

Harnessing the AfCFTA Protocol on Digital Trade: Opportunities for African State Parties

The fifteenth meeting of the African Continental Free Trade Agreement (AfCFTA) Council of Ministers responsible for Trade was held between the 9th and 10th of November 2024 in Addis Ababa, Ethiopia. Nigeria's honourable minister of Trade and Investment, Dr. Jumoke Oduwole, MFR, stated that the AfCFTA protocol on digital trade has provided strong and pragmatic rules that will not only promote digital transformation on the continent but also support the growth and use of African digital platforms and computing facilities within state parties by African-owned small and medium enterprises. The protocol aims to promote digital transformation, bridge the digital divide, and foster sustainable, inclusive economic growth. It presents an opportunity for Africa to scale up on digital trade, which currently lies at less than 1% of global digital trade according to World Trade Organisation (WTO). Therefore, BACITI undertakes a review of recent digital trade statistics in Africa with special focus on Nigeria. Highlighting areas of improvement and policy focus.

Figure 1

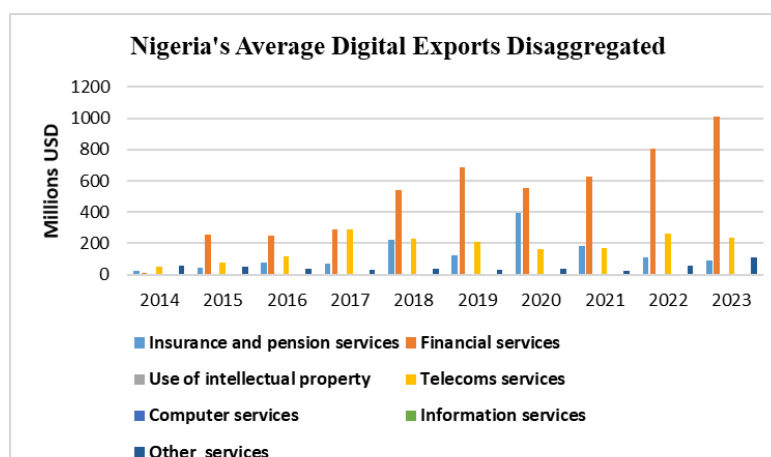
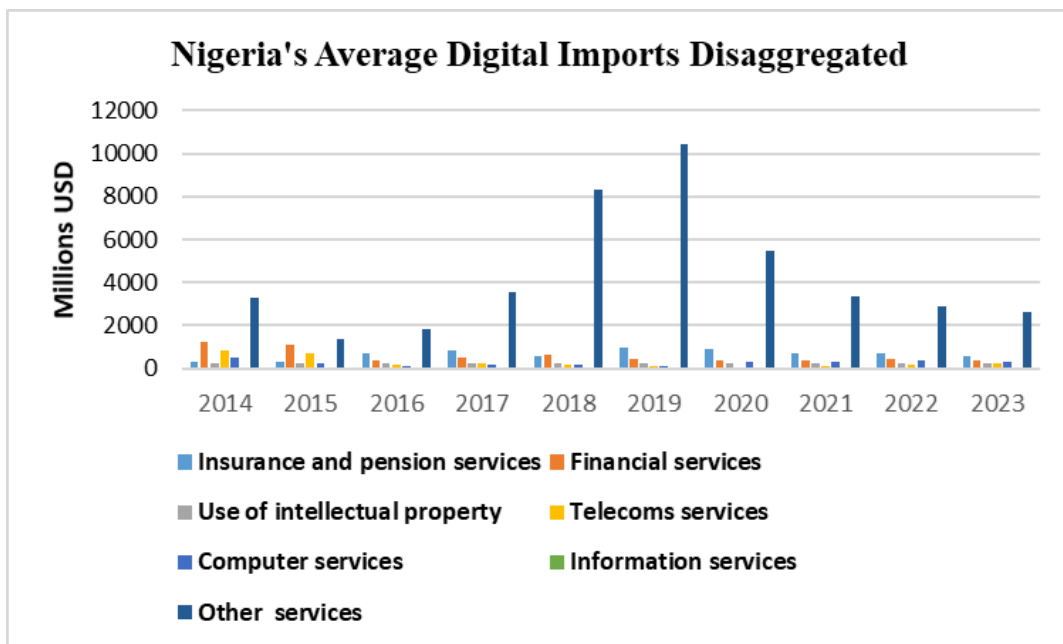


Figure 1 shows that Nigeria's highest digital export is financial services, peaking at USD \$1,008 million in 2023, while reporting no trade at all for Use of intellectual property, computer services and information services.

Figure 2



Conversely, digital import figures (see figure 2) reveal that Nigeria imports relatively less financial services by proportion. While the highest import value recorded was insurance and pension services outside the collective other services, revealing the high demand for risk management. This demand peaked at USD 987 million in 2019 and has thereafter reduced dramatically.

Figure 3 - Digital trade in Africa

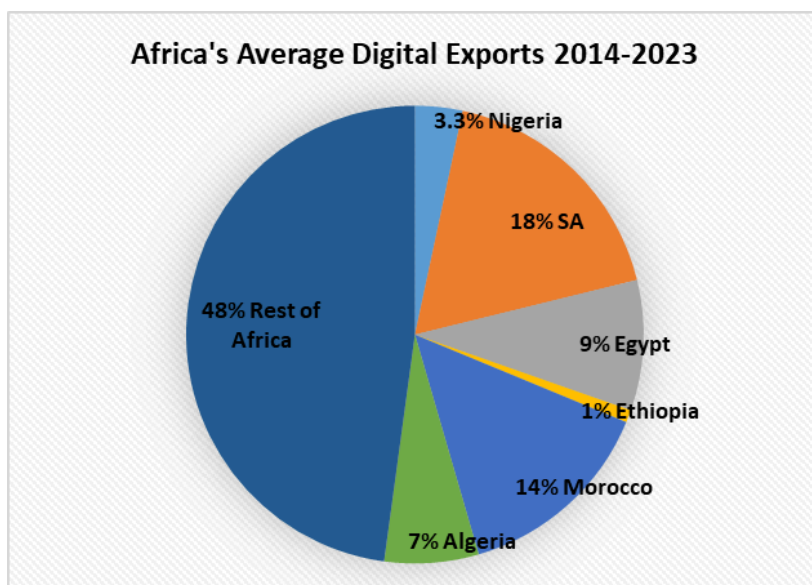
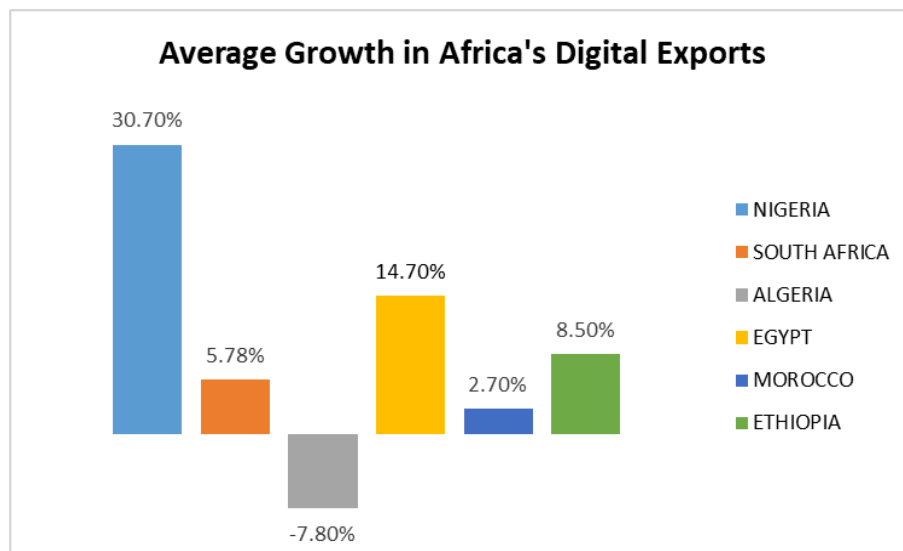


Figure 3 reveals average digital trade exports for some regions in Africa for the last ten years (2014–2023). Africa's digital trade exports accounts for less than 1% of global digital trade. Africa's average digital exports over the period was \$25,422.22 million. The chart shows South Africa to be the largest contributor to Africa's digital exports with \$4,487 millions, and Morocco, Egypt, Algeria, Nigeria and Ethiopia with \$3,726, \$2,401, \$1,637, \$866 and \$230 million respectively.

Despite these statistics, Nigeria's digital trade export has been growing at a faster rate than any of Africa's leading economies. Nigeria's digital exports grew at an average rate of **30.7%** over the period, while Egypt grew at **14.7%**, Ethiopia **8.5%**, South Africa **5.78%**, and Morocco **2.7%**. Conversely, Algeria's digital exports declined at a rate of **(-) 7.8%**. Add body text

Nigeria has experienced spectacular growth in digital services. While the absolute values show dismal contribution to digital trade, the increasing rates of growth reveal huge potential for contribution to Africa's digital activity.



The statistics reveal that Nigeria is yet to maximize her potential in digitally delivered services across Africa and the globe. However, Nigeria is on the verge of becoming a regional leader in digital trade.

To fully harness this potential, a boost in digital infrastructure and adjustment in regulatory framework is sure to propel Nigeria's digital trade potential on the Continent. Targeted investments in infrastructure, policy adjustments, and human capital development are essential. By leveraging its youth population, aligning with AfCFTA's digital framework, and fostering innovation, Nigeria can transform its digital services growth into significant contributions to Africa's and the global digital economy.

Harnessing the Protocol

The AfCFTA Protocol on Digital Trade offers numerous economic benefits. When state parties have harmonised digital rules as provided by the protocol, its implementation will facilitate the growth of cross-border e-commerce and generate new revenue streams. To adequately harness the protocol and leverage the digital economy for inclusive sustainable growth, State parties must align trade policies with Africa's unique developmental priorities. Specifically;



Accelerated Digital Transformation: State Parties supporting the protocol will serve as an incentive for investments in broadband connectivity, data centres, and other digital infrastructure that will enhance digital capabilities and improve contribution to global digital trade.

Increased Regional Integration: Harmonised digital trade policies by state parties foster closer economic ties, advancing the broader objectives of the AfCFTA and the African Union Agenda 2063. Uniform digital trade regulations reduce regulatory barriers and simplify cross-border trade processes.

Promote development of digital skills: When state parties have harmonised digital rules as provided by the protocol, it will facilitate the growth of cross-border e-commerce and generate new revenue streams for businesses. It will also encourage the use of African digital platforms, reducing reliance on foreign platforms, thereby strengthening the local digital ecosystem.

Support for Small and Medium Enterprises (SMEs): Use the protocol to provide targeted support to African startups and SMEs, such as simplified regulatory compliance, funding access, and tax incentives to incentivize innovation. SMEs will benefit greatly from the protocol through an increase in their competitiveness and revenue potential, as they will gain access to a broader continental market.

Trust Building Through Data Protection: The strong provisions on data protection will build consumer and business trust because knowing that personal data is secure influences the success of digital transactions. Also, ensuring that data flows are efficient and secure enhances interoperability and trade while maintaining data sovereignty.

Data Governance: State parties must manage cross-border data flows with safeguards that protect sensitive and personal data, ensuring sovereignty while enabling innovation. Agreements that ensure shared access to data in ways that benefit African businesses and governments while maintaining privacy and security should be prioritized.

Empowerment of Women and Youth: Emphasising digital literacy programs empowers under-represented groups like women and youths to take advantage of opportunities in digital trade, promoting inclusive growth.

Resilience and Sustainability: To build resilience and sustainability, State parties must be equipped to adapt to the rapid digitisation of international trade. By facilitating technology transfer. Foreign tech firms should be required to share technology and resources with local firms, increasing technological capabilities. State parties should also prioritize investments in cybersecurity to safeguard against data breaches, intellectual property theft, and other risks.

State parties supporting the implementation of the AfCFTA Protocol on Digital Trade position themselves economically to harness the transformative power of digitisation, fostering economic growth, regional integration, and digital innovation across the continent. This commitment promotes continental integration and equips African economies to thrive in an increasingly digital global economy.

5. Nov 25, 2024