



# **E-commerce within the framework of the African Continental Free Trade Area: *How could E-commerce fuel SMEs' participation in the AfCFTA?***

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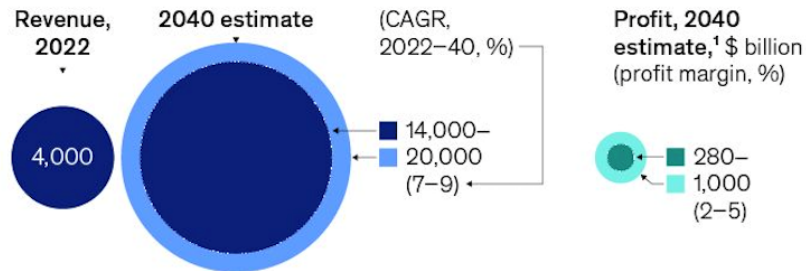




*“e-commerce is the use of the Internet to conduct business activities, including the buying and selling of goods and services, online advertising and marketing, customer support, and transaction management.” (Laudon and Laudon, 2020)*

# The 18 potential arenas of tomorrow could generate \$29 trillion to \$48 trillion in revenues and \$2 trillion to \$6 trillion in profits.

18 potential arenas of tomorrow, by 2040 revenue estimate, \$ billion



E-commerce

AI software and services

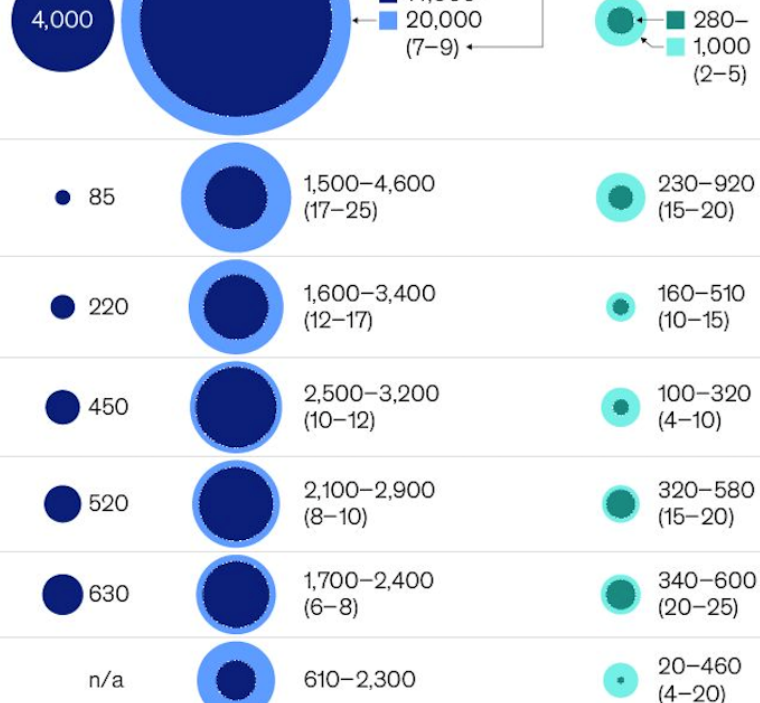
Cloud services

Electric vehicles












Digital advertisements

Semiconductors

Shared autonomous vehicles



## E-commerce is the driver of future economic growth

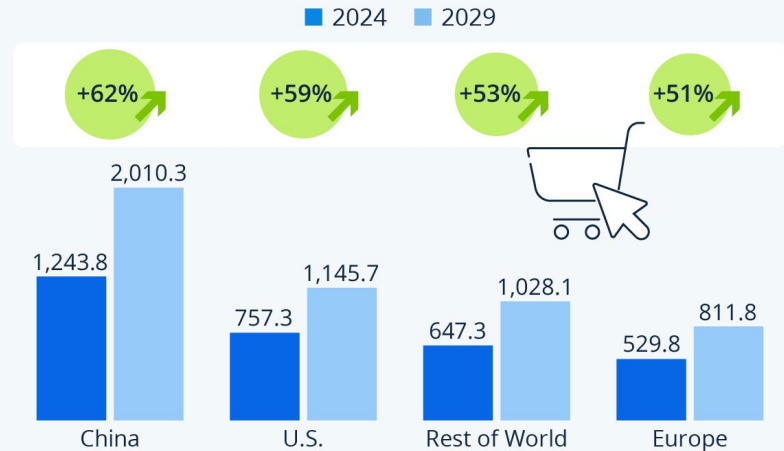
Space	● 300		960–1,600 (7–10)	● 50–160 (5–10)
Cybersecurity	● 160		590–1,200 (8–12)	● 90–240 (15–20)
Batteries	● 98		810–1,100 (12–14)	● 40–110 (5–10)
Modular construction	● 180		540–1,100 (6–10)	● 20–220 (4–20)
Streaming video	● 160		510–1,000 (6–11)	● 50–150 (10–15)
Video games	● 230		550–910 (5–8)	● 80–180 (15–20)
Robotics	● 21		190–910 (13–23)	● 20–180 (10–20)
Industrial and consumer biotech	● 140		340–900 (5–11)	● 10–270 (4–30)
Future air mobility	n/a		75–340	● 10–70 (10–20)
Drugs for obesity and related conditions	● 24		120–280 (9–15)	● 30–100 (25–35)
Nuclear fission power plants	● 18		65–150 (7–13)	● 5–50 (5–30)
<b>Total</b>	<b>7,250+</b>		<b>29,000–48,000 (8–11)</b>	<b>1,900–6,100</b>

# Key figures

- Global e-commerce has expanded rapidly, dominating the retail sector with significant contributions from China, the USA, and the UK.
- Despite global growth, Africa's e-commerce remains underdeveloped, contributing less than 0.5% to the global market.
- The African Continental Free Trade Area (AfCFTA) aims to bridge this gap, promoting digital trade and developing an 'e-commerce protocol' to foster growth.
- SMEs are crucial for socio-economic development in Africa, and e-commerce can provide them with broader market access, overcoming logistical challenges.
- Harnessing e-commerce's potential requires addressing Africa's low e-readiness through strategic interventions.

## Where E-Commerce Sales Are Growing Fastest

Projected increase in e-commerce sales in selected countries between 2024 and 2029 (in billion U.S. dollars)

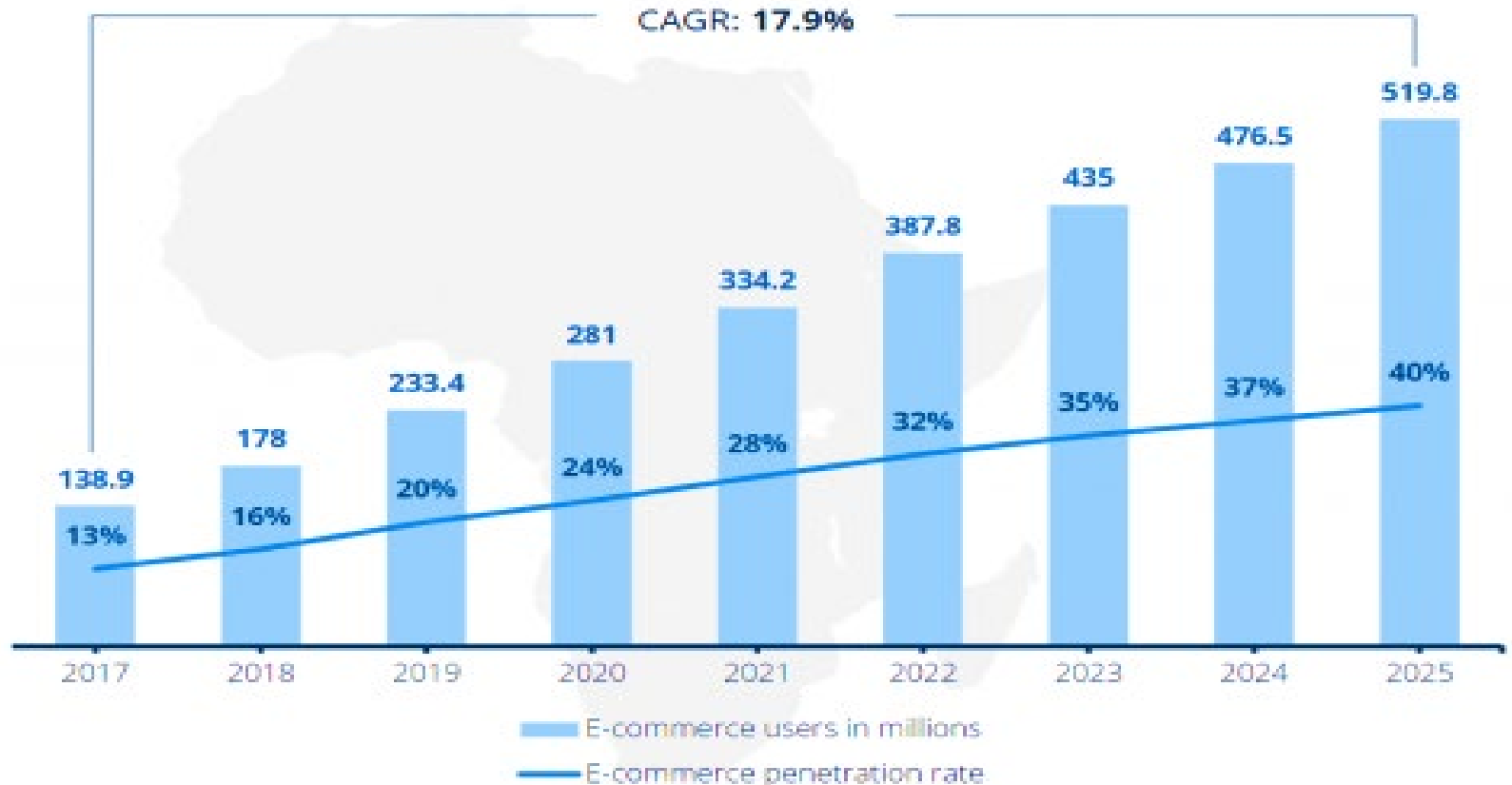


Source: Statista Market Insights

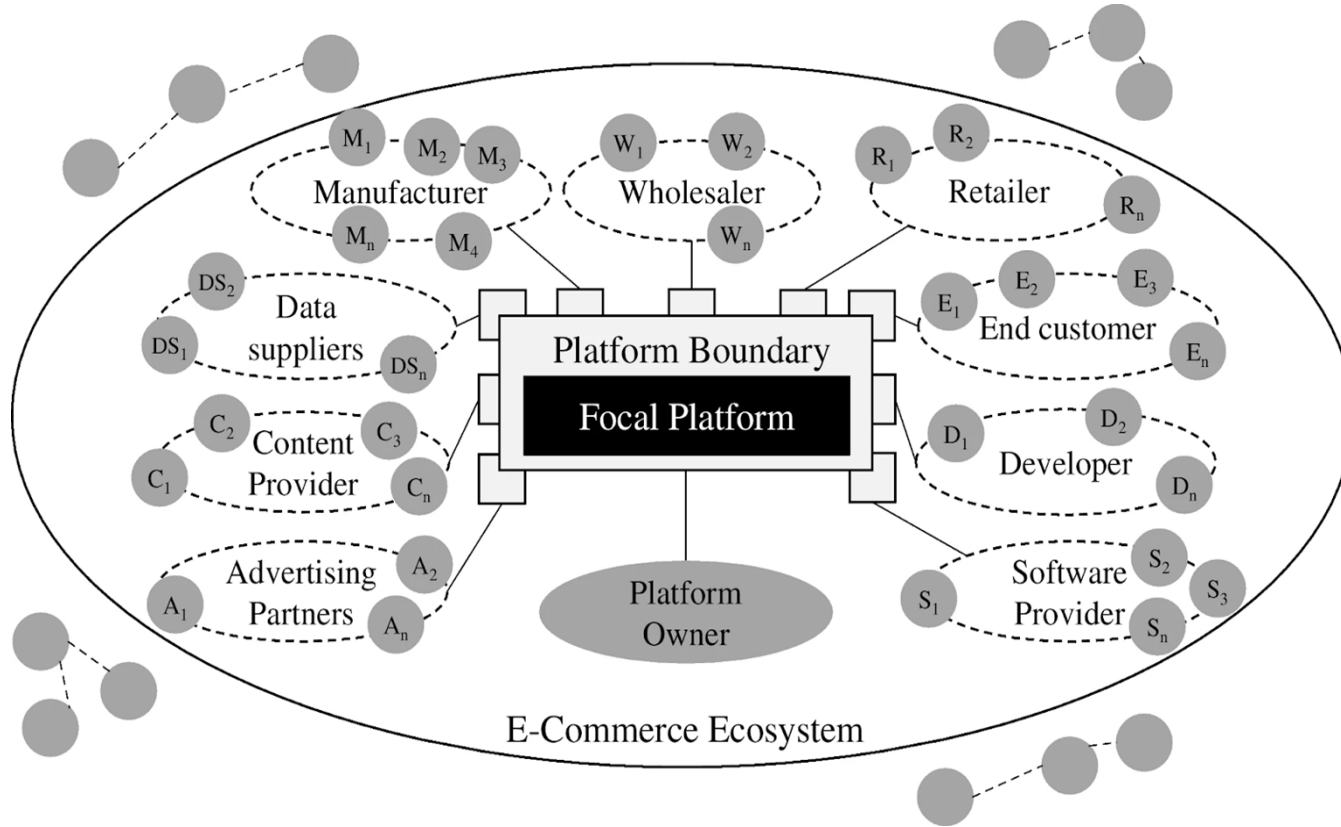


statista

# Rapid e-commerce growth in Africa



# E-commerce ecosystem



E-commerce ecosystem (Source: Wulfert et al., 2022)

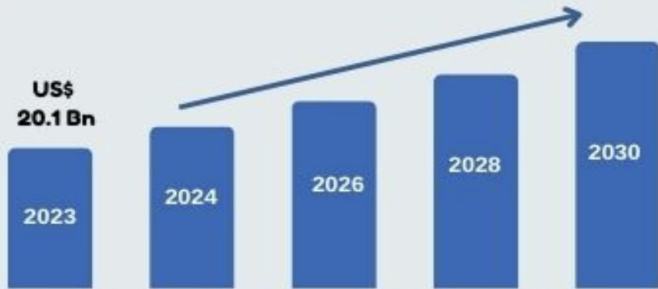
# Africa E-commerce market 2023-2030

**CAGR (2023-2030) : 20%**

Increasing adoption of technology and digital transformation have led to the growth of e-commerce in Africa



## MARKET OVERVIEW

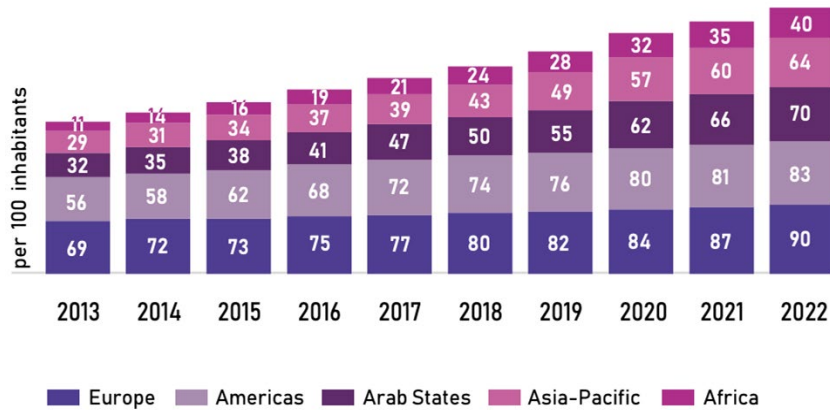


## LEADING COMPANIES

- Jumia Group (Jumia)
- Takealot
- Konga
- Kilimall
- MallforAfrica
- Souq
- Zando



# Infrastructure availability



Individuals using the internet, by world region, 2013–2022

**Internet Connectivity:** Rapid growth in internet users, primarily driven by mobile broadband networks.

**Regional Disparities:** Significant variations in internet use by country, gender, and urban-rural areas. In Burundi, Congo, Somalia, and South Sudan, less than **10% of the population uses the internet, while in Morocco, Tunisia, and Seychelles, more than 80% do (ITU, 2023). In 2022, men (46%) used the internet more than women (34%) on a regional level.**

**Mobile Dominance:** Mobile broadband far outpaces fixed broadband due to cost and competitive factors

As of 2022, over 82% of Africa's population had access to a 3G network, which is significantly lower than the coverage in the Americas, Arab States, Asia-Pacific and Europe, where it exceeds 95%



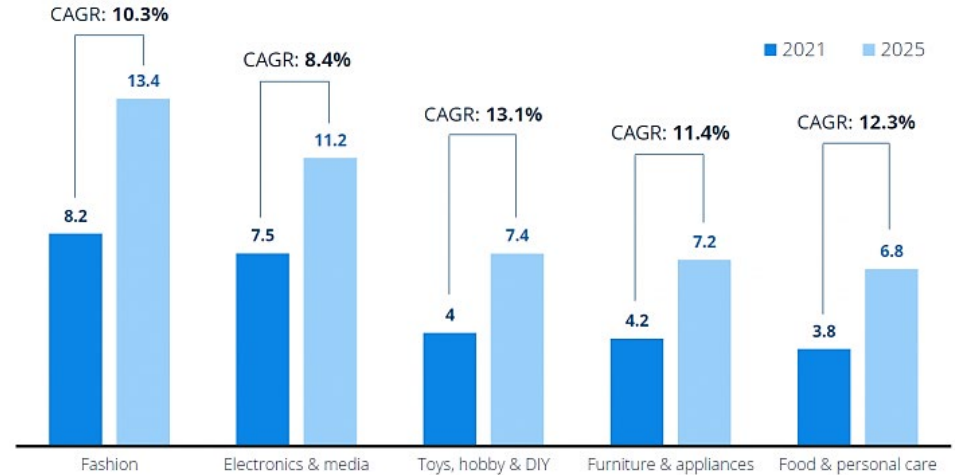
## Regulatory and Government Initiatives for E-commerce

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- **Country-specific Strategies:** Nigeria, South Africa, and Ethiopia have implemented digital strategies to address legal and infrastructural barriers.
- **The need for a Harmonized Approach:** A harmonized approach at national and regional levels is essential, considering socio-economic and cultural nuances.

# Market Size and Access

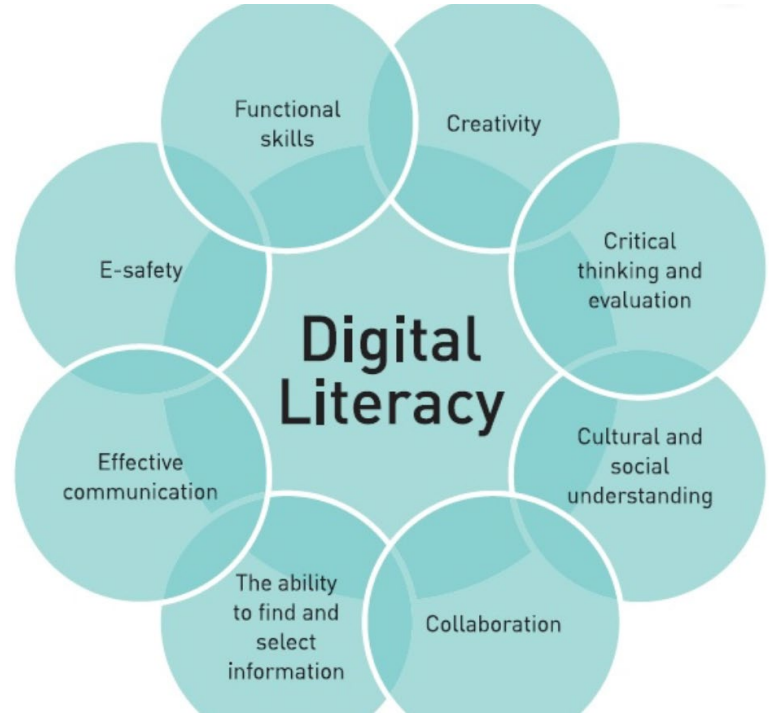
- **E-commerce Growth:** Expected to reach over 500 million users by 2025 with significant revenue growth in fashion and electronics sectors.
- By 2025, the e-commerce market is expected to reach 40% penetration, demonstrating its potential for growth.
- The e-commerce market is expected to see significant revenue growth in the fashion and electronics sectors.
- By 2025, fashion products are projected to generate \$13.4 billion in sales, while electronics are expected to reach \$11.2 billion in annual sales (ITA, 2023)
- **Digital Commerce Impact:** Could add up to \$180 billion to Africa's GDP by 2025.



E-commerce revenues by sector in Africa in 2021 and 2025 in billions USD (source: ITA, 2023)

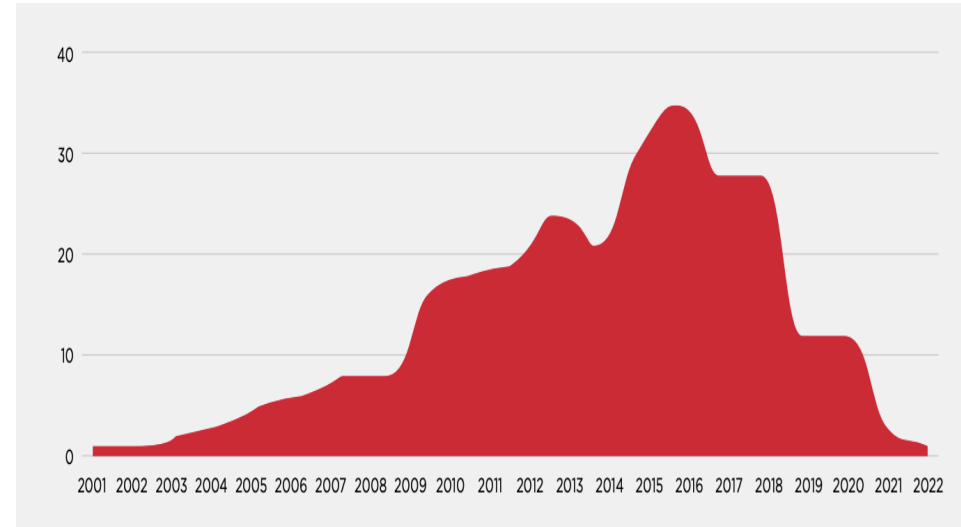
# Digital Literacy and Skills Development

- **Importance of Digital Literacy:** Crucial for unlocking e-commerce potential and promoting social inclusion.
- **Training Programs:** Need for targeted training programs to improve digital literacy and confidence among SMEs.
- **Comprehensive Approach:** Inclusive definition of digital skills, investment in the digital skills ecosystem, and fostering public-private partnerships.



# Startups and SMEs in Matter of E-commerce

- **Opportunities:** Increasing internet penetration and smartphone adoption provide fertile ground for e-commerce.
- **Challenges:** Infrastructure limitations, logistical hurdles, and varying regulations require innovative approaches.
- **Adaptability and Resilience:** Driving forces in the evolution of e-commerce, paving the way for economic growth and digital transformation. Digital skills need to be adapted to e-commerce and market oriented-skills.



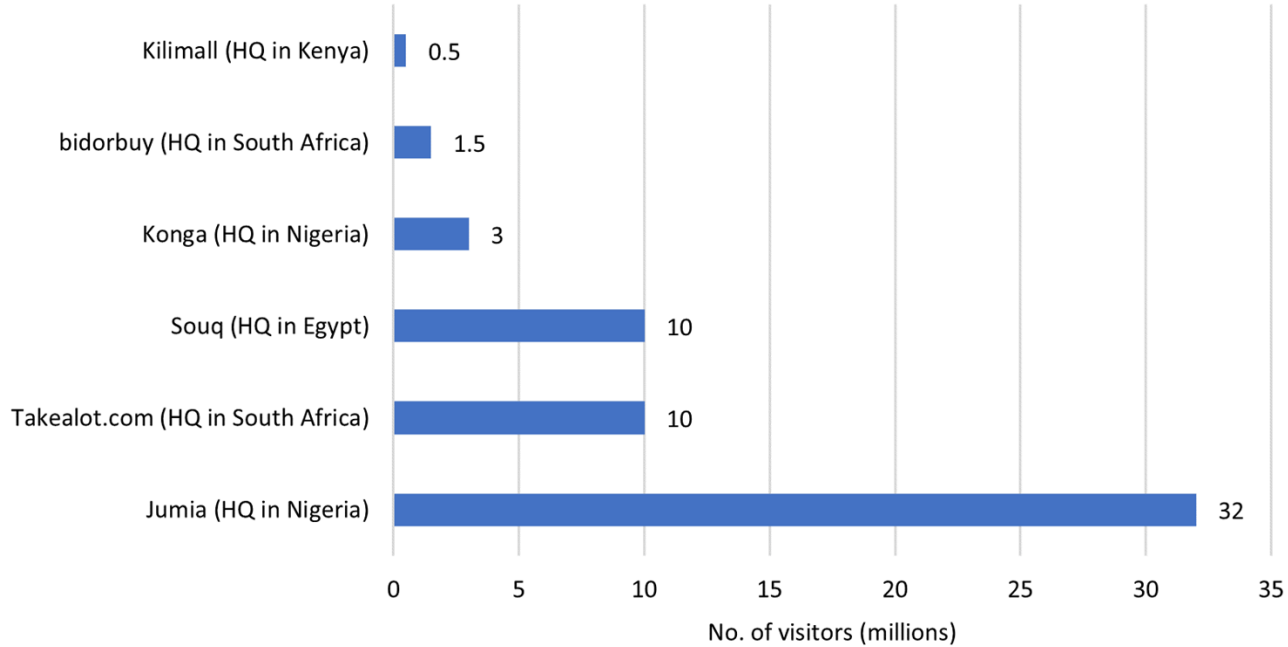
Number of e-commerce start-ups founded in Africa, by year (Source: Briter Bridges (2023))

# Growth and Behavior of E-commerce Platforms

- **Platform Impact:** E-commerce platforms serve as gateways to goods and services, generating valuable data insights.
- **Factors Influencing Development:** Trust, payment mechanisms, and meeting the unique needs of the African market are crucial.
- **Prevalence of Marketplaces:** Varies across the continent, with significant activity in countries like South Africa, Nigeria, Kenya, and Egypt.
- **Trade Portals:** Several African countries have developed national trade facilitation portals to streamline trade operations.
- **Continental and Regional Portals:** SMEs benefit from facilitation of cross-border trade by providing centralized access to trade-related information.
- **Mobile Optimization:** High costs of mobile services and devices hinder broader adoption of e-commerce.
- **Cybersecurity Policy and Governance:** Require adaptable frameworks to address evolving cyber risks.



## Africa's top e-commerce platforms



Source: Statista<sup>5</sup>



# Payment Systems

- **Payment Methods:** Mobile money is pivotal, but financial inclusion remains a challenge due to limited debit and credit card usage.
- **Interoperability Challenges:** Lack of interoperability in payment systems hampers cross-border trade.
- **Role of Fintech:** Promoting financial inclusion through innovative payment solutions, but regulatory challenges persist.
- **Fintech Landscape:** Dominated by mobile money services with a surge in fintech startups offering innovative payment solutions.
- **Data Privacy and Consumer Protection:** Concerns over data privacy, cybersecurity, and regulatory lag.





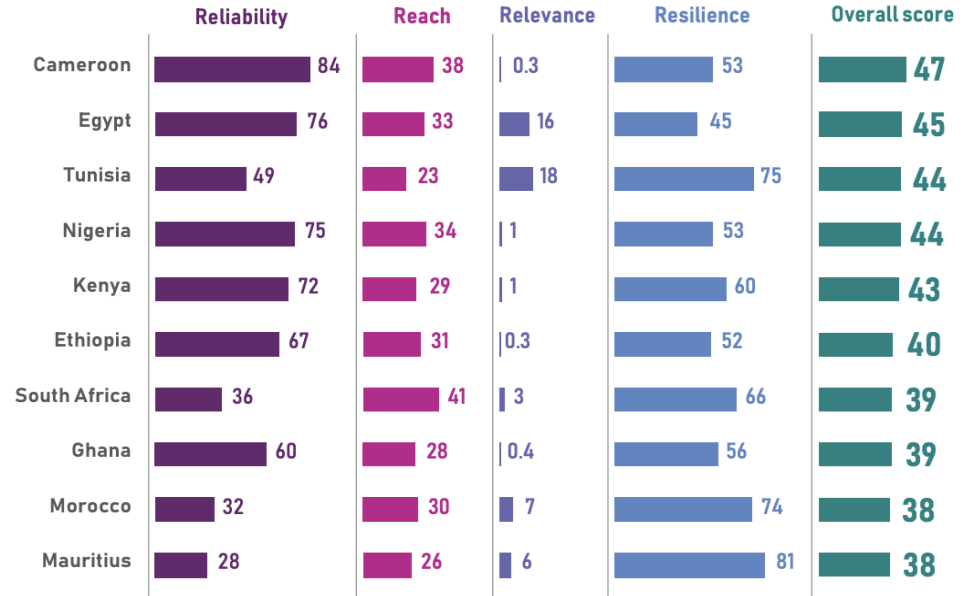
# Logistics development in Africa

**Logistics Performance:** Inadequate logistics infrastructure hinders cross-border digital trade.

**Innovative Solutions:** Initiatives like Egypt Post's SME shipping service and Nigeria Postal Service's what3words system improve delivery efficiency.

**Postal Development:** High Integrated Index for Postal Development scores in some African countries indicate progress.

**Problem of last mile delivery**

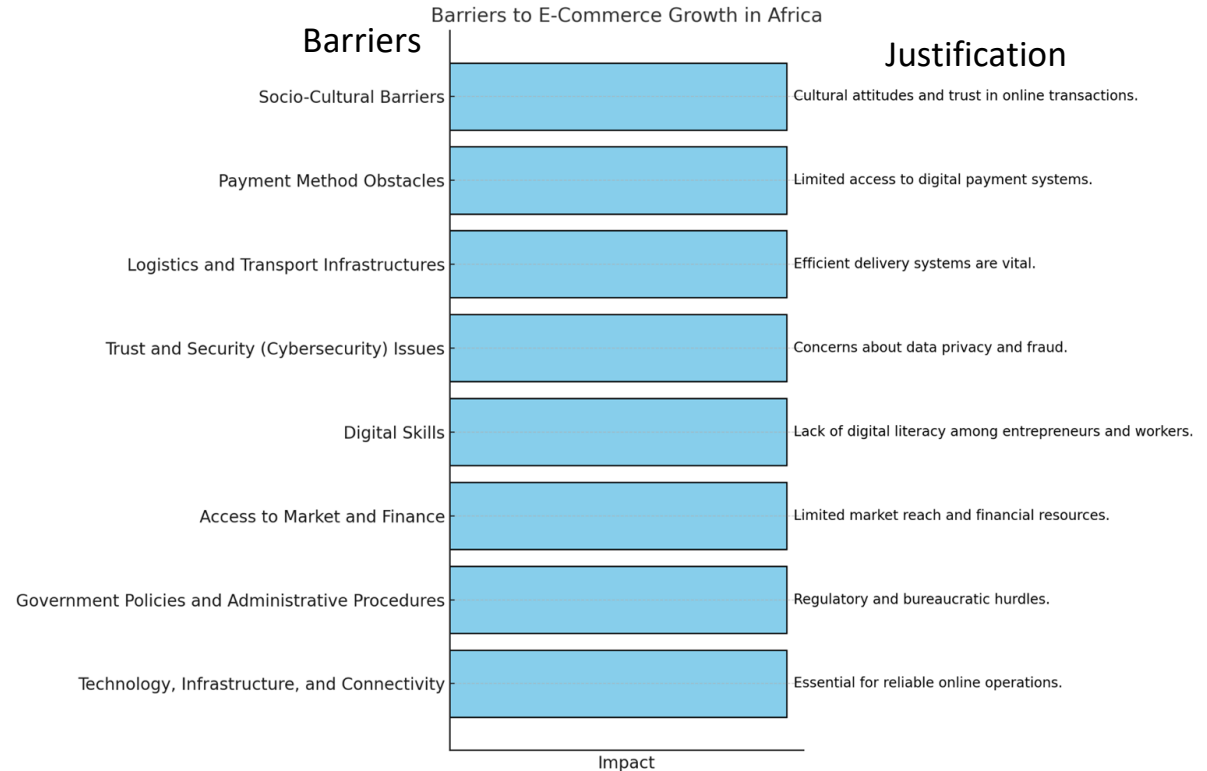


Universal Postal Union Integrated Index for Postal Development scores for the 10 highest scoring African countries, by indicator, 2021

# Justification of the choice of categories of barriers of e-commerce

To better understand the situation and different barriers, we adopted an ecosystemic point of view and provided the eight most used pillars in the literature linked to Africa.

These categories encompass the broad range of factors affecting e-commerce growth and are widely recognized in academic and policy discussions



# Synoptic vision of the results of the study in the 5 countries

Barriers (List)/Country	UGANDA	IVORY COAST	EGYPT	MOROCCO	TUNISIA
Technology, infrastructure and connectivity	+	+	+	+	++
Government policies and administrative procedures	*	**	*	*	*
Access to market and finance	*	*	*	*	*
Digital Skills	+	+	+	++	++
Trust and security (cybersecurity) issues	**	**	*	*	*
Logistics and transport infrastructures	*	*	+	+	-
Payment method obstacles	*	*	*	*	*
Socio-cultural barriers	**	**	*	*	*

Note: Big barrier (\*\*); barrier (\*); No impact (-); Not a barrier (+); Not a barrier at all (++)

# The Role of AfCFTA in Facilitating E-Commerce Growth

## **Policy Harmonization:**

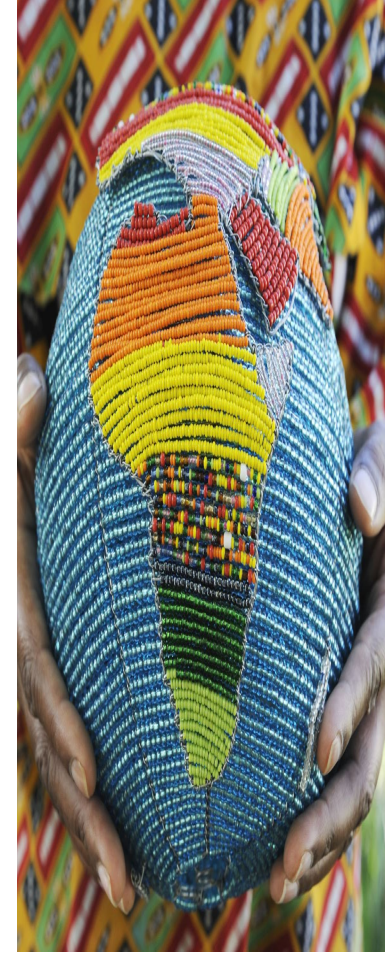
- AfCFTA offers an opportunity to harmonize e-commerce regulations across member states, simplifying legal frameworks and reducing compliance burdens for businesses.

## **Digital Trade Protocol:**

- The AfCFTA includes a protocol on digital trade aimed at creating a unified digital market. This protocol can address issues related to data protection, cybersecurity, and digital payments.

## **Capacity Building and Infrastructure Investment:**

- AfCFTA's initiatives can focus on digital infrastructure development, capacity building, and supporting small businesses in adapting to digital markets.



# Main transnational recommendations for Africa in the context of the AfCTA

- Adapt fiscal and administrative system to e-commerce
- Establish Labels and standards at the continental level for e-commerce in Africa
- Set advertising campaigns for e-commerce with the support of the major platforms
- Support SMEs to identify the most promising chains and markets at the continental level
- Support SMEs readiness to e-commerce to be able to take advantage of the AfCFTA
- Promote easy e-payment solutions continental wide
- Support for SMEs with finance in order to shift to e-commerce
- Upgrading and optimizing the delivery and logistic sector
- Create registries for e-commerce sites and provide networking platforms
- Streamline procedures for transnational e-commerce
- Building E-skills and investing in e-inclusivity
- Set Targeted programmes for key sectors in Africa
- Create market linkages at the continental level

