2019 UNCTAD DIGITAL ECONOMY REPORT: FROM A PAN AFRICAN ECONOMY LENS

Background

The 2019 United Nations Conference on Trade and Development (UNCTAD) digital economy report is important for its exposition of not only the dichotomy in terms of concentration of the world's digital economy between the two major economies, China and the U.S. (which own a major share of it), and the rest of the world. The report states that: 'Digital disruptions have already led to the creation of enormous wealth in record time, but this is highly concentrated in a small number of countries, companies and individuals.' This factor belies the need for African governments to attempt to carve out a niche for the African economy, more specifically in view of the recently ratified African Continental Free Trade Agreement (AfCTA) valued at US$2.5 trillion. A review of the report is necessitated by the need to unpack the salient and relevant points pertaining to the African creative and cultural economy as well as the need to map the potential pathways to chart Africa moving toward monetizing in the digital economic highway on the basis of the findings. Our analysis will be based on sub topics touching on defining the digital economy from a pan African economy lens, creativity and the digital economy, content creation versus digital distribution, data as a factor, investment in research and development and recommendations.

Defining the digital economy from a pan African economy lens

Deloitte describes the digital economy as 'the economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes. The backbone of the digital economy is hyper connectivity which means growing interconnectedness of people, organisations, and machines that results from the Internet, mobile technology and the internet of things (IoT).'

Deloitte quotes TechCrunch, a digital economy news site, which says, 'Uber, the world's largest taxi company, owns no vehicles. Facebook, the world's most popular media owner, creates no content. Alibaba, the most valuable retailer, has no inventory. And Airbnb, the world's largest accommodation provider, owns no real estate… Something interesting is happening.'

Our view

Our contention is that the creative and cultural industries are in a good position to exploit digital technologies for proliferation, value creation and capture. The outputs from the sector can be described as data that can be packaged and sold on the World Wide Web. Indeed, this is already happening as Netflix is demonstrating. Yet it is necessary to state that it is really to the extent that the 'creative data' is able to attract numbers and traffic to platforms and snowball into other data layers that it gains more value in the data value chain. Here we are looking at scalability of the same creative enterprises. Ownership and access to global platforms becomes pivotal in that discourse.

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The UNCTAD digital economic report says that, 'there may be many interpretations of the same term in the relevant literature and analyses, as well as in different forums… The time required for agreeing on standard definitions often lags behind the velocity of technological change. In this context, it is necessary to strike a balance between avoiding straitjacketing definitions, which may block progress, and reaching a common understanding of relevant concepts. In a rapidly evolving situation, it is important to have some dynamic flexibility with definitions.'

Creativity and the digital economy

How well Africa leverages creativity has a lot to do with how, at policy level, African governments envision the role of the SMEs sector within the African economy and the extent to which they are capacitated through seed funding and research and development support. This point is alluded to in the UNCTAD report when it identifies the 'digital entrepreneurship bottlenecks in developing countries'. It singles out 'market and infrastructure barriers when trying to scale, limited demand, entrepreneurial knowledge and skills, skilled workforce and finance.'

Our view

The digital economy undoubtedly does not loom large in the reckoning of this valuation of the African market and this is an area of immediate concern considering that one of Africa's areas of massive economic potential is its creative and cultural economy. The digital economy is powered by content creation of which the creative sector plays a critical role. Since value creation and capture is inextricably linked to the creative economy, questions must arise as to what may be done to leverage the wealth of African creativity as well as how much of that can be parlayed in the development and cultivation of the region's own digital economy.

To arrive at this juncture, African bureaucracies, at least from a Zimbabwean standpoint, must elevate their conception of public administration to embrace a multi sectoral approach. Currently, governments are bedevilled by ministries and departments operating within their own silos to the extent of failing to work in sync toward an overarching goal of value creation and capture. It is now almost trite to mention that ministerial portfolios such as arts and culture, information and telecommunications, tourism, and trade are all interconnected. ICTs undergird them all as it is self-evident that for the sake of global competitiveness and actual viability, entities that fall under the portfolios must ultimately relay their outputs digitally in order to not only scale, but to maximize on the opportunities existing on the World Wide Web.

Content creation versus digital distribution

Content does indeed drive traffic online and it is not far-fetched to contend that those that control the content will inadvertently control the economy. One only has to consider the entrance of the likes of YouTube, Netflix and Amazon on the global content distribution terrain. The report notes that there is 'highly uneven distribution of content created online' with America accounting for 40 percent, Europe 39 percent and Oceania and Asia taking 13 percent. Africa makes up the 9 percent shortfall. Countries such as Egypt, Kenya, Nigeria and South Africa are reported to account for 60 percent of all digital entrepreneurship on the continent. What does it all mean? It means there is untapped potential in the rest of the continent and this may largely be due to policy inadequacy and the resultant inability to attract capital investment in the related sector. The report acknowledges that 'more value can be captured in the digital economy' especially if 'more attention is now given to direct interventions, supplying promising startups with capital and networks' to enable them to 'enter a new product category or find market niches that globally operating platforms are unable or unwilling to address.'

Our view

The report does not go out of its way to stress the symbiotic relationship between the African digital economy and the creative/cultural industries.

The purchase of Nigerian motion picture company production outfit ROK, which is a subsidiary of IROKO, a content distribution online platform by French company Canal+, typifies what is possible. Jacques du Puy, CEO of Canal+ International, said at the time that the deal would 'develop and enhance the catalogue of Nollywood contents and expand the ROK brand inside and outside the African continent' via ROK, which would 'produce thousands more hours of Nollywood content' including movies and series for the company (Canal+) Vivendi-backed group.

However one looks at the deal, the underlying message is global; corporations are moving in on the content creation and distribution market on the continent and investing. In a sense however, the transaction signifies a lost opportunity, from an African creative and cultural economy ownership standpoint. There is an apparent dearth of appreciation of this strategic sector by African policy makers and business entities such as Econet who had an abortive foray into content creation in the now defunct Kwese iFlix project. Partnering and investing in African originated digital brands is a possible pathway for dynamising the African creative and cultural economy and retaining African competitiveness in the digital economy landscape. What are African governments saying about these developments? Do African governments understand the strategic importance of Africa's natural endowment in creativity? If so, do the policy frameworks within the region reflect the realization and deliberate poise toward exploring and exploiting the advantage?

The technology and data factor

The UNCTAD report 'gives special attention to opportunities for these countries to take advantage of the data-driven economy as producers and innovators – but also to the constraints they face – notably with regard to digital data and digital platforms.' Further, the UNCTAD digital economy report highlights the digital economy's accelerated growth and that it is characterized and 'driven by the ability to collect, use and analyse massive amounts of machine-readable information (digital data) about practically everything' from 'the digital footprints of personal, social and business activities taking place on various digital platforms.' What arises is the development of what the report refers to as the data value chain, which has been disruptive and forever impacted the way humans live, interact and work.

The report notes, for example, that 'mobile money has improved financial inclusion, making it easier, cheaper and safer to transfer.' This has helped creatives monetize their craft in Zimbabwe for example with Econet's BuddieBeats platform that is based on its mobile phone infrastructure and is accessible to over 10 million Zimbabweans who are its subscribers. This has happened via the use of mobile ring tone sales and actual digital sales of music via the platform. Others such as Teletunes offered by competitor Telecel have followed suit. Countries such as Kenya, Nigeria and South Africa offer similar opportunities for value creation and capture. Just to give an insight into the potential of this low hanging fruit, Vodacom has 63 million subscribers in Nigeria alone. These subscribers represent a formidable niche for value capture by the music subsector of the African creative economy in terms of mobile phone based music sales.

The **data value chain** is hinged upon the global Internet Protocol (IP) traffic, which is a proxy for data flows. The report indicates that this protocol's data utilization spiked from about 100 gigabytes (GB) per day in 1992 to more than 45,000 GB per second in 2017. To give context of the magnitude of this nascent industry, the report notes that the world is 'only in the early days of the data-driven economy; by 2022 global IP traffic is projected to reach 150,700 GB per second, fuelled by more and more people coming online for the first time and by the expansion of the Internet of Things (IoT).'

Our view

The aforementioned staggering figures will mean little for the African continental economy at large if African governments do not accelerate and adapt their own ICT policy formulation and implementation efforts. More so in the creative and cultural economy where global players will simply snap up promising start ups and ventures as has happened in the recent past. For the entrepreneur this may not be a bad thing but for the overall economy, considering that even Multichoice's parent company Naspers has now been listed on the European bourse, it is not a positive sign of the African economic development trajectory. Intellectual property is the ultimate cash cow in this knowledge-based economy.

African data problem

Equatorial Guinea's data costs per 100 MB are over US$26 and US$278 for 10 GB followed by Angola at US$3.26 per 100 MB and US$81.49 for 10 GB followed by Botswana with US$5.59 per 100 MB and US$62.25 per 10 GB.. Countries such as South Sudan, South Africa and Zimbabwe are not too far behind in terms of data costs of over US$40 per 10 GB.. Noteworthy are countries such as Nigeria and Kenya whose data costs are comparatively lower at US$2.74

per 100 MB and US$13.70 per 10 GB and US$2.08 per 100 MB and US$19.45 per 10 GB according to the Alliance for Affordable Internet (https://a4ai.org/extra/mobile_broadband_pricing_usd-2018Q4).

Recently in Zimbabwe the country's minister in charge of ICTs Kazembe Kazembe, was summoned to parliament to explain amongst other issues, rising data charges, poor quality of the data services, particularly connectivity and disappearing data. The Zambian Parliament (unanimously) adopted a motion encouraging the government to ban internet service providers from having internet bundles that expire. The MP who proposed this motion felt that bundles should be transferable as this would benefit consumers and the current set up of expiring bundles actually benefit service providers more. Politicians in South Africa have made similar calls about the need for a roll over facility as regards data. The bottom line is that since telecoms operators argue that data, which expires, is cheaper than non-expiring data.

Going forward

The need for research to be conducted into the matter by impartial third parties may help bring an amicable resolution to the back and forth. Questions must arise as to what sort of policies are in place to mitigate the cost of data as it is a major barrier to African online traffic and ecommerce sustainability. Research ICT Africa 2017 After Access survey indicates that most African countries have yet to benefit from digital dividends mainly because most Africans lack access to the World Wide Web. Data cost must be treated as of as much strategic import as even staple foods maize, wheat and rice without undermining the business models of the telecoms sector as regards viability and attracting continued investment.

Still, underlying Africa's data challenges is something as elementary as energy and more specifically access to electricity. Policy interventions are necessary in terms of levelling the playing field. Most of Africa's 1.3 billion population resides in the rural countryside, which is beset with all those infrastructure challenges and therefore experiences poor if not zero connectivity.

Research and Development

The report notes that the global dichotomy in the digital economy is due to the major players' steps which, 'include investing strategically in research and development (R&D) and lobbying in domestic and international policy-making circles.' There is 'a yawning gap between the under-connected and the hyper-digitalized countries' in which Africa and Latin America together account for less than 5 per cent of the world's colocation data centres. These inequities are set to exacerbate if they are not addressed. The report correctly notes that, 'geographically, the development of the digital economy is highly uneven.' Moreover, how much has been expended on research and development in the technologies of the digital economy in terms of platforming and actual applications? What role have the innovation hubs played if at all toward building the necessary brain trust to power Africa's drive toward a sizable share of the digital economy? What role does Africa's youth dividend play in this fourth industrial revolution matrix?

Conclusion and Recommendations:

What the UNCTAD 2019 digital economy report clearly elucidates is the disparity of the spread of value creation and value capture between countries such as China and America and the rest of the world with the developing nations scraping in at the bottom. The picture is compounded by existing challenges of economic mismanagement within countries, especially those on Africa. This reality means that even with the ratification of the AFCTA, the nations will not benefit from the arrangement in the short to medium term. The African creative and cultural industries remain however an area of potential. Sadly, the uneven distribution of the digital economy will form the basis of a future architecture of the creative sector, which benefits from the digital frontier, unless governments and policy makers commit to the development of the digital economy as a matter of economic survival and global competitiveness in the Fourth Industrial revolution. The following interventions will need to be considered for adoption.

Our View

1) Formulate national digital economy policies with mandatory taxation or levies for funding research into innovation around ICTs (Zimbabwe pioneered the Aids levy, which successfully supported HIV/AIDs treatment national programmes outside of donor funds). The fact that the United States and China hold 75% of all patents related to blockchain technologies, 50% of global spending on IoT and 75% of the cloud computing market means Africa will find it hard to play catch up.
2) To help level the playing field due to the uneven development of digital economy that has seen monolithic digital companies such as FACEBOOK and Netflix creating networks hogging the digital space, the 75 percent local stipulation in Zimbabwe needs to be revisited with a view to preempting the global companies' invasive reach especially in the film and music sector. The 75 percent local content stipulation went a long way in creating a sense of appreciation for local music creative content amongst locals stemming the tide of globalization which is catalyzed by the likes of MTV and Channel O. African nations will need to impose a quota system to protect local creative content from being overwhelmed by international content. Tax deductions can be allowed corporates that voluntarily support training of young creative in ICTs or the setting up of tech hubs.
3) Mandate at policy level the education and training in ICTs from elementary level, which is undergirded by tax exemptions for imports of ICT related products.
4) Specifically capacitate creatives in ICTs by introducing short to long duration programmes at vocational and tertiary education.
5) Exploit bilateral arrangements with developed nations such as South Korea, China and the United States as well as within the continent such as Kenya and Nigeria for student cultural exchange programmes with a strong ICT sector bias. The look east policy of Zimbabwe can be a starting point for technology and skills transfer. China's interest in

our resources can be the leverage Africa needs to facilitate student exchanges and human resource development. This will entail Mandarin language education in our schools as one of the auxiliary policies toward forging deeper and meaningful relationship with China given its technological clout. This is a low hanging fruit.

6) Rethink and reorganize innovation and tech hubs with a view to exploring the intersection between techies and creatives perhaps along the lines of Silicon Valley in San Francisco. Creativity has wide application.

7) Encourage and incentivise the setting up of start ups and SMEs in the creative sector by offering tax breaks as these will form the basis of the digital economy going forward.

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