Enabling e-commerce in Central Africa:

The role of mobile services and policy implications

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Executive Summary

The digital economy in ECCAS[1] is expanding rapidly, driven by strong adoption of mobile services. Overall mobile subscriber penetration in the sub-region grew from just 18% at the start of the last decade to 42% by the end of 2019, while the number of mobile internet users had reached 46 million by the same date. This trend is facilitating the creation and consumption of new digital services, which are transforming the way people communicate, live and work.

E-commerce is a key component of the digital economy, allowing buyers and sellers to interact and transact online regardless of time and location. This has the potential to generate significant social and economic benefits, particularly in emerging countries. It can create jobs and stimulate economic activity by encouraging investment and opening up new markets to otherwise isolated rural communities. Women and young entrepreneurs in particular are increasingly using e-commerce platforms to grow their businesses, reducing inequalities and helping local value creation.

In ECCAS, retail services are still predominantly traditional and informal. The United Nations Conference on Trade and Development (UNCTAD) estimates that around 90% of transactions across Sub-Saharan Africa occur through informal channels. This is partly because of entrenched consumer attitudes and shopping behaviours. However, there is growing momentum towards modern and more formal channels, with e-commerce playing an increasingly important role in the evolving retail landscape. Across the sub-region, established retailers and entrepreneurs are increasingly using online channels to reach new customers and overcome barriers to shopping, such as a shortage of retail space.

1 Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome & Principe

Mobile technology is a key driver of e-commerce services in ECCAS. As well as being the primary platform used to access the internet (given the lack of fixed broadband infrastructure), mobile technology is also facilitating online payments through mobile money, helping to address the challenge of low penetration of bank cards and the risks associated with cash-on-delivery. By the end of 2020, there were 16 live mobile money services in ECCAS, serving nearly 50 million registered accounts.

Several e-commerce providers have emerged across the sub-region in recent years, serving both the domestic and global markets. In addition, as is the case in other emerging regions, social commerce is gaining momentum in ECCAS, boosting uptake of social media services and lowering barriers to entry for small businesses. Facebook is by far the most popular social media service in ECCAS with a total user base of 14 million as of January 2021. It has become the preferred platform for many e-commerce entrepreneurs across the region.

The state of e-commerce services in ECCAS is, however, being affected by several factors that potentially limit the ability of the services to scale. These include the lack of access to and affordability of mobile internet services for large swathes of the population (especially low-income segments); limited use of digital payment services; inadequate addressing systems in some urban areas and most rural areas; bottlenecks in customs clearance and overall international trade; and a challenging business and macroeconomic environment for e-commerce start-ups.

Governments in the sub-region have a significant role to play in implementing policies to address these challenges and stimulate investment in e-commerce services. Fundamentally, governments need to take a holistic approach to developing and implementing policies that underpin e-commerce services, recognising that e-commerce is impacted by policies and activities in multiple and often disparate sectors, and that e-commerce growth can stimulate productivity and drive efficiency across the economy.

Mobile operators occupy a unique position in the e-commerce landscape. They can provide the connectivity that enables online activities, including e-commerce; they can enable digital payments through mobile money; and they can support e-commerce start-ups using network and distribution assets, such as APIs and sales agents, to address some of the operational and commercial challenges of e-commerce.

This report identifies key areas where action is required to increase access to digital services in general and e-commerce services in particular:

- **Enhance digital and financial inclusion** – As of the end of 2019, nearly 40% of the population in the ECCAS sub-region did not have access to a mobile broadband network, while less than half of adults make or receive digital payments on a regular basis. To increase digital and financial inclusion in the sub-region, governments need to implement policies that strengthen mobile infrastructure and the affordability of mobile services. This includes reducing or optimising sector-specific taxes, which can constrain investment and impact the affordability of devices and services; making spectrum available in the right quantities and under the right conditions; promoting market-led competition and a level playing field across the payments ecosystem; and improving local and global payment systems interoperability.

- **Take the right approach to data regulation** – Consumer data privacy and cross-border data transfers are vital elements of any digital service, including e-commerce. While a positive experience with an online seller can garner trust among some consumers, specific regulations that protect participants in an online transaction are necessary to boost overall confidence in e-commerce and other digital services. It is therefore important that governments adopt data privacy laws that provide effective protection for individuals, while allowing organisations the freedom to operate, innovate and comply in a way that makes sense for their businesses and can secure positive outcomes for society.

- **Address key challenges in the business environment** – The development of e-commerce services relies on several macroeconomic factors which can have a direct impact on the ability of e-commerce businesses to scale and fulfil transactions. These include domestic logistics challenges, international trade barriers, fiscal policies and red tape on e-commerce start-ups. Improving the overall business environment is essential to drive growth and realise the socioeconomic benefits of e-commerce.

- **Leverage stakeholder collaboration** – E-commerce stakeholders in ECCAS include governments and policymakers, mobile operators, the development community, private-sector players and civil society. These stakeholders need to collaborate on efforts to address the key challenges to e-commerce adoption in the sub-region. Efforts include tackling digital exclusion, increasing consumer awareness of and trust in digital services, strengthening transaction security, enabling the supporting physical infrastructure and institutions, and bridging the skills and funding shortages for e-commerce businesses.

ECCAS at a glance: a diverse region

Region	Population	Urbanisation	Literacy Rate*	GDP per Capita**	Internet Penetration
Angola	32.9m	66%	66%	$3,423	31%
Burundi	11.9m	13%	68%	$272	13%
Cameroon	11.9m	56%	77%	$1,533	34%
CAR	4.8m	41%	37%	$476	11%
Chad	16.4m	23%	22%	$728	17%
Congo	5.5m	67%	80%	$2,148	32%
DRC	89.6m	44%	77%	$562	23%
E. Guinea	1.4m	72%	95%	$10,261	7%
Gabon	2.2m	89%	85%	$7,592	38%
Rwanda	12.9m	17%	73%	$773	25%
Sao Tome & Principe	0.2m	73%	93%	$2,001	34%

*15+ years **Current US$

Data for 2019, except internet penetration data – as of December 2020.

Sources: United Nations Department of Economic and Social Affairs (UNDESA), World Bank, GSMA Intelligence

1. The rise of e-commerce

E-commerce[2] has grown significantly over the last two decades, enabled by widespread internet access, the growing uptake of digital payments and changing consumer lifestyles. The rapid adoption of smartphones and mobile internet services gives added impetus to this trend, with m-commerce[3] accounting for an increasing share of overall e-commerce transactions: mobile now accounts for around two thirds of total retail e-commerce sales.[4] While e-commerce penetration is highest in developed regions, key factors such as favourable demographics and increasing access to connectivity and mobile payments platforms underscore the growth potential in developing regions.