E-Commerce: an Essential Lever for Regional Integration in Africa

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E-commerce has become an essential element, rather than a mere option, for various growth drivers in Africa. The adoption by the African Union of the e-commerce strategy in June 2024 and then of the AfCFTA e-commerce protocol on February 15th 2025 are important milestones for the digital commerce revolution in Africa and its role in regional integration. In this policy brief we will take a closer look to this two initiatives as well as to the challenges to be met.

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▶ Context: the Signature of the Digital Trade Protocol

On February 15, 2025 the Assembly of Heads of State and Government at the 38th Ministerial Session of the African Union (AU) adopted the Protocol and Annexes on Digital Trade of the African Continental Free Trade Area (AfCFTA), which aims to establish a comprehensive legal framework for digital trade across Africa.

This project is of paramount importance, as e-commerce (defined in the protocol as all digital transactions for the exchange of goods and services, whether delivered digitally or physically) is a lever for economic and social growth.

In this context, the AU policy makers must assess the gaps within their E-commerce ecosystems to determine which actions to take. Here they can leverage the African Union E-commerce strategy, adopted in June 2024 which helps African economies to identify the legal, technical, and capacity-related requirements necessary to implement the Protocol, and proposes a 'menu' of short- to medium-term measures and pilot ideas to test.

▶ E-Commerce in Africa Today

In the trade of digital services, as in the trade of goods, Africa is not performing well. Africa accounts for just 1% of global digital services exports in 2023 In 2023, Africa's exports of information and communication technology (ICT) services reached $9.2 billion, marking a 5.4% increase from the previous year. Despite this growth, Africa's share of global digitally deliverable services exports remains modest. In 2023, developing economies collectively surpassed the $1 trillion mark in such exports, while global exports totaled $4.5 trillion.

The contribution of e-commerce to the economies is also relatively low. In 2023, developing economies' exports of digitally deliverable services accounted for 46% of their total services exports, while in developed economies, this share was 61%. In 2023 the percentage of digital exports in total trade in services is 24% for Africa, compared with 41% for Southeast Asia., 44% for Latin America, and 59% for South Asia. This indicates that digital trade's contribution to economies in Africa is relatively small within the global context.

However, the size of the African e-commerce market is set to grow at a compound annual growth rate of 13.3% between 2021 and 2025, and is likely to reach a value of $40.8 billion by 2025 and $60 billion by 2027. Although the African market will still remain very modest compared to the global e-commerce market, which will amount to $4500 billion in 2023.

Markets are highly concentrated, with South Africa, Nigeria and Kenya accounting for half of all African online shoppers. A recent study by the International Trade Centre reveals that 1% of the continent's e-commerce marketplaces are responsible for 60% of the continent's overall traffic. North African countries, particularly Egypt, Tunisia and Morocco, as well as Nigeria and South Africa, account for the bulk of the continent's total e-commerce sales, and are where most e-commerce marketplaces and companies are based.

▶ E-Commerce as a Catalyst for Regional Integration in Africa

Firstly, e-commerce can help African companies to better grasp their comparative advantages and the opportunities offered by regional markets, in order to develop strategic alliances with foreign companies, and thus ultimately lead to the establishment of regional value chains. **Secondly, while African regional trade agreements facilitate trading**

conditions, **they have so far failed to increase trade**, with intra-regional trade accounting for 15% of total trade in Africa, compared with over 60% on other continents. E-commerce can act as a lubricant to speed up the interplay between supply and demand in intra-African trade.

Thirdly, the adoption of e-commerce contributes to socio-economic (digital literacy) and sectoral development efforts in a way that no other technology can. The effect of e-commerce on stimulating entrepreneurship cannot be underestimated, as it enables entrepreneurs to test new products and bring them to market more easily. It plays a role in bridging the gap between rural and urban areas, and helps M/SMEs in landlocked areas to develop economic relations with the rest of the economy.

▶ Faced With the Potential of E-Commerce, We Can Identify Several Key Challenges That Need to Be Addressed

First, there is a "digital fog" in front of decision-makers, which will certainly contribute to slowing down policy-making. The rapid pace and dynamic nature of e-commerce, combined with its relatively technical intricacies, pose significant challenges for policymakers, who have focused their energies on traditional trade mechanisms and find it difficult to understand and address regulatory issues in a rapidly evolving ecosystem. They may understand the benefits of e-commerce on paper, but they are certainly less aware of the real complex considerations and best practices associated with e-commerce. They will be reluctant to engage in policy development and negotiations without knowing the full implications of their commitments.

Second, there is a risk of import dependency shift for less developed and less e-commerce-

ready countries. There is a real risk that, given the predominance of certain countries in terms of production and manufacturing capacity and established trading relationships, and also given the advantages of early entrants to e-commerce, the establishment of the single, open continental market will make it more difficult for countries lagging behind in development and digital readiness to compete on a level playing field. These countries risk simply becoming markets for other countries, without being able to compete meaningfully in other markets. For these markets, it will not be easy to open up to the promises of the AfCFTA and e-commerce, and it is likely that for e-commerce at least, it would be best to start by establishing a minimum level of e-infrastructure.

Third, national interests may restrict alignment between African states on certain issues. It should also be borne in mind that, despite a common vision beginning to emerge among AU member states on e-commerce and other issues, African states will above all keep national interests in mind when negotiating bilateral and regional agreements, the AfCFTA e-commerce protocol and other relevant aspects of e-commerce. As we have noted, the great difference in development between the various countries, both in terms of e-commerce and traditional commercial competitiveness, has led decision-makers to be reluctant to make any significant commitment to e-commerce issues in the AfCFTA agreement.

Fourth, domestic and cross-border logistics emerged as the most difficult technical area for e-commerce companies, including the largest. While the more established companies have overcome the challenges to some extent by investing vertically to develop their own logistics capabilities, smaller e-commerce companies are unable to provide services beyond a radius of several dozen kilometers and remain largely local. Weak parcel delivery services, in-

cluding postal services, are also a challenge. Even in cases where companies establish strategic partnerships with professional/international courier companies, uncertainty at the border in terms of fees, estimated customs clearance times is significant, affecting the punctuality of companies' deliveries.

▶ An E-Commerce Strategy for Regional Integration on the Continent

An e-commerce strategy for Africa, drawn up under the auspices of the African Union Commission, but serving as an applicable and realistic roadmap for all African countries, was deemed timely to galvanize African decisionmakers towards a common vision of e-commerce and progress towards the common continental market promised by the AfCFTA.

To this end, the e-commerce strategy analyzes nine components of the e-commerce ecosystem:

1. **Digital economy strategic framework** to measure the level of integration of e-commerce and digital economy aspects into countries' national development programs.

2. **Digital platforms** that are spearheading the emerging African e-commerce landscape, far more than the online stores of individual retailers and brands.

3. **Financial technology and digital payments,** which were originally just about mobile money solutions, but now cover a whole range of services, including microcredit, insurance and e-commerce.

4. **National and cross-border logistics**, one of the key success factors for e-commerce, but for most African countries the weakest link in the ecosystem.

5. **Information and communication technology infrastructure,** given that 45% of the region's population will be connected to mobile services.

6. **The legal framework for cyberspace,** which varies considerably from country to country, with half of the continent's countries having no legislation in force.

7. **Investment promotion,** given that over the past ten years, annual investment levels have risen at a steady pace in this sector, which is the main beneficiary of foreign direct investment, but remains concentrated in the four main markets of South Africa, Egypt, Kenya and Nigeria.

8. **Digital entrepreneurship** is booming in countries that already have a relatively solid ICT and e-commerce infrastructure, and are benefiting from a considerable demographic dividend.

9. **The business environment for the digital economy and in particular for SMEs,** the backbone of African economies. Although some African countries have succeeded in improving their business environment, overall performance in relation to other regions of the world remains weak.

▶ Key Considerations

Africa's e-commerce sector presents both significant opportunities and formidable challenges. While some countries, such as Nigeria, Ghana, and South Africa, have established strong digital trade ecosystems, many others continue to struggle with infrastructure deficits, regulatory fragmentation, and capacity constraints. The dynamic and fast-paced nature of the e-commerce sector means that countries lagging in digital readiness face an ongoing challenge to catch up, potentially widening the existing divide.

Addressing these disparities is critical to ensuring that the benefits of digital trade extend

across the continent in alignment with the Af-CFTA Protocol on Digital Trade and the AU E-commerce Strategy.

▶ Options for Policy Makers

What steps can policymakers take to accelerate the implementation of the Draft Protocol on E-commerce and the AU E-commerce Strategy?

Infrastructure development in ICT and Logistics, as well as legal and regulatory upgrades and harmonization, are top priorities. In addition, there are high-potential and innovative mechanisms can be implemented in relatively short timeframe. Here are some examples:

Foundational Learning Course on E-Commerce for African Policymakers

A foundational learning course on e-commerce is essential to enhance knowledge across ministries and agencies in African countries, fostering a coordinated approach to digital trade policy. The complexity of the e-commerce ecosystem necessitates capacity-building for a diverse group of stakeholders, including negotiators, regulators (telecom and financial), line ministries (commerce, trade, transport, finance), and technical agencies (customs, taxation, postal services).

This course will equip officials with practical knowledge and policy tools to implement harmonized, forward-looking e-commerce policies. The course would cover the eight annexes to the AfCFTA protocol on digital trade, namely, Rules of Origin; Digital Identities; Cross-Border Digital Payments; Cross-Border Data Transfers; Legitimate Public Interest Reasons for Source Code Disclosure; Online Safety and Security; Emerging Technologies & Financial Technology.

To ensure accessibility and engagement, the course could follow a hybrid learning model, combining self-paced modules on an e-learning platform with instructor-led sessions for deeper discussions. A regional approach, anchored in Regional Economic Communities (RECs), could be instrumental to facilitate coordination and encourage knowledge-sharing among pilot countries. This structured training will enable African policymakers to navigate e-commerce policy challenges confidently, ensuring that digital trade contributes effectively to regional economic growth.

Scale up Fintech Passporting

Fintech will plays a crucial role in the African e-commerce sector by facilitating cross-border digital payments; however, the benefits extend to a plethora of use cases, including financial inclusion, crowdfunding, digital lending, and insurance technology (InsurTech) solutions that enhance access to financial services. All of these are relevant for e-commerce growth

However, fintech licensing is often complicated for regulators due to potential macroeconomic and consumer protection risks. This complexity is further exacerbated by fragmented regulations across African states (the so-called regulatory spaghetti bowl), severely curtailing the cross-border expansion of fintech products. One of the answers may lie in passporting. Passporting is a regulatory framework that allows financial service providers licensed in one jurisdiction to operate in another with minimal additional requirements. This mechanism simplifies market entry, reduces regulatory barriers, and fosters cross-border financial integration.

Efforts in this direction have recently taken a significant step forward with the introduction of an imminent license passporting regime between Rwanda and Ghana, aligned to the AfCFTA Protocol on Digital Trade. Under this regime - the first of its kind in Africa- fintech companies licensed in one jurisdiction can expand into the other by submitting only supplementa-

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ry information, thereby streamlining regulatory processes. This approach reduces both the cost and time associated with market entry, creating a more favorable environment for innovation and expansion.

Since this is a fintech passporting regime, a wide range of fintech use cases can be considered. This flexibility benefits not only the digital trade agenda but also promotes broader regional integration by progressing towards a seamless regulatory framework for the fintech to operate in. The passporting will also benefit marketplaces and Fintech companies stand to benefit significantly from these streamlined processes, with the likely outcome of boosted cross-border investment and enhanced innovation in financial technologies.

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The lessons learned from this promising regulatory step will provide important insights for other African nations, potentially paving the way for a continent-wide fintech integration and benefiting the E-commerce sector.

Increase focus on Sustainability

As e-commerce activity ramps up, integrating sustainability -via standards setting and enforcement, private sector training, and infusion of green technologies - is essential to mitigate environmental risks and ensure long-term benefits. Increased packaging waste, emissions from logistics, and the growing challenge of electronic waste (e-waste) as digital transactions and product consumption rise. Addressing sustainability early through eco-friendly packaging, responsible e-waste disposal, and green logistics can help minimize environmental impact while fostering a more resilient and competitive e-commerce sector.

High-value markets such as the EU are setting increasingly stringent market entry criteria through legislation, including the EU Sustainable Due Diligence Directive (EUSDD). Tighten-

ing market requirements via the EUSDD means that African companies selling directly to EU consumers or participating in EU supply chains through multinational corporations must demonstrate responsible behavior in environmental, labor, and governance aspects to maintain market access and competitiveness.

Support and Leverage Marketplaces

Marketplaces can play a key role in facilitating MSME entry in E-commerce and also support regional integration. Via robust supplier onboarding programs, Marketplaces can be leveraged as anchors for training and coaching in E-commerce related topics but also financial management, supply chain and other areas.

Currently, there are only a few marketplaces such as Jumia, Konga, and Takealot which operate in multiple African countries. Most marketplaces operate within national boundaries. Fragmented Regulatory and Cyberlaw Frameworks, Logistics and Infrastructure Bottlenecks, weak vendor capacities, Low Digital Literacy and Consumer Trust, and marketplace capacities have all played a role in constraining critical mass for marketplaces. A high attrition rate is observed among small and medium-sized marketplaces.

Supporting marketplace growth requires both regulatory reforms and immediate ecosystem development. A harmonized and predictable framework for e-commerce taxation, consumer protection, and trade facilitation is crucial but remains a long-term goal. In the interim, strengthening the marketplace ecosystem by fostering growth in fintech, escrow services, and digital payment interoperability can drive trust and efficiency. Innovation in logistics, including alternative addressing solutions and digital tracking, will further enhance marketplace operations.

Vendor quality is a key determinant of consumer confidence and platform credibility. Governments and development partners join hands

with marketplaces to launch structured on-boarding programs for SME vendors involving trainings on marketplace featurses, supply chain fundamentals and best practices. SMEs with relatively high e-readiness and export readiness could be selected as initial candidates. Proven models are already in place in India, China and other markets which could be localized.

An E-commerce-wide sandbox

An E-commerce Regulatory Sandbox could be designed to encourage digital trade and innovation while addressing region-specific challenges. Given the fragmented regulatory landscape across the continent, the sandbox could operate at both the regional (AfCFTA-driven) and national levels, fostering cross-border e-commerce growth.

A harmonized regulatory framework where participating countries would agree on a common set of relaxed regulations for sandbox participants. This could include a unified approach to data protection, consumer rights, and e-commerce taxation.

Simplified customs and cross-border trade rules will be a key feature of the sandbox, given that customs clearance is one of the most entrenched barriers to cross-border trade in Africa. A pilot implementation of a regional de minimis threshold could exempt small-value e-commerce shipments from duties, while pre-clearance mechanisms for low-value shipments will streamline customs processing.

Cross-border digital payments integration could be enabled by leverageing the Pan-African Payment and Settlement System, the cross-border, financial market infrastructure enabling payment transactions across Africa implemented for the AfCFTA. Strategic partnerships with marketplaces and fintech players such as Flutterwave, M-Pesa, and Paystack will help drive instant, low-cost transactions, making cross-border payments more efficient.

Consumer protection and trust mechanisms will be integral to the sandbox. A cross-border e-commerce trust mark will be established for verified businesses, while escrow-based payment models could be tested to protect buyers and sellers , particularly in the B2B space.

Cross-border logistics and last-mile delivery models will also be explored. The sandbox will trial shared fulfillment centers at border towns to improve the movement of goods and facilitate more efficient trade. Collaborations with private-sector players like Jumia, DHL, and local courier services will enhance the efficiency of cross-border deliveries. The initiative will also experiment with smart lockers, drones, and decentralized pick-up points to optimize e-commerce parcel distribution.

▶ Implementation Modality

Pursuing a continental-level growth and harmonization strategy for e-commerce, as envisioned by the AfCFTA Protocol on Digital Trade and the AU E-commerce Strategy, is an ambitious and unprecedented goal. Given the diverse digital landscapes, regulatory environments, and infrastructure gaps across African economies, a phased and adaptable implementation approach is essential. The following mechanisms can support in this regard.

The Role of Pilots

Testing new ideas through pilot initiatives is a crucial first step in implementing e-commerce strategies in Africa. Given that many African markets remain largely untapped in terms of structured e-commerce ecosystems, pilots provide an opportunity to experiment, refine, and scale up successful models while discarding approaches that prove ineffective. Pilots can help identify key bottlenecks in areas such as cross-border payments, logistics, data governance,

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and digital trade facilitation, ensuring that large-scale rollouts are based on evidence-driven insights rather than assumptions. There are some good examples such as the 'MSMEs Go Digital' project in Rwanda, piloted in partnership between the United Nations Capital Development Fund (UNCDF) partnered and the government. This project aimed to help small businesses survive COVID-19 lockdowns by moving into online commerce. Key objectives included onboarding at least 1,000 new Rwandan MSMEs onto e-commerce platforms, subsidizing costs of going digital, and running public awareness campaigns on e-commerce. The pilot exceeded expectations: by the end of 2021, over 1,200 MSMEs had been onboarded to local e-commerce platforms surpassing the initial target. This pilot may serve as a template for other economies as well as further expansion in Rwanda.

Another notable pilot model across regions involves collaboration between governments, and national postal services to facilitate low-value SMEs exports of goods through the postal network. Examples of innovative pilots include the UPU's *Easy-Export* initiatives in Morocco and Tunisia, and Brazil's *Exporta Fácil*, which originated in Brazil and has since expanded across South America.

Anchoring Pilots at the REC Level

Where feasible, initiatives could be anchored at the level of Regional Economic Communities (RECs) and supported by donor partnerships. RECs such as ECOWAS, EAC, SADC, and COMESA serve as natural testing grounds due to their existing frameworks for regional integration and trade facilitation. Implementing pilots at this level allows for harmonization of regulations, infrastructure development, and intra-regional market linkages before expanding continent-wide. Donor support can help mitigate initial investment risks by providing funding, technical assistance, and capacity-building, ensuring that member states have the necessary resources to implement and sustain reforms.

Leverage PPPs

In almost all ecosystem components studied as part of the E-commerce strategy, PPPs can contribute to bringing technology, best practices and expertise gaps to Africa. Governments are increasingly establishing special zones and programs to incubate e-commerce businesses and promote digital trade, often in partnership with private e-commerce firms, international logistics players among other international operators across the ecosystem. Governments should leverage PPPs to drive investment in e-commerce infrastructure, such as digital payment systems, e-fulfillment centers, and regional logistics hubs. PPPs can play a critical role in capacity building, fostering digital skills development, and enabling SMEs to integrate into e-commerce value chains. By partnering with private sector players, governments can accelerate innovation, enhance regulatory frameworks, and expand market access for African businesses. Additionally, PPPs can help bridge financing gaps, supporting the deployment of last-mile logistics and digital trade facilitation tools.

An example of a successful PPP is the Malaysia Digital Free Trade Zone (DFTZ between the Malaysian government and Alibaba Group, aimed at transforming Malaysia into a regional e-commerce logistics hub. Established in 2017, it integrates logistics, customs clearance, and digital trade facilitation, providing SMEs with faster access to global markets. The PPP structure combines government-backed regulatory and infrastructure support with Alibaba's technology and investment. The DFTZ features a fulfillment hub (Cainiao Aeropolis eWTP Hub), and aims to reduce customs clearance times, and increase SME participation in cross-border e-commerce, positioning Malaysia as a strategic gateway for digital trade. The concept of the Electronic World Trade Platform (eWTP) hub itself has gradually gained prominence as a PPP (between governments and Alibaba Group) aimed at supporting cross-border e-commerce

exports linking exporters to Chinese consumers. Rwanda is the first African country to establish an eWTP hub in 2018.

► Conclusion

Africa's digital trade potential is vast but remains constrained by fragmented policies and infrastructure deficits. Policymakers must prioritize infrastructure development, regulatory coherence, and ecosystem strengthening to create a competitive e-commerce landscape. The AfCFTA Digital Trade Protocol provides a unique opportunity to unlock digital trade's full potential, but this requires concrete action in capacity-building, investment, and policy alignment.

Following approval on February 15, 2025, and once the protocol and its annexes have been ratified by at least 22 AfCFTA signatory states, the protocol will enter into force for those who have ratified it. The AfCFTA Secretariat is currently working on a four-year plan for the implementation of the Digital Trade Protocol, which is to be approved by the Council of Ministers by the end of the first quarter of 2026. Full implementation of the protocol will require substantial upgrades in various technical areas within the e-commerce ecosystem of each African state, and the AU will be able to draw on the African Union e-commerce strategy, adopted by AU trade ministers in June 2024.

With the right mix of strategic pilots, private sector engagement, and regulatory foresight, Africa can transform e-commerce into a driver of economic growth, fostering regional integration and unlocking new opportunities for businesses and consumers across the continent.

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