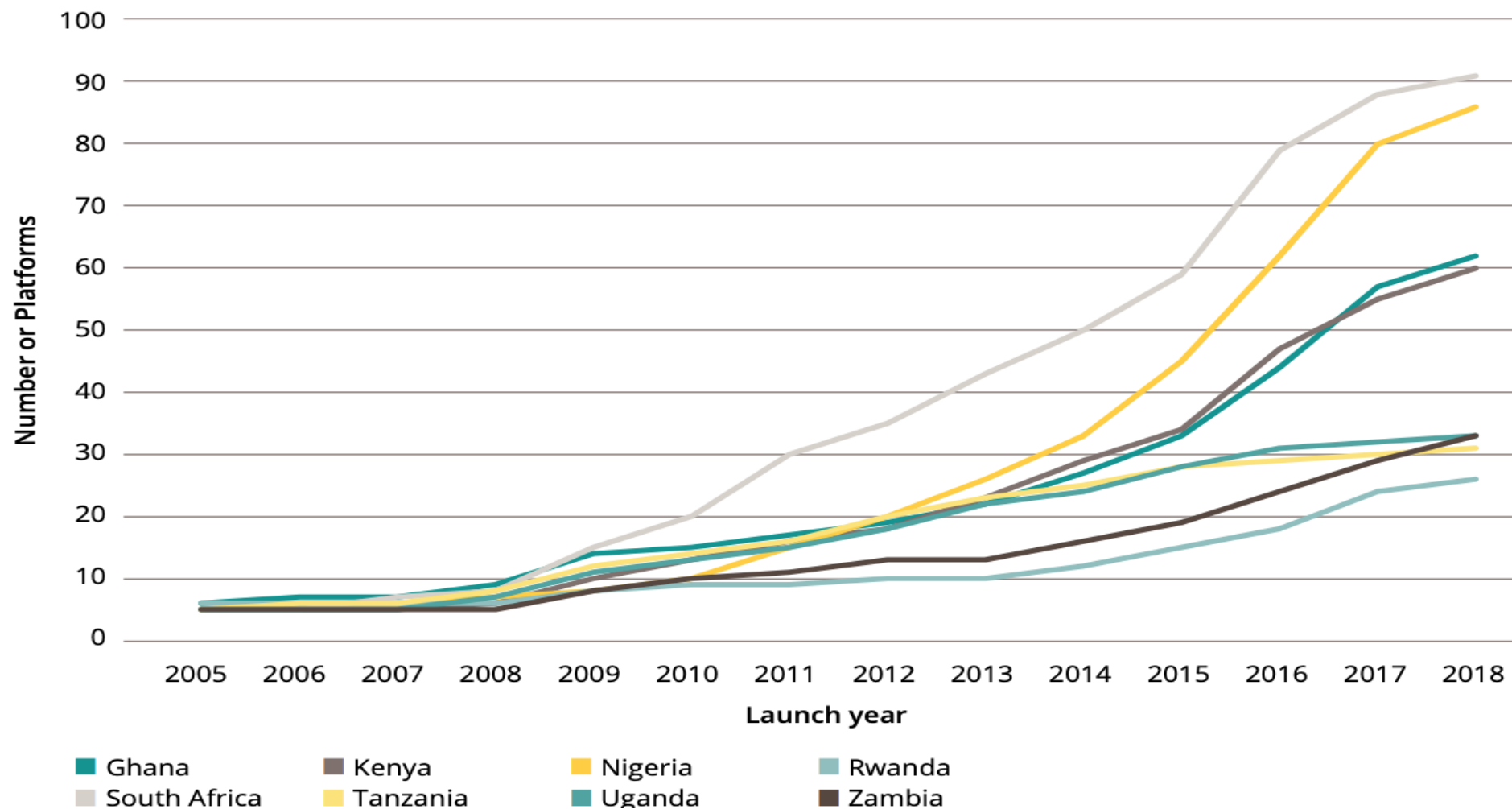


Figure 3: Cumulative platform launches per year, by country of operation



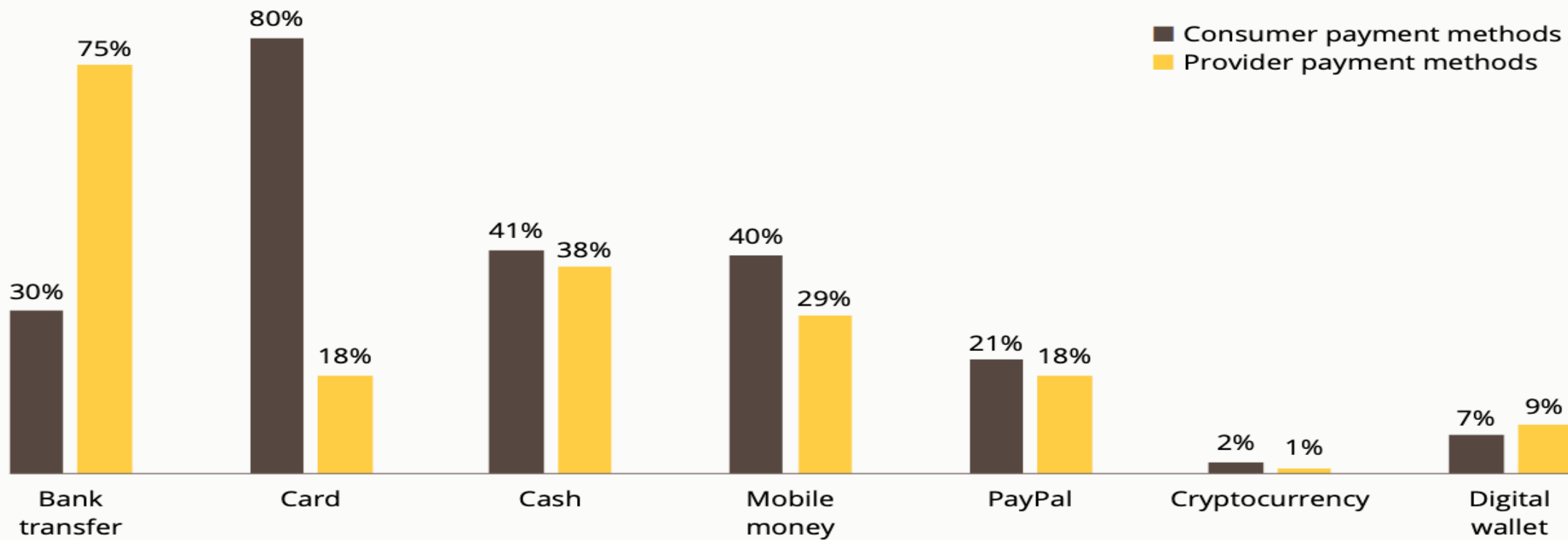
Source: Insight2impact (2019) Africa's digital platforms and financial services: An eight-country overview

Box 2: Types of digital platforms



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.

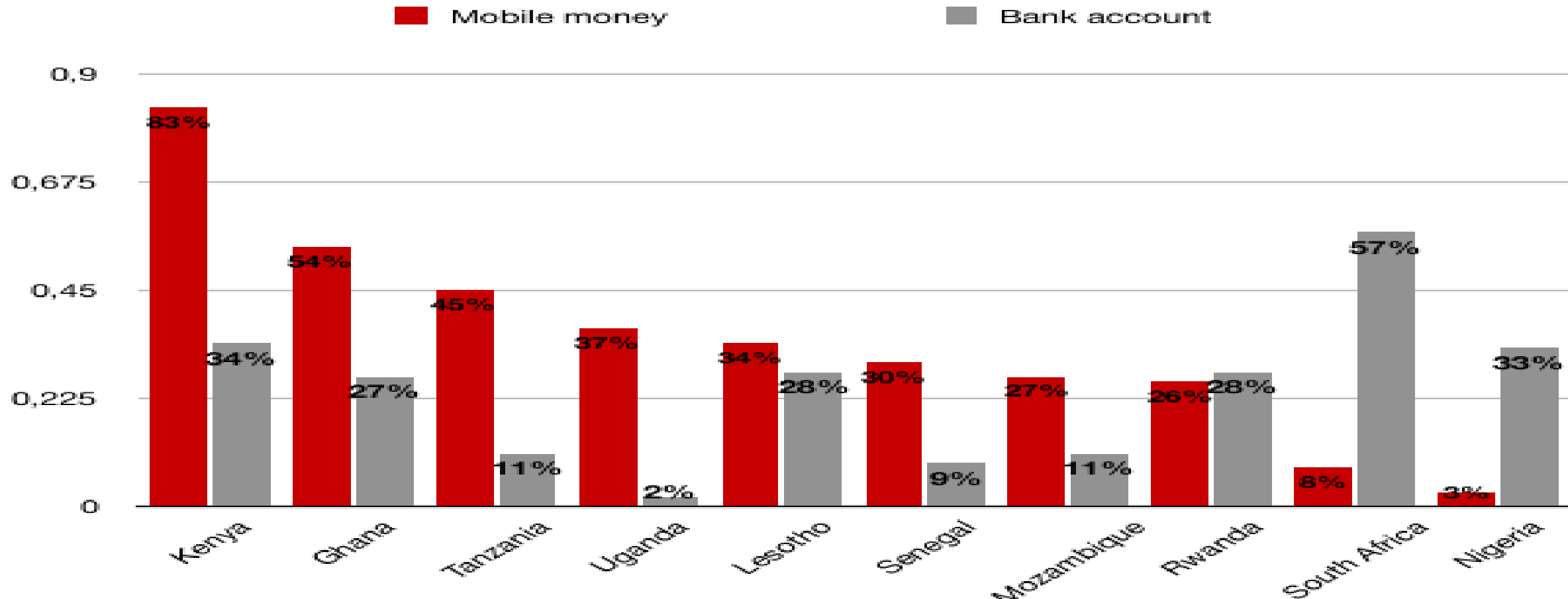


Figure 19: Mobile money service and bank account ownership in Africa

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



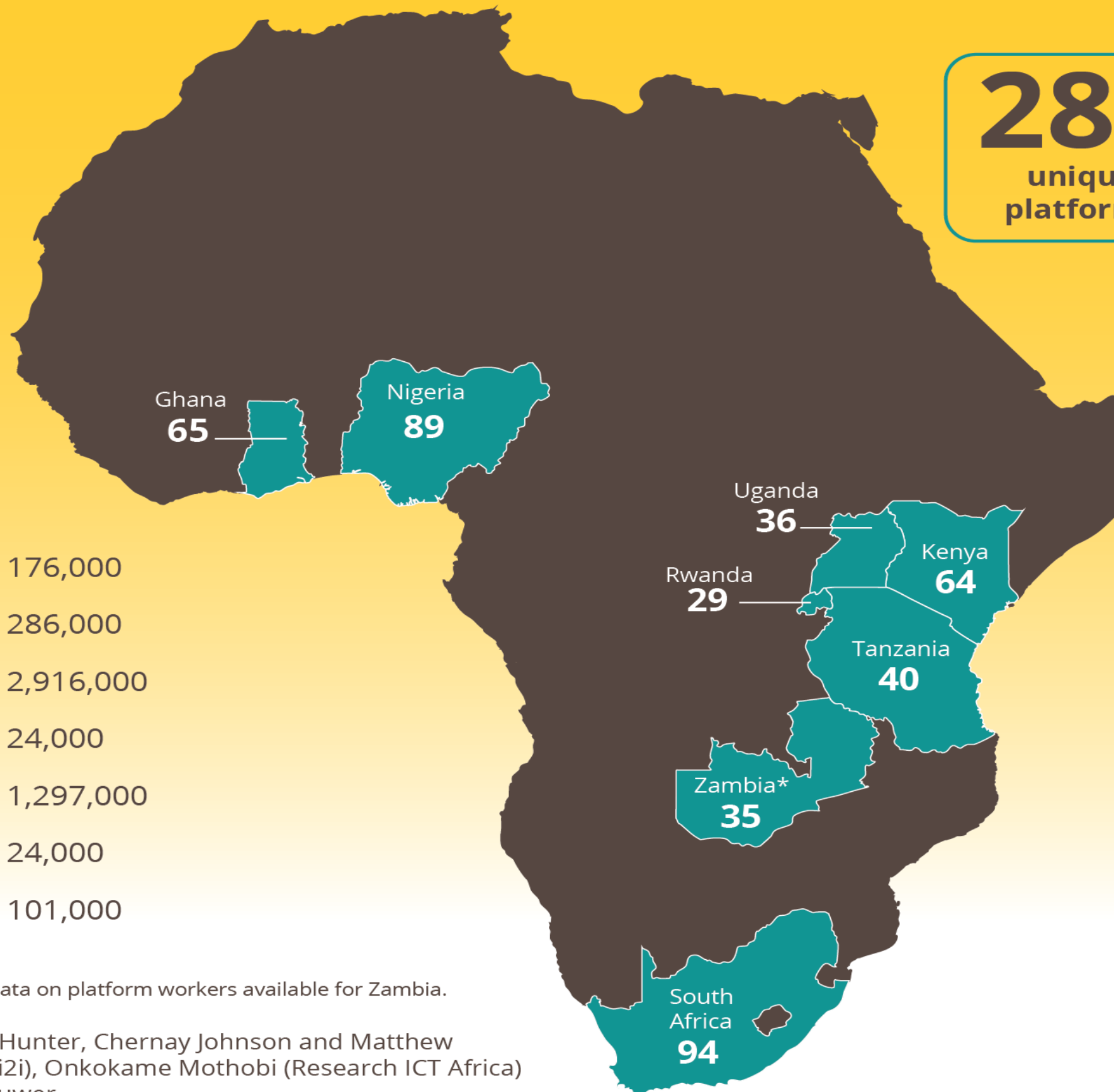
4.8
million
platform
workers

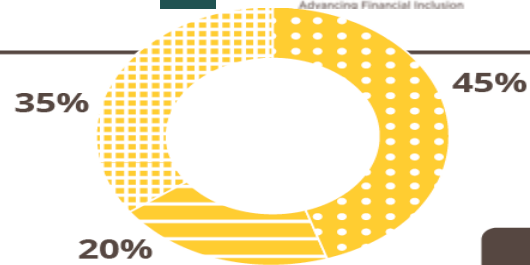
28
unique
platforms

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

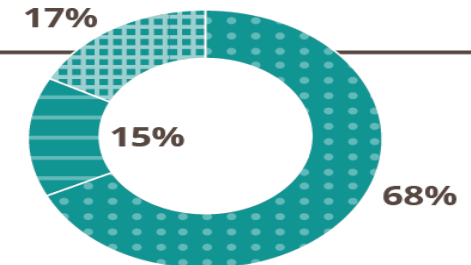




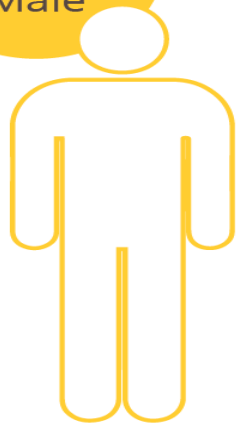
The income that I generate through the platform is...

- Essential for meeting basic needs
- ▨ Important budget component
- ▩ Nice to have, can live without

The platform worker



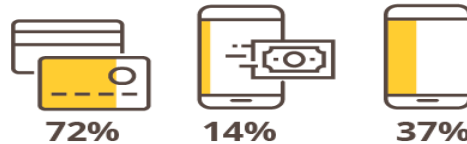
54%
Male



Most common platform used:



Most common level of education
Tertiary (Bachelors)



Most common platform used:



Most common level of education
Secondary

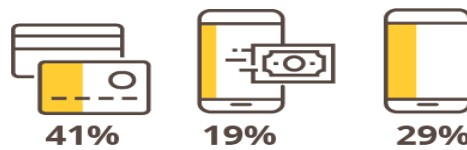
46%
Female



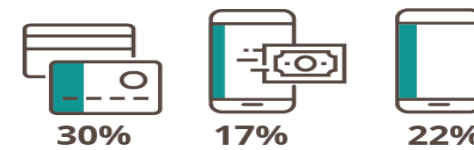
The non-platform worker



Most common level of education
Secondary



Most common level of education
Secondary

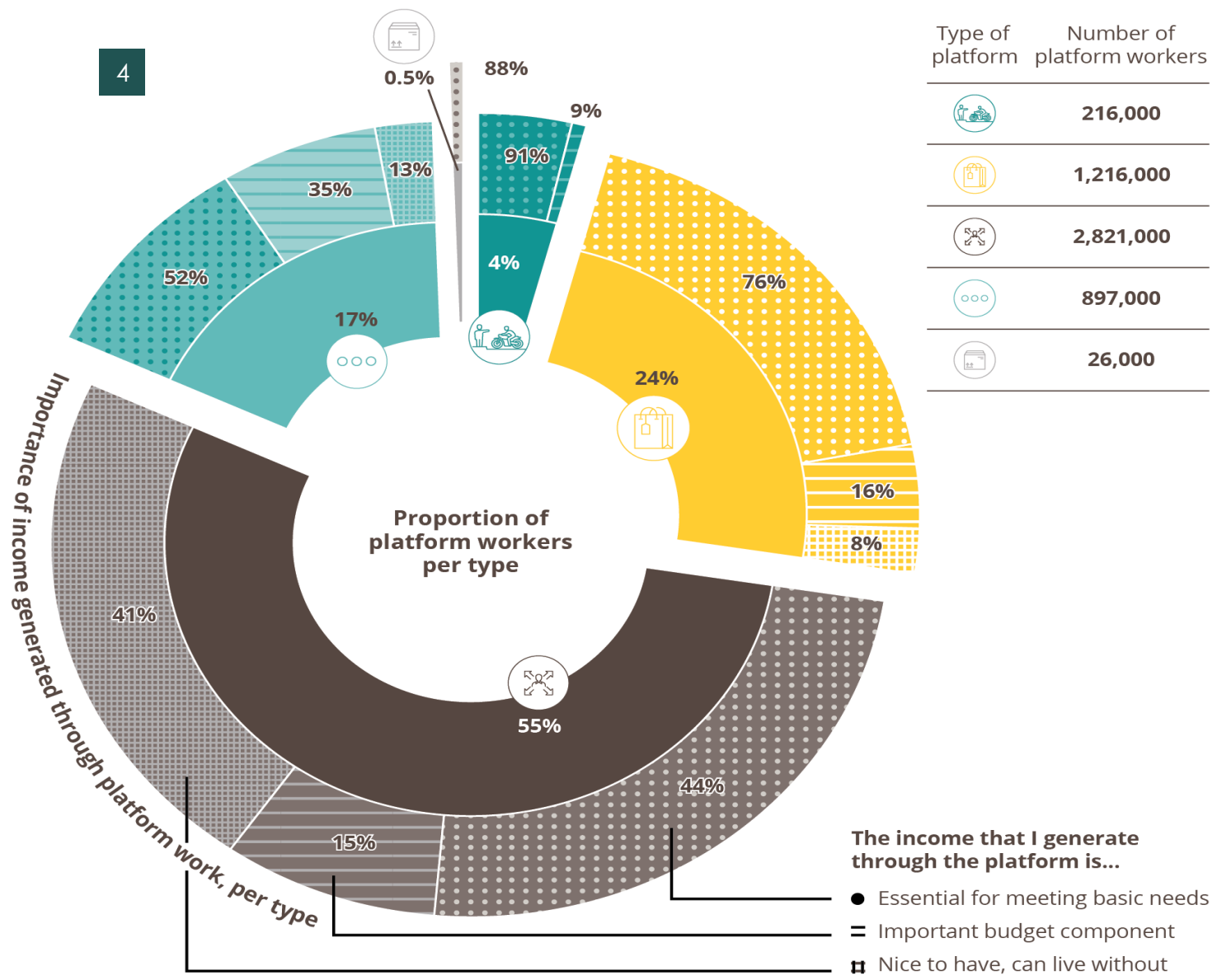


% with access to account

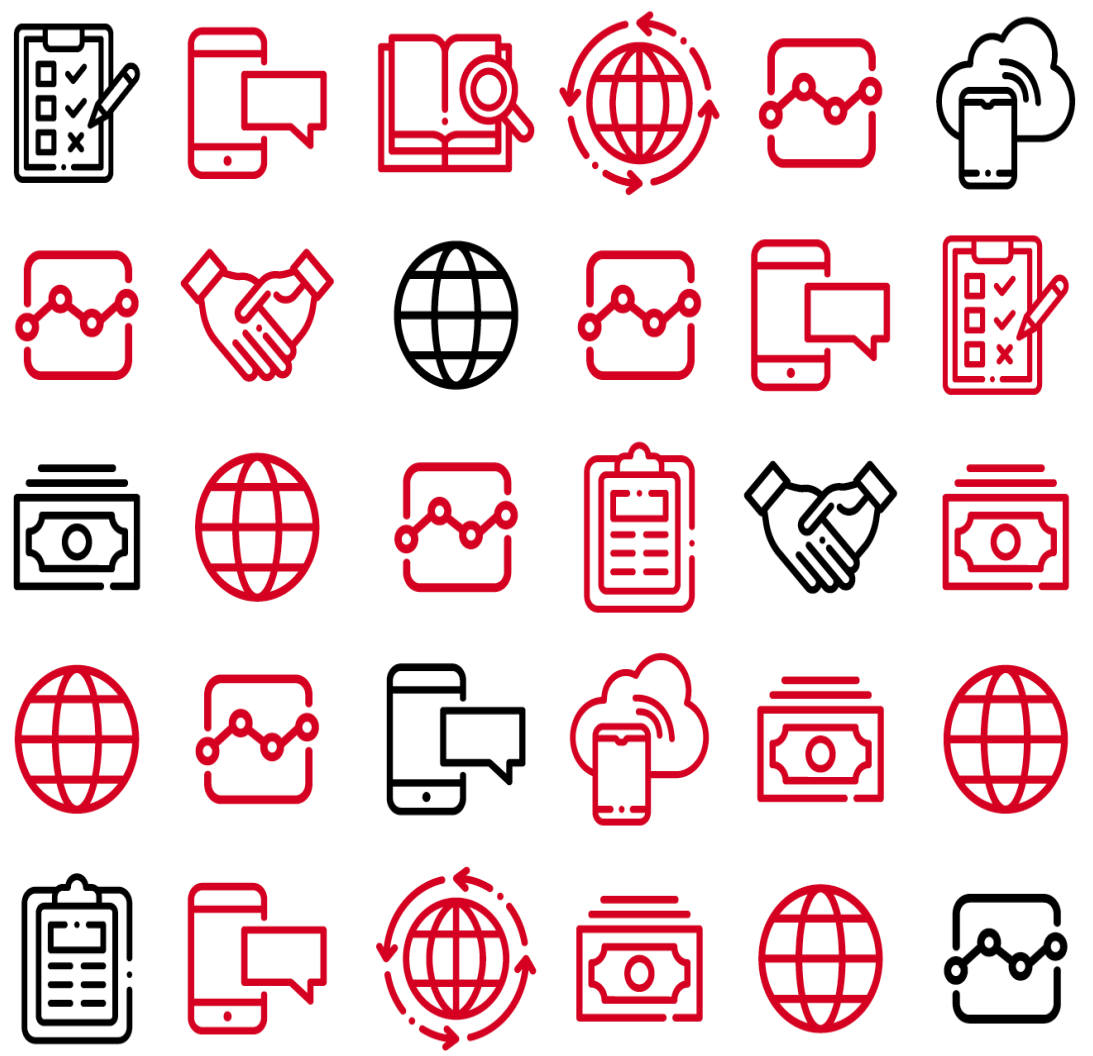
% with access to mobile money

% owning a smartphone

Economic dependence on platform work



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.

Driving for a ride hailing app, Uber, Taxify

5%

Shopping for delivering household items

10%

Performing tasks online, completing surveys or doing data entry

25%

Cleaning someone or doing laundry

22%

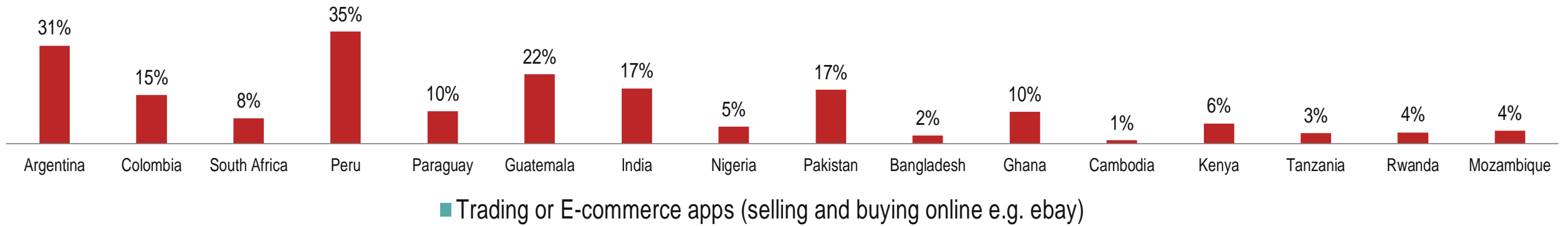
Other

15%

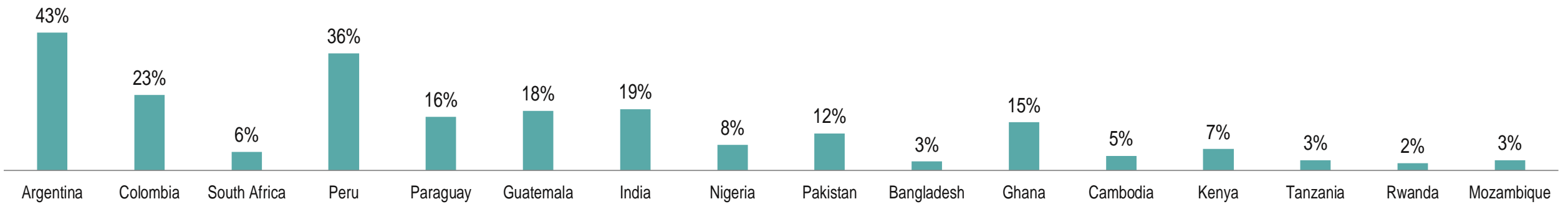
Use of trading & transport apps: Best performance from Latin American countries. Ghana outlier (good performance) in Africa

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)



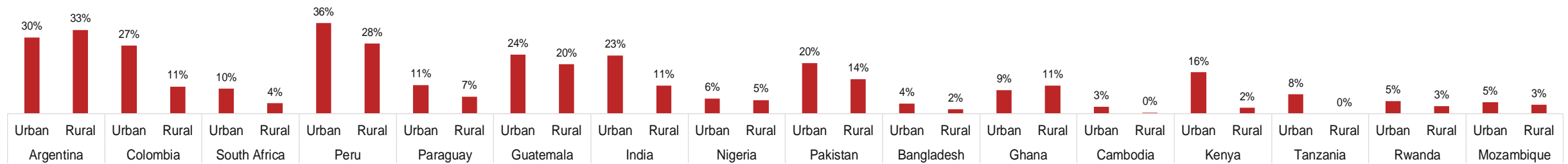
Q: Are you using these types of Mobile apps on your phone?

Base	Argentina	Colombia	South Africa	Peru	Paraguay	Guatemala	India	Nigeria	Pakistan	Bangladesh	Ghana	Cambodia	Kenya	Tanzania	Rwanda	Mozambique
Feature or smartphone owners	982	1,020	1,552	972	809	846	1,397	795	571	936	458	878	1,074	789	660	667

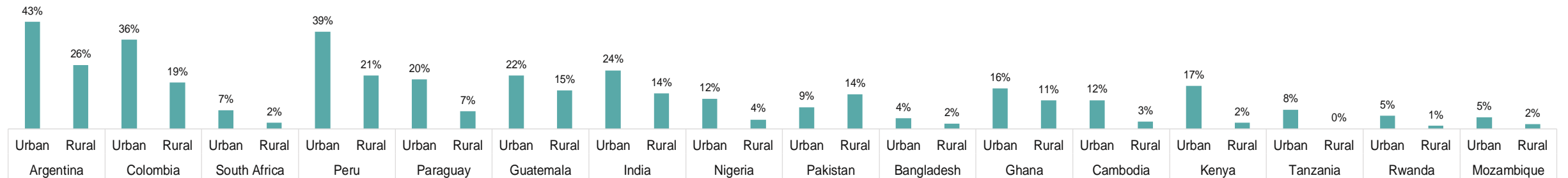
Overall, higher use of transport and trading apps in urban areas

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	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural		
Feature or smartphone owners	954	28	755	265	919	633	825	147	578	231	362	484	711	686	575	220	272	299	417	519	332	126	465	413	678	396	555	234	443	217	498	169

Digital readiness



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:

