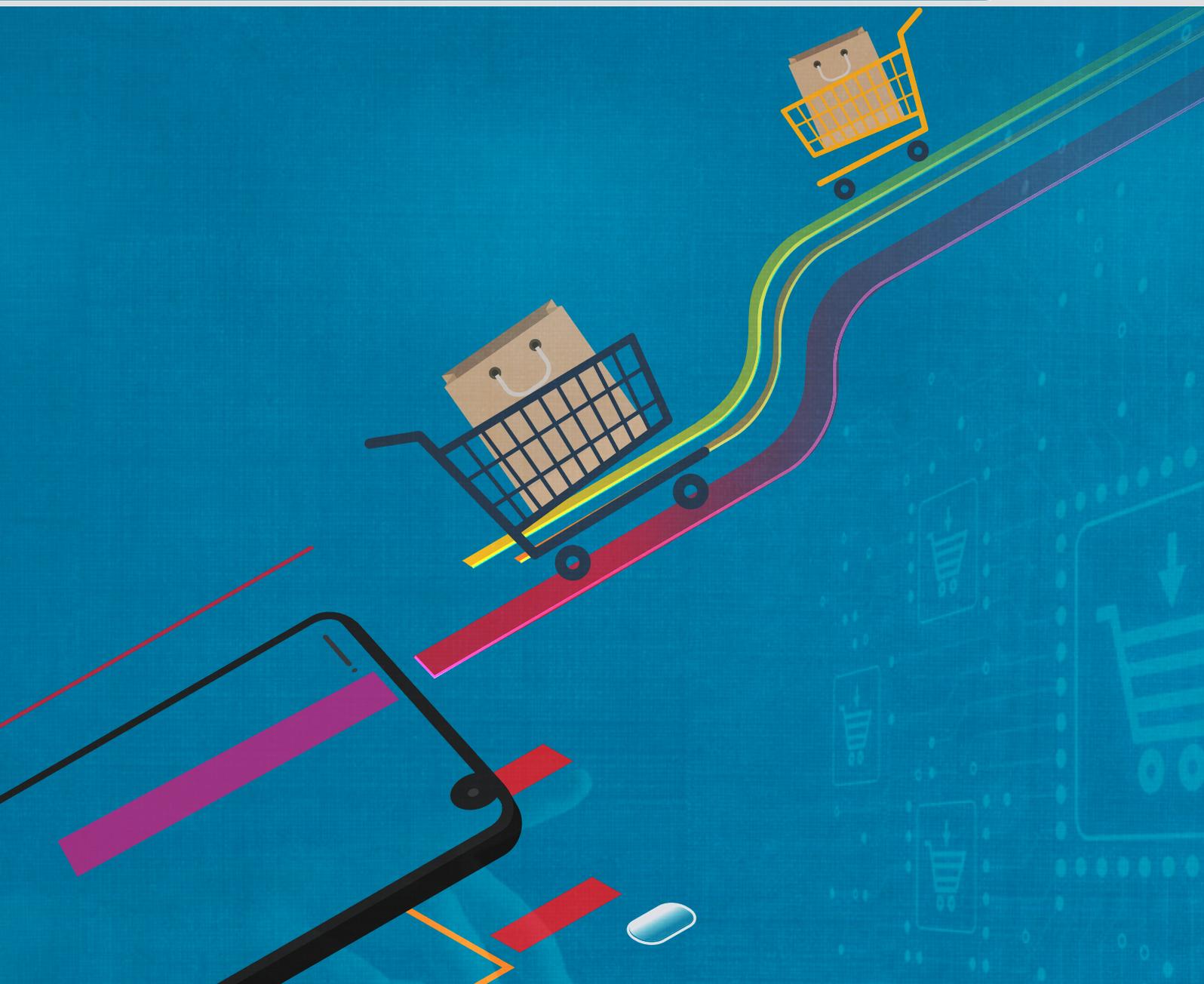




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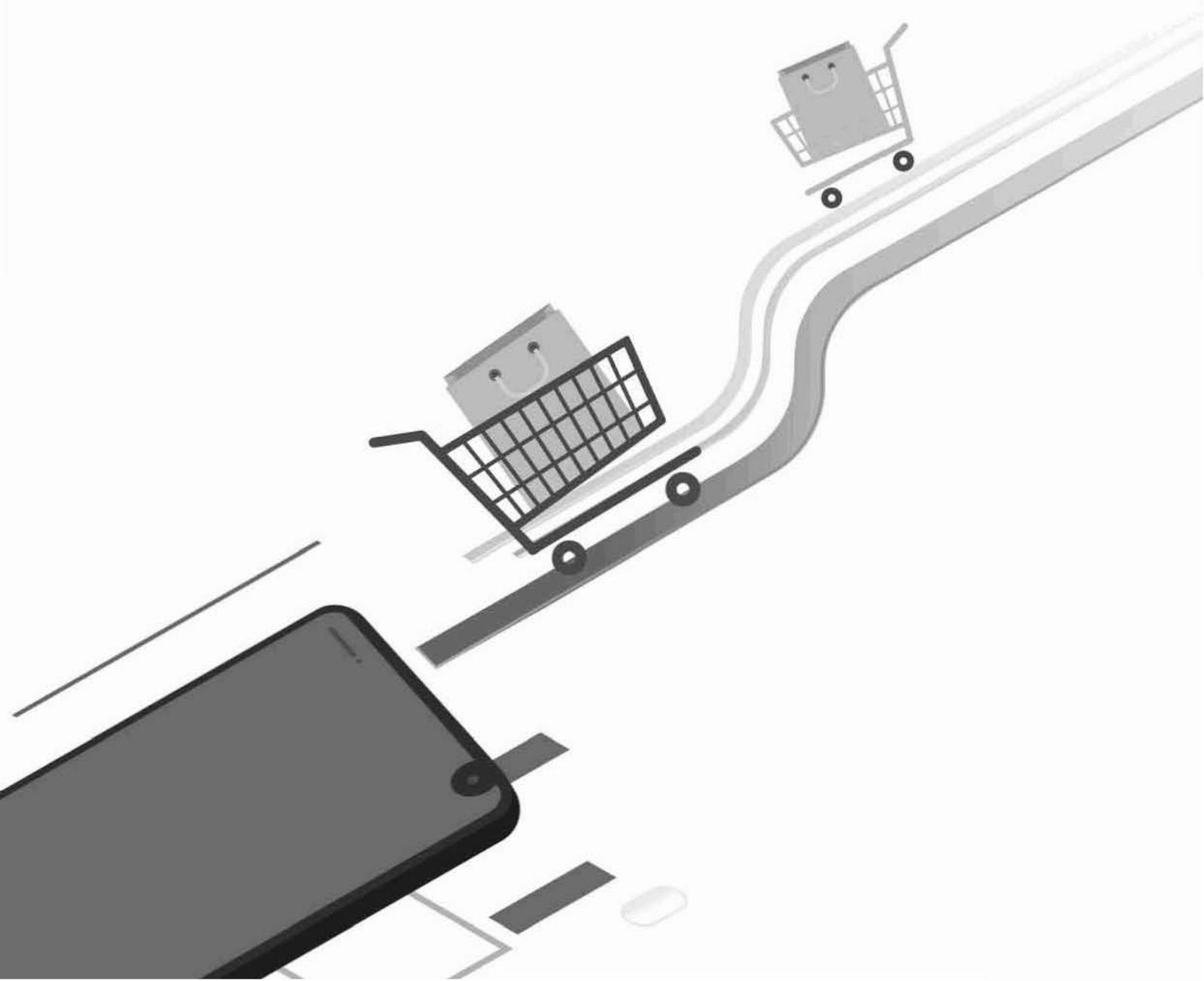
Covid-19 Impact on E-Commerce: Africa





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1. Introduction

The first month of 2020 rode the tailwind of a decade marked by hope and exuberance for the future of the African digital economy. An ever-expanding network of infrastructure directed more than 290 million Africans to the internet. The region registered thousands of small and medium-sized enterprises selling or creating products for the online community. This activity ushered in record levels of venture capital investments for the economy. The African continent was poised to grow at a rate of 3.9 per cent in 2020 and 4.1 percent in 2021, making the region one of the most attractive markets in the world.

This exuberance was quelled on February 14 when it was announced, in Egypt, that the first case of COVID-19 was recorded in Africa. The global pandemic quickly began spreading across the continent. At the time of writing, all 55 member states of the African Union had reported cases of COVID-19.¹

Governments across the region responded firmly and swiftly. Measures including lockdowns, transportation restrictions, reduced commercial air traffic, and social distancing were used to offset the spread of COVID-19. Despite these, the forecast for Africa's economy was quickly revised downwards. Current ECA estimates are for Africa's growth to contract by between 2 and 5.4 per cent in 2020, the first recession for the continent in nearly 25 years.² As a result, between 5 million and 29 million people are predicted to be pushed below the extreme poverty line of \$1.90 per day, erasing the last five years' worth of anti-poverty efforts.³

As governments across the region began imposing lockdown measures in March and April 2020, consumers as well as sellers were forced to tread a new path. Those businesses and consumers that could, quickly looked to the internet and began to harness the power of e-commerce to maintain business continuity.

The purpose of this report is to analyze the impact of COVID-19 on the digital economy throughout Africa. It unpacks how the digital economy has changed, with particular attention to digital trade across sectors and regions. The intent is to provide a better understanding of Africa's digital economy during and after the COVID-19 pandemic.

We arrive at the conclusion that the digital economy can be a powerful catalyst for Africa's economy with the potential to alleviate many of the economic burdens of COVID-19. But more importantly, e-commerce and digital trade can serve as a powerful engine for the economic recovery now required. Embracing and assisting the growth of the digital world will revitalize the African economy well after the COVID-19 pandemic.

This report begins by highlighting notable trends in the digital economy before and during the first half of 2020. Topics covered range from the growth of the venture capital funding in Africa to advances made in mobile and internet penetration. This part of the report demonstrates a rapidly changing digital environment that still has much to accomplish.

1 WHO. <https://www.afro.who.int/news/covid-19-cases-top-10-000-africa#:~:text=Reaching%20the%20continent%20through%20travellers,countries%20have%20reported%20cases>.

2 ECA Macro Model estimates as of November 2020

3 ECA. 2020. Covid-19 in Africa: Protecting Lives and Economies

The report then examines the initial shock of the COVID-19 pandemic. Given the sheer geographical size and complexity of the African continent, the report presents an account of a post COVID-19 pandemic world by grouping Africa into four geographical regions, namely North Africa, East and Central Africa, West Africa and Southern Africa. We examine trends while presenting an account of digital consumption patterns and rapidly changing consumer behavior.

The third section of this report highlights some of the challenges, which stall the growth of e-commerce and the digital economy. We explore the limits of African internet penetration, high data costs and issues around adopting effective digital payment solutions. The goal of this chapter is to identify which bottlenecks if loosened can catapult growth in the African digital economy. The fourth section presents an analysis of policy responses at the continental, regional and national levels. We explore e-readiness, ICT infrastructure, payments, infrastructure, legal and regulatory frameworks, skills development, financing needs, gender issues, and mechanisms of coordination. Lastly, we present a way forward. Our general conclusion determines that though e-commerce and digital trade in Africa remain relatively untapped, it can – if well nurtured - take off. For the digital world to perform at peak potential across Africa, there needs to be a cooperative as well as collaborative effort from businesses, consumers, policy makers and international organizations to invest and support the digital economy. An ‘incubation’ approach to policy is needed to nurture the growth of Africa’s digital economy to allow it to transform Africa’s future.

Our hope is that the reader will leave this document feeling both energized and inspired about the possibility of a digital Africa. We also aim to equip the readers with select indices that they must affix on their dashboards to navigate a post COVID-19 world.

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