

**AFRICAN UNION**

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**AFRICA UNION E-COMMERCE CONFERENCE**

**23 - 25 JULY 2018**

**NAIROBI, KENYA**

**TI/TD/AU/E-COM/CONF/Concept-Note**

**CONCEPT NOTE**

## CONCEPT NOTE

### AU E-COMMERCE CONFERENCE

23-26 JULY 2018, NAIROBI, KENYA

#### Introduction

1. Agenda 2063: The Africa We Want, envisions Africa as a continent on equal footing with the rest of the world as an information society, an integrated e-economy where every government, business and citizen has access to reliable and affordable ICT services by increasing broadband penetration and providing venture capital to young ICT entrepreneurs and innovators.

2. ICT innovations and the digitization of economic activities are transforming trade and other social and economic aspects of life at an incredible pace offering new opportunities and opening the doors to several risks and challenges. The OECD defines an e-commerce transaction as 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 payment and the ultimate delivery of the goods or services do not have to be conducted online.

3. In terms of opportunities, *WTO/OECD 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development* identifies several main ones: firstly, e-commerce is associated with reduced transaction costs, shorter customs clearance times and better supply chain management which offers firms the possibility of reaching new markets and new customers, enhanced productivity, increased inclusiveness, and greater consumer choice. From this perspective, e-commerce has the potential to boost exports when the domestic enterprises are able to break into the foreign markets to connect with the international supply chains. This potential is said to be even greater for the Landlocked Developing Countries which face geographical constraints.

4. In addition, e-commerce can lead to better allocation of resources and improve the competitiveness of businesses in general. Also, e-commerce and digital trade can support entrepreneurship, creativity and innovation and encourage the formalization and growth of micro, small and medium enterprises (MSMEs), especially in developing countries, landlocked developing countries and least developed countries. Moreover, e-commerce can promote the integration of MSMEs into value chains and markets, including by reducing the investment required for a company to become visible in the global market.

5. Overall it appears that e-commerce has the potential to boost firms and countries' participation in regional and global trade. This potential is even greater for Least Developed Countries and Landlocked Developing Countries which face additional

constraints, including among others location and small size of their markets. E-commerce can help to bridge the distance to international markets for LLDCs particularly in the services sector, as this form of trade is less susceptible to the constraints of being landlocked. In this regard, e-commerce can contribute to the realization of Sustainable Development Goals (SDGs) 17.

6. From an African perspective, this means that e-commerce has the potential to contribute towards increasing intra-African trade which currently stands at around 18% and therefore help realize the objectives of the Boosting Intra-African Trade Action Plan and most important, of the recently launched African Continental Free Trade Area (AfCFTA), which is one of the flagship projects of Agenda 2063. It can also help boost Africa's share of global trade, which is currently estimated at less than 3%.

7. Despite the above potential gains and the fact that e-commerce continues to grow exponentially (\$25 trillion in 2015, up from \$16 trillion in 2013 according to UNCTAD, 2017), the participation of developing countries, in particular African countries, in e-commerce remains limited although it has been growing recently. McKinsey and Co, 2013, estimated e-commerce in the African continent at US\$8 billion in 2014 and predicted that it could reach US\$75 billion by 2025, with Nigeria as the leader of e-commerce on the continent. McKinsey and Co also show that e-commerce now contributes to more than 1% to the GDP of a number of African countries: Senegal (3%), Kenya (2.9%), Morocco (2.3%), Mozambique (1.6%), Nigeria (1.5%), South Africa (1.4%), and Ghana (1.1%). The top seven are followed closely by Egypt, Tanzania, and Cameroon, where e-commerce contribution to the national GDP is around 1%. Hence, it appears that even in Africa, e-commerce is dominated by a handful of countries and that special consideration should be given to LDCs as well as LLDCs.

8. The limited participation of the African countries, is attributed to several challenges which were recently summarized by ICTSD, 2018, *Bridges Africa*, Volume 7, Issues 2, March 2018, and are additional to existing traditional trade barriers. The limitation factors include among others: inadequate infrastructure and use which continues to perpetuate the digital divide; underdeveloped financial and payment systems; poor ICT literacy, in particular skills related to e-commerce; low purchasing power and consumer confidence; and imperfect national legal systems and policies, in particular in African LLDCs (UNCTAD, 2015), suggesting that a lot remains to be done to achieve a supportive legal environment as well as the requisite infrastructure to effectively use e-commerce. This situation is more exacerbated in the case of African Least Developed Countries and Landlocked Developing Countries, with a few exceptions such as Rwanda.

9. In addition to the above challenges, there are also risks associated with e-commerce, including inter alia: job losses associated with automation, market concentration leading to reduced competition and monopoly; revenue loss by governments due to the ability for

companies to circumvent financial regulations, the competitiveness of African companies and most importantly the risk of a structural gap, which will maintain African countries at the periphery of the new economic system in the 4<sup>th</sup> industrial revolution era.

10. Other than the challenges and risks that exist at the national level, there are also regional and continental issues in the case of Africa, which are likely to hinder the development of cross-border e-commerce across Africa. In effect, whilst a number of regional<sup>1</sup> and continental legal frameworks have been established to address some of the e-commerce related issues such as cyber security, personal data protection and the harmonization of cyber legislation in Africa,<sup>2</sup> and that a number of countries have started regional collaboration in some areas of e-commerce, there is presently no comprehensive African e-commerce policy/ strategy or governance regime. These are issues of concern which deserve careful consideration, in particular in the context of the boosting intra-African trade through the Agreement establishing the African Continental Free Trade Area (AfCFTA) which was signed on March 21, 2018 in Kigali, Rwanda by African Heads of State and Government during their X Extraordinary Summit. In this regard, just like in the case of trade in goods and trade in services, the AfCFTA may help achieve the economies scales in the case of e-commerce. For example, a startup or SME making intangible goods such as widgets in Benin or Rwanda, which is presently constrained by the size of its national market, and the level of tariff or non-tariff barriers plus absence/cost of good logistics to reach other markets.

11. At the international level, discussions on e-commerce at the multilateral level have gained traction since the Second Ministerial Conference of the WTO which adopted a Declaration on Global Electronic Commerce in May 1998 urging the WTO General Council to establish a comprehensive work programme to examine all trade-related issues arising from global e-commerce. However, there is still no mandate to discuss e-commerce at the WTO, even though a group of developed and developing countries issued Joint Ministerial Statements during the 11<sup>th</sup> WTO Ministerial Conference in Buenos Aires, Argentina, announcing the establishment of a Group to *"initiate exploratory work together toward future WTO negotiations on trade related aspects of electronic commerce."*<sup>3</sup> Here also, there is a need for a conversation on the best approach moving forward in light of the recent developments.

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<sup>1</sup> In 2010, ECOWAS developed community rules on electronic transactions, cybercrime and the protection of personal data through Supplementary Act A/SA.2/01/10, Directive 1/08/11, and Supplementary Act A/SA.1/01/10.

<sup>2</sup> See the AU Convention on cyber security and personal data protection available at [https://au.int/sites/default/files/treaties/29560-treaty-0048 - african union convention on cyber security and personal data protection e.pdf](https://au.int/sites/default/files/treaties/29560-treaty-0048_-_african_union_convention_on_cyber_security_and_personal_data_protection_e.pdf); Addis Ababa Declaration on the Harmonization of Cyber Legislation in Africa

<sup>3</sup> [https://www.wto.org/english/thewto\\_e/minist\\_e/mc11\\_e/documents\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/mc11_e/documents_e.htm)

12. It appears from the above that a global digital order is gradually taking shape driven by innovations in ICT. In this context, e-commerce and digital trade is rapidly transforming the world economy; disrupting old business models and replacing them with new ones; shaping the future of labour and transforming industrialization; raising new concerns and challenges; and making it difficult for governments to keep-up the pace with appropriate regulatory and policy frameworks both at the national and regional levels. In this context, and considering the current African trade and regional integration agenda, which has gained momentum and is progressing smoothly with the recently launched AfCFTA, a comprehensive and holistic African e-commerce strategy, which is practical and geared towards addressing Africa's unique specificities, appears to be necessary. It will support African countries and the African Private Sector, in particular SMEs, in enhancing their readiness and maximizing their participation in e-commerce and digital trade with a view to further enhancing intra-African trade and facilitating the integration of the continent into the global economy.

### **OBJECTIVE**

13. The main objective of this Conference is to provide a platform to enhance understanding of the current state of e-commerce in Africa, the challenges and opportunities building on the experience of actors on the ground as well as other regions of the world, and to discuss key elements of a roadmap for the development of a African Strategy of E-commerce with a view to promoting the emergence of African e-commerce champions and ensuring that African countries maximize the opportunities of e-commerce and the digital economy.

### **SPECIFIC OBJECTIVES**

14. The Specific objectives of this Conference are:

- 1) Enhance understanding of recent developments in the digital economy, focusing on e-commerce
- 2) Share country and regional experience in the area of e-commerce;
- 3) Explore the merits and scope of using the AfCFTA as a platform for advancing e-commerce and digital trade in Africa; and
- 4) Discuss and build consensus on the main elements of a roadmap for the development of an African e-commerce strategy.

### **EXPECTED OUTPUTS**

15. The main expected outputs of the Conference are: (1) Roadmap for the development of an African e-commerce strategy, which will be recommended for adoption by the relevant policy organs of the African Union; and (2) inputs to inform the development of the Assessing Regional Integration in Africa (ARIA) IX report under preparation by

UNECA, which will consider the case for e-commerce and digital trade as a topic for the Phase II negotiations in the AfCFTA.

### **MAIN PARTNERS**

16. UNECA and Hub & Spokes Programme funded by the EU, ACP Secretariat, Commonwealth Secretariat and l'Organisation Internationale de la Francophonie, and UN-OHRLS.

### **PARTICIPANTS**

17. AU Member States, Private Sector representatives, Regional Economic Communities, AU Commission, UNECA, UN-OHRLS, UNCTAD, ITC, ITU, UPU, WCO, UNESCAP, Afreximbank, AfDB, Academia, Diplofoundation, Research Institutes and Think Tanks, independent experts and researchers....

### **VENUE, DATES, AND WORKING LANGUAGE**

18. The Conference will take place at the Hilton Nairobi, in Nairobi, Kenya from the 23-25 July 2018.

19. The Conference will be conducted in English and French.

### **ORGANIZATION**

20. The Conference will be structured around interactive panel discussions. There will also be opportunities for project demonstration/exhibition by some of the leading African digital platforms.

### **INFORMATION**

21. The following people can be contacted for further information relating to this Conference:

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