

DIGITAL ECONOMY AND REGIONAL DEVELOPMENT: ITU Annual Regional Human Capacity Building Workshop Session 8



Presentation by

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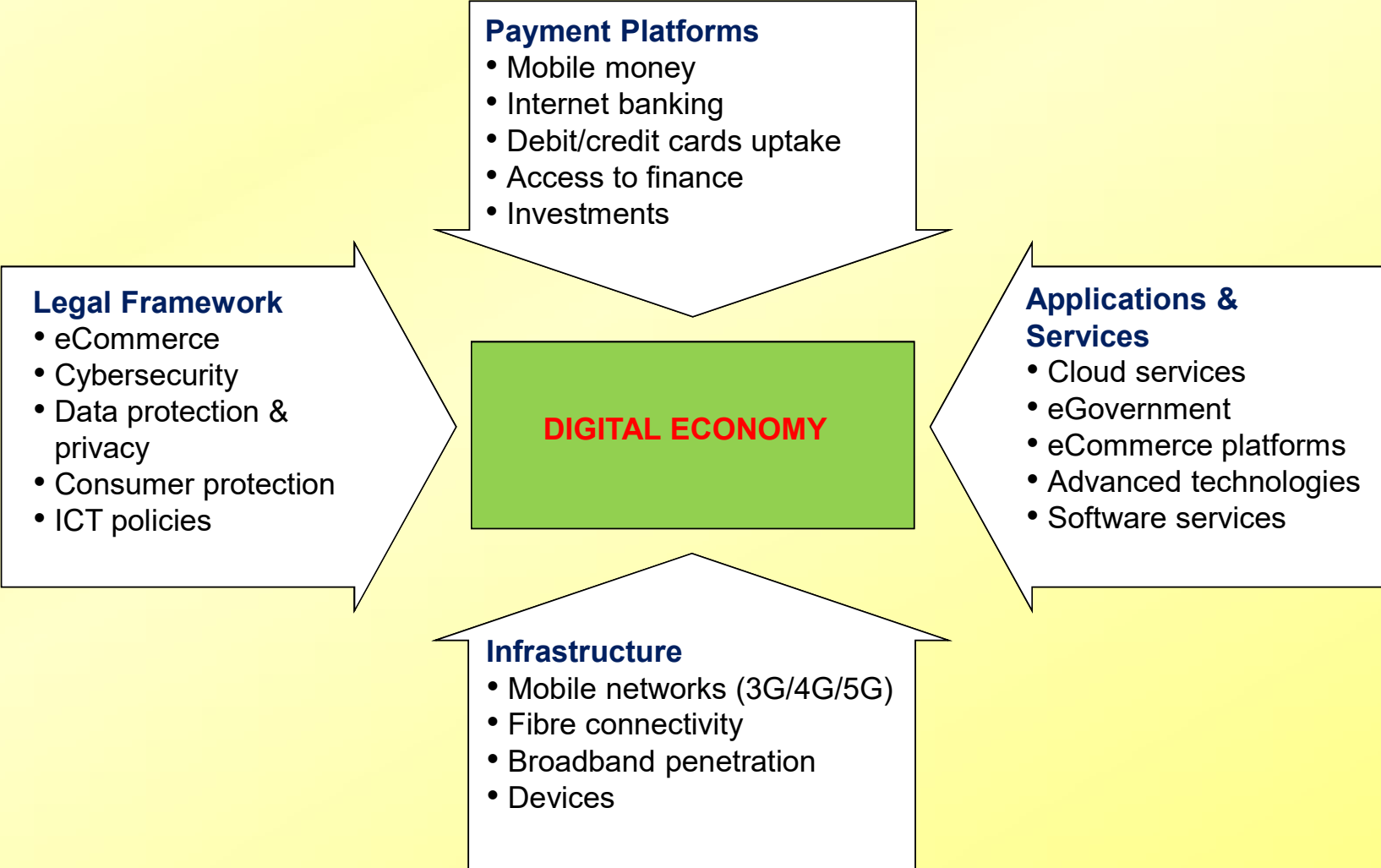
Country Partner – Nigeria, Research ICT Africa, Cape Town

Shehu Musa Yar'adua Centre,

Abuja, Nigeria

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BROAD OUTLINE OF PRESENTATION

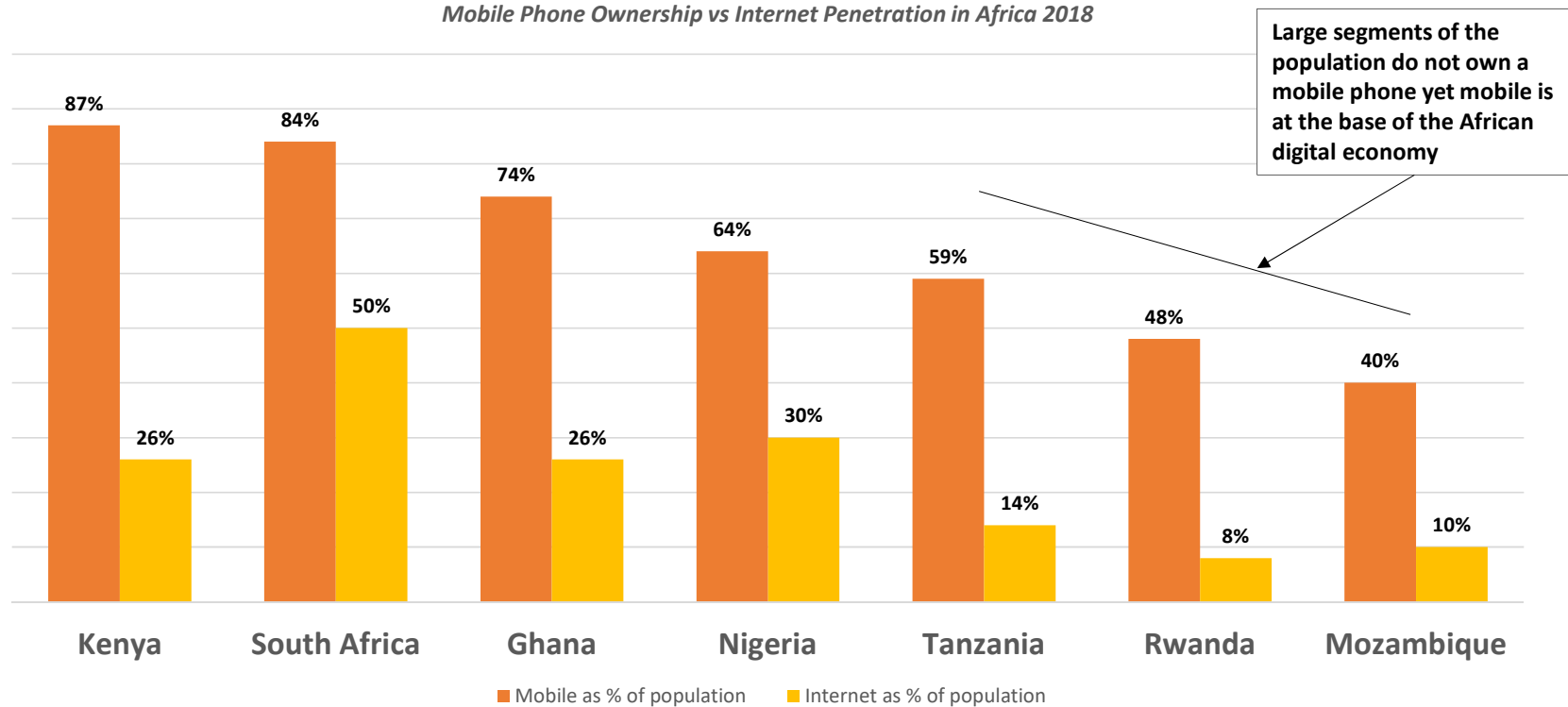


Regional Developments

INFRASTRUCTURE

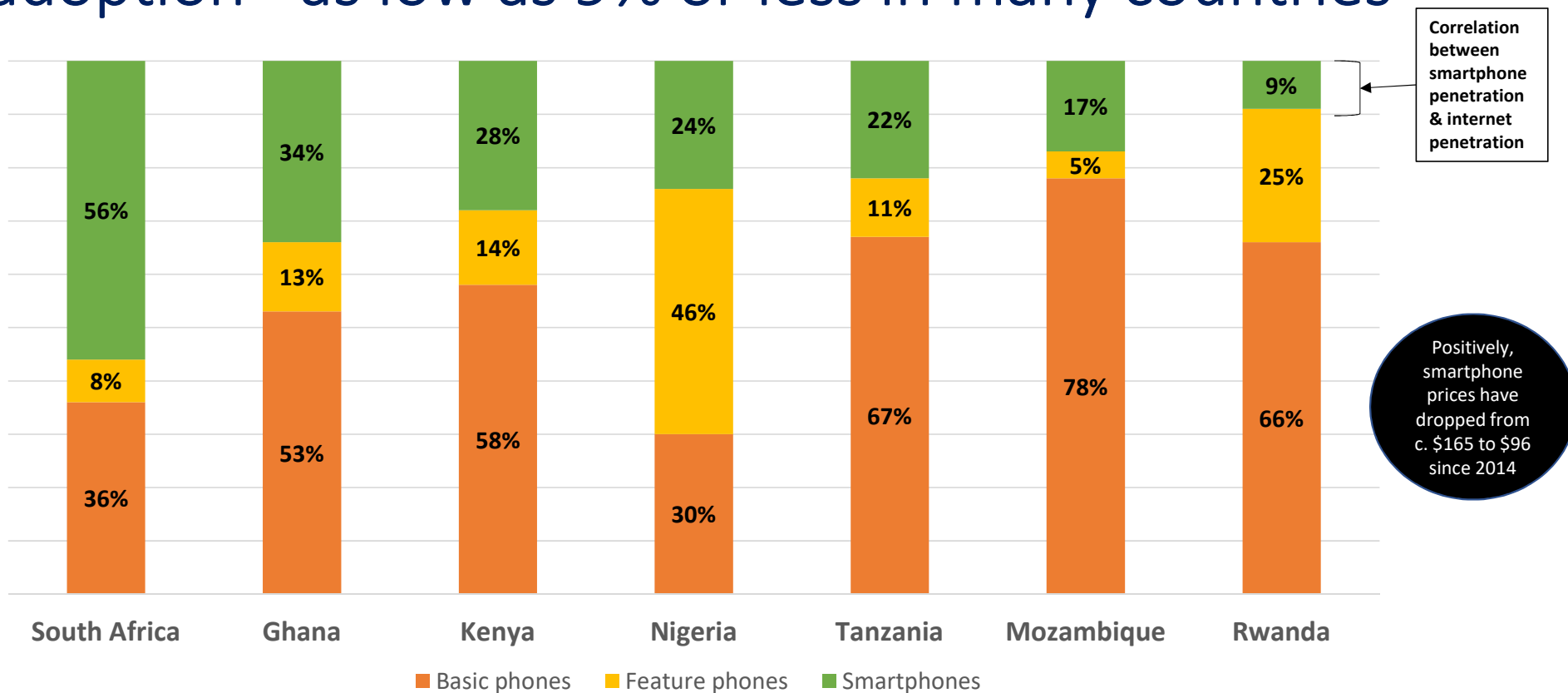
Mobile phones dominate, however internet penetration is comparatively low

Mobile Phone Ownership vs Internet Penetration in Africa 2018



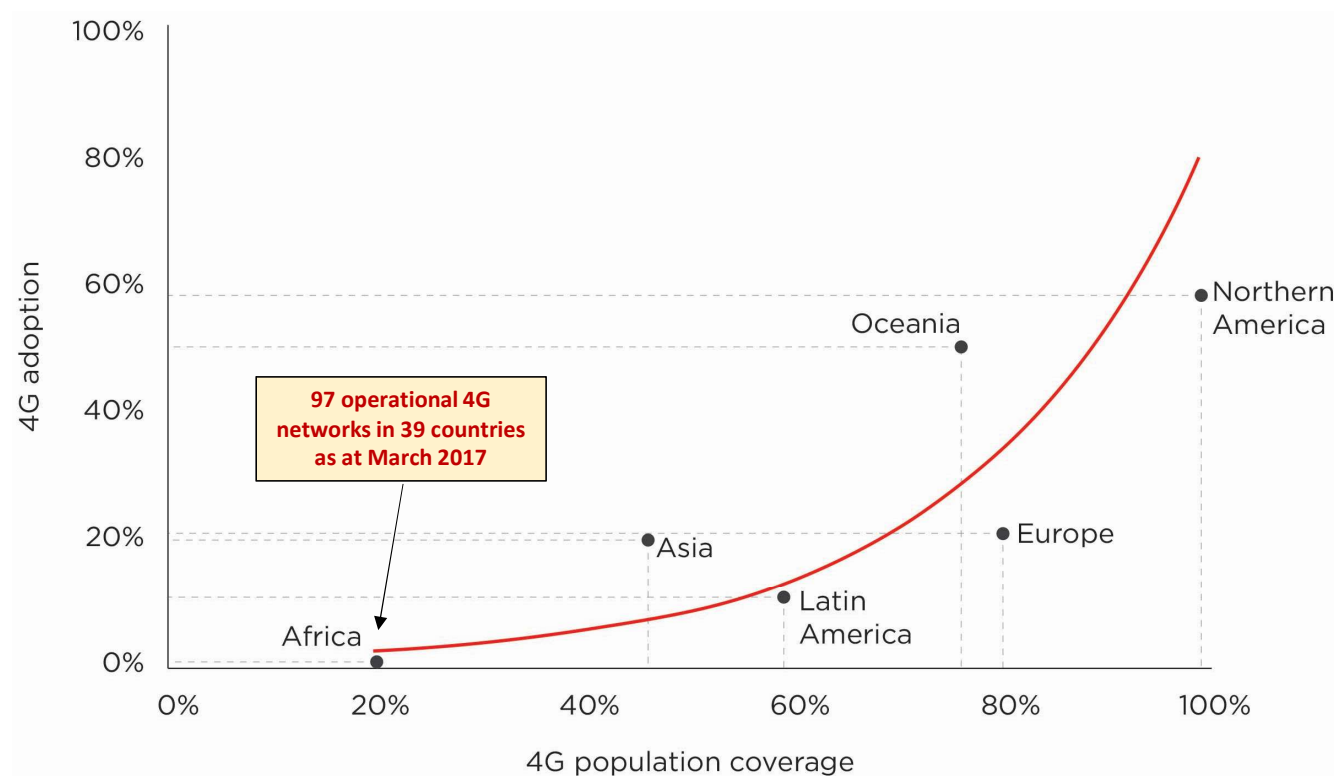
Source: After Access 2018 survey of 16 global south countries in Africa, Asia & Latin America

One reason for this trend: weak smartphone adoption - as low as 9% or less in many countries



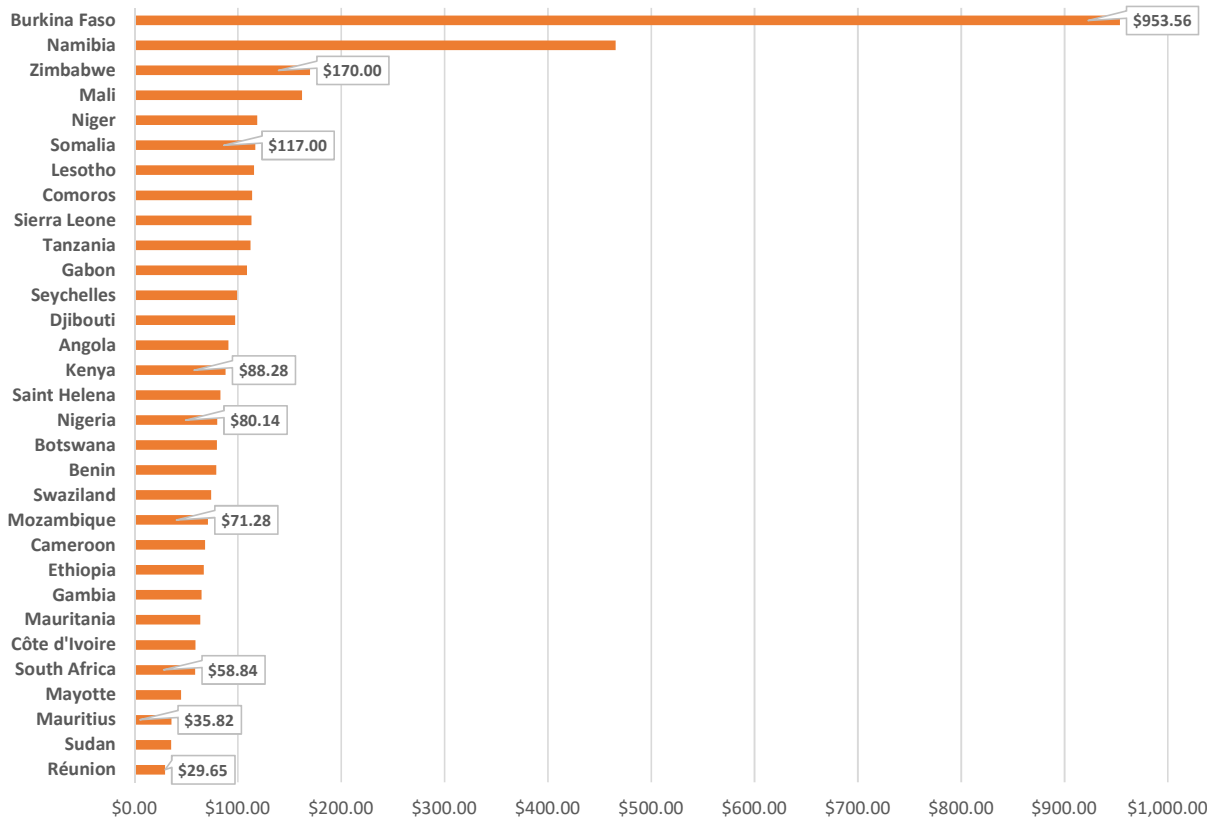
Source: After Access 2018 survey of 16 global south countries in Africa, Asia & Latin America

Africa continues to lag the rest of the globe, only 20% pop covered by 4G even with growing roll-outs



Data policies & regulation yet to deliver the promise of broadband.

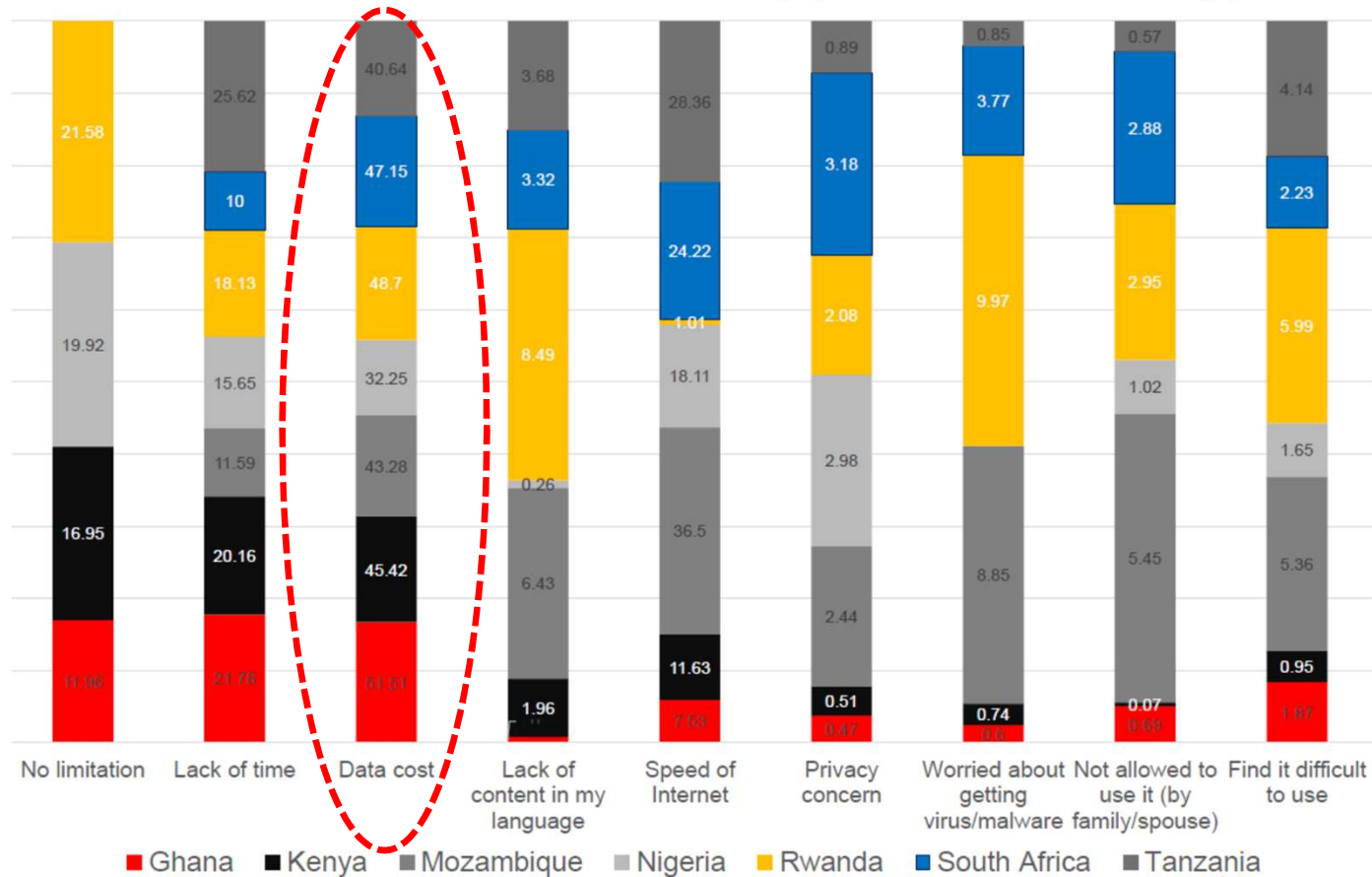
Average retail broadband costs are gradually reducing though there is still a wide disparity



- Sub-sahara Africa average - \$127, Africa (\$113), global average \$74
- Iran (\$4), Ukraine (\$6) & Russia (\$9) cheapest countries for broadband globally
- USA (\$66), UK (\$40) & France (\$36) averagely

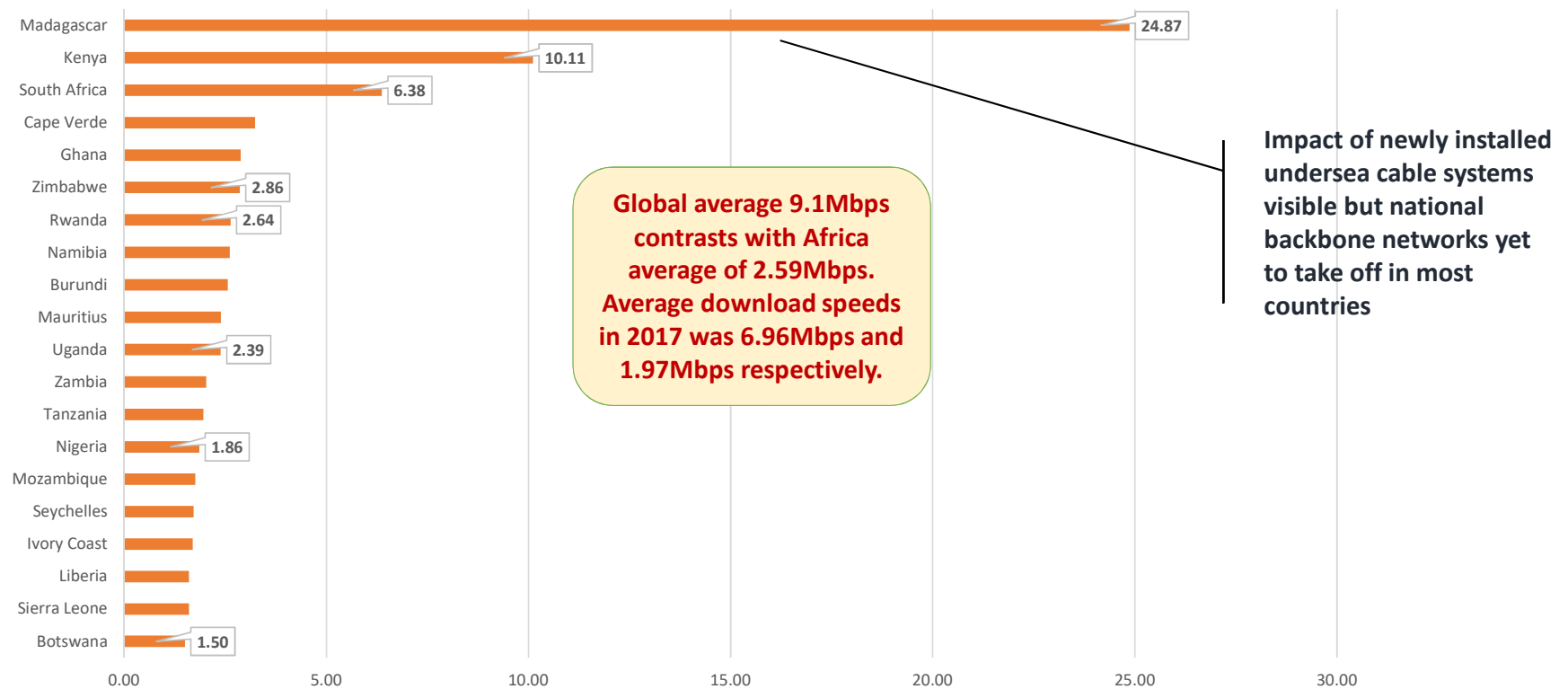
Source: Worldwide Broadband League 2018; monthly residential (ADSL or fibre) broadband package, prices in USD

Cost of data is the biggest limitation to internet adoption & usage in the region



Source: After Access 2018 survey of 16 global south countries in Africa, Asia & Latin America

Another factor is average download speeds, improving but continues to lag the globe



Regional Developments

LEGAL FRAMEWORK

Only half of the continent have adopted laws covering e-transactions & cybercrime



Imperative that laws & policies need to be created or updated to support the digital economy

Can African Continental Free Trade Agreement (CFTA) lift ecommerce on the continent?

- CFTA seeks to create a single African market for goods and services by liberalising the movement of people, businesses and investments.
- Signed by 49 of 54 countries 1Q2018, the agreement hopes to bring together a combined pop. >1billion with a GDP in excess of \$50tn.
- Post-agreement actions include finalizing dispute mechanisms and implementation programme.
- Nigeria & South Africa, representing 30% of economic activity on the continent, yet to adopt agreement.
- It is presently unclear what specific implementation steps would be adopted to positively impact African ecommerce, if at all.

Regional Developments

PAYMENT PLATFORMS

Payment systems are generally nascent though mobile money is very popular in EAC

- Less than 1% credit card penetration across Africa, except in South Africa (31%), Egypt (5%) and Angola (4%), according to Lafferty Research (2015).
- Only a third of adults own and operate a bank account and <10-15% of the population utilise mobile payment solutions. They typically have limited access to international marketplaces and have relatively weak purchasing power.
- Yet African electronic payments grows at 13% per annum, the fastest on the globe. Nigeria, Kenya & Morocco set to take-off.
- International card companies, **MasterCard**, **Visa**, are experiencing higher growth rates in Africa though card usage is said to be low.
- Recent surveys show online users have yet to fully develop trust for electronic transactions. 60-80% of shoppers on local platforms e.g. Jumia, Konga pay with cash on delivery. About 200,000 active card users in Nigeria.
- Minimal regulatory understanding of how this sector should develop.

Regional Developments

APPLICATIONS & SERVICES: eCOMMERCE

e-Commerce opportunities abound but the business environment is very challenging

- African economies are growing and democratising with increase in wealth and opportunities (particularly for the middle-class) driving ecommerce.
- Various estimates value market size in the \$50-80b range with around 264 active players including Jumia, Takealot, Kilimall, Konga, Iroko, OLX, etc.
- Over 300 tech hubs in 42 countries across the continent developing new apps & services (GSMA 2017).
- Biggest countries are Nigeria, South Africa & Kenya. Internet retailing in Nigeria is estimated at c. \$7b.
- In 2016 Jumia, online retailer with presence in 11 countries, became the first ecommerce company to exceed \$1b in market value.
- It is however important to separate **fact** from fiction and **reality** from illusion.

African ecommerce space gradually becoming a graveyard for emergent business ventures

- Less than a third of business are profitable. Examples of this trend:
 - Konga acquired by Yudala 4Q2017 for c. \$10m, about a tenth of invested equity.
 - Jumia declared a full year loss of \$140m for 2017 alone.
 - Naspers closed its e-businesses Mocality (2013) & OLX (2018) in Kenya & Nigeria.
 - Kalahari (2011) & WeChat (2016) moved operations out of Nigeria.
- eCommerce ventures seem not to be actively supported by policymaking. Indeed, many ecommerce businesses operate INSPITE of policy, whether present or absent.
- How can ecommerce businesses become profitable if the business environment causes them to ramp up unanticipated costs?
- It's up in the air whether (and when) African policymakers will deliver on the promise of a digital economy, which ought to be a natural forward step from the success of mobile communications.

Country Case Study: South Sudan

Summary of Recent Market Study

- Technology revolution of post-PC era visible in South Sudan with mobile, broadband and social media.
- Institutional arrangements governing the sector is basic but the 2014 establishment of a national ICT regulatory authority (NCA) has helped structure the communications sector.
- Nearly all private players are multinational in ownership and staffing.
- Adequate room for innovation within the sector - 100% electronic top-up since 2016 places the country as a leader in this ICT sub-category on the continent, inadvertent policy 'success' that appears irreversible.
- Widespread adoption of smartphones, MNOs say about 90% of devices on their networks are smartphones.
- Negligible ecommerce activity though communications sector has good potential if existing policies are implemented.

Policy Implications

Africa's digital economy faces many challenges

Trust Environment

- In Africa, cash is king! How will policymakers encourage cash societies to make the vital shift to electronic transactions?
- Accessibility and reliability of available infrastructure
- Data access, speeds of delivery and quality of service.
- Lack of sophisticated (or even efficient) payment systems, outside a handful of countries with advanced connectivity e.g. South Africa.
- Hacking, scamming, phishing and general fear of fraud

Regulations & Policies

- Disconnect between regulatory initiatives and rapidly changing consumer demand, innovation and the dynamism of internet evolution
- Politicisation and inconsistency of application of internet policies e.g. Uganda social media tax.
- Limited regulatory pressure on service providers for growth and to encourage digital inclusion

Business Environment

- Limited household or personal incomes and low appetite for goods and services as these are considered unaffordable.
- Weak literacy rates of indigenous populations hindering their ability to participate in a digital world
- Limited pool, depth and sophistication of businesses providing supporting services, making for inefficient supply chains
- Underdevelopment of capital markets limiting primary and secondary stock activity in internet-related businesses
- Inadequate focus by policy makers on investment facilitation and real economic growth

Africa's growth seems 'natural' and unabating

- However, real growth has to be helped along primarily through meticulous improvements to the local business environment.
- So policymakers and regulators have to raise their game by acquiring the tools that would equip them to deeply understand the fast-changing digital world in order to frame the most optimal policies on a *whole-of-government* basis.
- This is the only path that can push the continent to a higher level of growth.
- The implications of doing nothing or adopting contrary actions in the light of the region's explosive population growth and pervasive poverty may be tough to visualize otherwise.

Thank you for your time and
attention

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