

Digital Economy in Africa

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Introduction

In February 2024, the Heads of State and Government of the African Union adopted the Protocol of Agreement for the establishment of an African Continental Free Trade Area on Digital Trade (AfCFTA), whose ambition is “to harness digital technologies and innovation to stimulate intra-African trade and investment, deepen Africa’s economic integration, transform African societies and economies, generate sustainable and inclusive economic growth, stimulate job creation, reduce inequality and eradicate poverty with a view to achieving the socio-economic development of the continent¹”. The following annexes could be subject to review and adoption in 2025: those related to rules of origin, digital identities, cross-border digital payments, cross-border data transfers, source codes, online safety and security, emerging and advanced technologies, as well as financial technologies.

For a continent that accounted for just 0.9% of global exports of digitally delivered services in 2022², a legal instrument of this kind could enable African states to make better use of the

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- 1 Refer to Consideration 6 of the Protocol: https://africanlii.org/akn/aa-au/act/protocol/2024/free_trade_area_on_digital_trade/eng@2024-02-18/publication
- 2 See World Bank Group & World Trade Organization. (2023). *Turning Digital Trade into a Catalyst for African Development*. Joint WBG-WTO Policy Note. https://www.wto.org/english/thewto_e/minist_e/mc13_e/policy_note_digital_trade_africa_e.pdf

digitization of economic activities as a way of stimulating intra-African trade in goods and the unrestricted movement of goods and services between African states. The digital transformation of economic transactions and activities has the potential to open up new opportunities in Africa for entrepreneurship, job creation, creativity and innovation. This would also be a considerable step forward from a democratic point of view, as it would mean moving from an intensive deployment of digital technologies in the State's regalian services, such as financial and security services, to extending this dynamic to sectors delivering services to citizens³.

At a time when digitization has become one of the major driving forces behind the continent's economic and social development, *Global Africa* is fortunate to be inviting academics, national and international decision-makers and representatives of civil society to deepen our multidisciplinary understanding of the implications of this major transformation in the way our countries' economic systems operate. For countries that are ill-prepared in intellectual, infrastructural and regulatory terms to take advantage of the new opportunities arising from digitization, reflecting on the values it will impose, studying the international dimensions of e-commerce and the conditions, legal procedures and resources that will enable it to prosper, will make it possible to assess its possible effects and, also to provide policy-makers and entrepreneurs with the tools they need to limit the damage that such a "revolution" could cause to fragile African economies and societies.

In other words, how does African thinking contribute to the global debate on the digital economy and, more broadly, the digital transformation underway? To answer this question, which is the main theme of this issue, we have decided to approach our subject - which is both complex and complicated - from three angles. The first was to decode the ontological, epistemological and axiological issues raised by this digital transformation and the technological innovations that underpin it. Secondly, we wanted to take a true measure of the legal, institutional, governance and regulatory challenges facing the digital economy in Africa, particularly in the context of the implementation of the African Continental Free Trade Area (AfCFTA), the world's largest common market in terms of participating countries. Finally, we looked at how African economies are responding to, adapting to and innovating in the face of the emergence of digital technologies on the continent.

The ontological, ethical and epistemological issues surrounding the digital economy raise the question of the historical process, the values, the ideological orientations and the social and cultural risks of the "digital revolution". Philosopher Bado Ndoye asks in "The digital revolution and the attention economy: a new age of capitalism?" What if this revolution, already underway on the African continent, were to bring about "disruptions" that would shake up the infrastructure of our societies to such an extent that the new issues it would introduce could not even be comprehended by the prevailing culture? Although he is not categorical in his response, he admits that the broad outlines of "a new economy based on the discovery of a new scarcity - attention - (which) is in the process of reconfiguring our modes of production, exchange and communication⁴" and could constitute a new phase in the triumph of capitalism. What worries him is that the "economy of attention" often operates beyond the strict economic sphere and can easily be politically instrumentalized by the capital industry, generating manipulative strategies that can be "placed at the service of ever more innovative and efficient industrial logics⁵".

His warning is therefore clear: the digital economy can also be a ruse of the new capitalism to easily conquer new markets such as the African Free Trade Area (AfCFTA).

According to Assane Diankha⁶, this total takeover will not happen soon, mainly because of the gaps in national and regional legal frameworks for the digital economy, the fragmentation of markets linked to digital infrastructure and logistics, and the digital divide in all its forms that African countries

3 See on these potential transformations: Sambou, A. M. (2024). The digitalization of public services in Senegal: Trajectories and Fears, *International Journal of Law and Political Science*, 4(9), pp. 599-621. https://ceracle.com/wp-content/uploads/2024/10/Papier_La-digitalisation-des-services-publics-au-Senegal.pdf

4 Ndoye, B. (2024). The digital revolution and the attention economy: a new age of capitalism? *Global Africa*, (8). <https://doi.org/10.57832/rv7k-ah22>

5 Ndoye, B. (2024). The digital revolution and the attention economy: a new age of capitalism? *Global Africa*, (8). <https://doi.org/10.57832/rv7k-ah22>

6 Diankha, A. (2024). Digital Trade and the AfCFTA: The Legal Framework Put to the Test of the Continental Digital Market. *Global Africa*, (8). <https://doi.org/10.57832/5d83-3p68>

are experiencing. While legislative disparities are not a surprise given the competitive legal systems inherited from colonization, differences in data governance, which is a post-colonial phenomenon, are a cause for concern, especially as African states have adopted regional legal instruments to harmonize their legislations.

Taking a closer look at the protocols on trade in services and e-commerce, which play a central role in facilitating trade and digital integration at continental level, Assane Diankha concludes that the objectives of AfCFTA can only be achieved if states strengthen digital skills, invest massively in infrastructure and pay particular attention to technological innovation.

Many of these concerns are echoed by Minata Sarr, who looks at the standards, institutions, mechanisms and legal instruments put in place at state, REC and AU level to ensure the governance and regulation of the digital economy. While she stresses that legal integration is “a *sine qua non* of digital development”⁷ in that it can strengthen trust between players and secure their relations and interactions, she identifies a number of urgent constraints that need to be removed. For the legal expert, successful legal integration, notably through a *soft law* approach, would pave the way for inclusive, multi-player, multi-level cooperation that would make it possible to manage the challenges posed by the digital economy in the interests of African citizens, and to regulate it “in the way best suited to sustainable social, cultural and economic development”⁸.

From a strictly practical point of view, one of the key ideas put forward by proponents of the digital economy is that it is an excellent way for public authorities to increase tax revenues. An assessment of the impact of tax administration reforms on the informal sector and informal employment in some forty countries in sub-Saharan Africa, carried out by three Cameroonian academics, Franky Brice Kogueda Afia, William Nkoawo Fedoung and Arnold Dilane Moumou Tchinda⁹, puts this assertion into perspective. After defining the underground, or informal, economy as all economic activities hidden from the official authorities for monetary, regulatory and institutional reasons (Medina & Schneider, 2021), they point out that the informal sector is an essential component of most SSA economies, as its contribution to GDP ranges from 25% to 65% and it accounts for 30% to 90% of non-agricultural employment (Nose & Viseth, 2020; Traub-Merz et al., 2022). Tax digitisation is presented as a boon for both businesses and tax institutions, as it reduces the transaction costs associated with tax declaration activities and the tax collection process by tax administrations (World Bank, 2021). Their study focuses on the influence of the digitization of tax procedures. Based on an assessment of the impact of three (3) major tax administration reforms, namely (i) the digitization of procedures, (ii) the establishment of a unit for informal sector businesses and (iii) the mobile phone tax payment system, on the informal sector and informal employment in 40 sub-Saharan African economies, Afia, Fedoung and Tchinda arrive at two results 1. digitization and tax reform of the informal sector reduces the share of the informal sector in the economy but 2. increases the share of informal jobs in the economy counter intuitive. In fact, the dematerialization of tax procedures leads to an average reduction of 9% in the informal sector’s contribution to the economy’s income. However, the digitization of tax procedures makes it easier for businesses in the informal sector to comply with their tax obligations at a lower cost.

The authors therefore recommend that tax reforms be intensified and generalized, given their potential benefits for mitigating the impact of the informal sector. The process of “taxing” the informal sector must, however, remain cautious and take account of the specific characteristics of the sector, as well as the dialogue between the authorities and stakeholders in the sector.

As for mobile telephony, it is seen as an important driver for the development of economic activities in a context where the informal sector is an essential component of the region’s economy. It would not only give small rural farmers access to information that would boost their bargaining power, but also increase their income. The study carried out by Abdul-Aziz Dembele among farmers in the

7 Sarr, M. (2024). Digital Economy in Africa: Legal issues, means of coercion and cooperation. *Global Africa*, (8). <https://doi.org/10.57832/94hz-6n90>

8 Sarr, M. (2024). Digital Economy in Africa: Legal issues, means of coercion and cooperation. *Global Africa*, (8). <https://doi.org/10.57832/94hz-6n90>

9 Kogueda Afia, F. B., Nkoawo Fedoung, W., & Momou Tchinda, A. D. (2024). The Impact of Tax Digitization on the Informal Sector: A Closer Look at Sub-Saharan Africa. *Global Africa*, (8). <https://doi.org/10.57832/cyfb-yw59>

rice-growing regions of Gagnoa and Yamoussoukro in Côte d'Ivoire¹⁰ puts this “theory” put forward by highly respected international institutions such as the World Bank and the Food and Agriculture Organization of the United Nations (FAO) into sharp relief. His analysis, based on field survey mixed data, shows that the possession of a mobile phone has not strengthened the bargaining power and arbitration capacity of these rice farmers. In a political context that strongly promotes the use of technology in the agricultural and agri-food sectors in his country, he suggests that decision-makers should instead promote in-depth reflection with local players, paying greater attention to the structures and forms of organization of production and trade.

Moumouni and Adam's article¹¹ looks at digital businesses and entrepreneurs in Parakou, Benin. Taking advantage of the government's desire to transform the country's digital ecosystem, one of the results of which is the implementation of a process to dematerialize public services, a new category of digital entrepreneurs has emerged: e-service providers: digital services, mobile financial services and e-commerce. Most of these fast-growing micro-businesses operate between the formal and informal sectors, but the authors argue that they “undoubtedly contribute to the development of the local economy”. Many of these businesses are still outside the control of the state. They often operate without any official registration, so escape regulation and taxation despite their importance in the informal economy. On the other hand, they display qualities that are rare in public administration (diligence, efficiency, welcome and support for customers with no digital literacy) which could explain their success, even if their services are more expensive.

What are the current orientations and strategies of African organizations? To address this key question, the scientific coordinators have chosen to include the views, in the form of interviews, of the African Union, responsible for the whole process of developing common policies and legal instruments that African states are expected to adopt and implement to fulfil the commitments they have made, and of the United Nations Economic Commission for Africa, supporting the African Union and African governments in this process of developing the digital economy in Africa.

The Legal Counsel of the African Union, Professor Hajer Gueldich, endorses almost all the criticisms levelled at the current process, which is mainly controlled by the Member States. She notes, for example, the fact that States have ratified the FTAA and refused to accede to the Protocol on the Free Movement of Persons and Goods, the glaring lack of infrastructure and capacity to implement what she calls “such an ambitious vision” for the continent's economic transformation, and the digital divide between States, the importance of aligning digital trade with integration objectives in order to reduce the opportunities for capture of the strategy, the lack of resources, the need to promote collaboration and knowledge-sharing between States, and above all the inconsistencies in the regulation of digital trade.

According to Mactar Seck, Head of the Innovation and Technology Department at the ECA, the African Union's main partner in this process, the digital sovereignty so much vaunted by African leaders will be illusory as long as Africa continues to be a technology dwarf. His institution is so aware of this gap that it is working hard to remove the major obstacles, including the challenges of connectivity, policy harmonization at regional and continental levels, network security, training and innovation, and data protection. The creation of an alliance of universities, the establishment of the African Research Centre on Artificial Intelligence and the Steam Centre are among the ways in which the ECA is responding to the challenges identified. The ECA also seems to be focusing its efforts on digital taxation issues, creating jobs for young people and facilitating access for private African companies to the continent's markets to help the continent play a key role in tomorrow's world.

Clearly, the debate has only just begun, and it would be in the interests of our decision-makers to work more closely with academics to create the conditions for the success of this radical “revolution”. This issue is therefore the first in a series that we hope will be long and fruitful on the digital issue, which is sure to help move the needle on the systemic change that has become the leitmotiv of several African leaders.

10 Dembele, A.-A. (2024). Does mobile telephony enable smallholders to obtain better market prices? The case of rice growers in the Gagnoa and Yamoussoukro departments in Côte d'Ivoire. *Global Africa*, (8). <https://doi.org/10.57832/8mqg-9a66>

11 Abdou Moumouni, I., & Adam, M. (2024). Emergence of New Forms of Informal Economy in Benin: An Analysis of Digital Microenterprises. *Global Africa*, (8). <https://doi.org/10.57832/ytqz-f895>