

Digitalisation

- State of play for EU international cooperation
- TPSD Trade & Private Sector Development

Peter Mariën

Digitalisation

DEVCO C.5 - Cities, Local Authorities, Digitalisation, Infrastructures

Agenda

- *The Digital Strategy for International Partnerships*
- *Selected topics*
 - Business models
 - Taxation, Intellectual Property, Financial Inclusion
 - Digital Entrepreneurship

The Digital Strategy for International Partnerships

1. **Policy Framework** – the transition from 2014-2020 MFF to 2021-2027
2. **Europe as a global leader of the Digital transformation** – the scope of the new Digital Strategy
3. **The NDICI and the next MFF** – what is the relevance of digitalization?
4. **Ongoing work and COVID-19 Response** – update on 2019-2020 strands of work of the EC on Digital4Development
5. **The way forward**

1. Policy Framework

2017

The new European Consensus on Development

Digital technologies as powerful enablers of inclusive growth and sustainable development in developing countries

SWD on Digital4Development

Mainstreaming Digital Technologies and Services into EU Development Policy

2019

Africa-Europe Digital Economy Partnership

Report of the AU-EU Digital Economy Task Force

“A Europe fit for the digital age”

Digital becomes one of the Key priorities of the VL Commission

2020

EU Digital Policy Package

2 Communications (Shaping Europe's Digital Future; European Strategy on Data)

1 White Paper on Artificial Intelligence

Communication on the Global EU response to COVID-19

Team Europe Approach to face the pandemics

EC recommendation on a common Union toolbox (08.04.2020)

How to use of technology and data (mobile applications, anonymized mobility data) to combat and exit from the COVID-19 crisis

2. Europe as a global leader of the Digital transformation

The Communication on Shaping Europe's Digital Future



The EU will:

- ◆ aim to become a **global role model** for the digital economy;
- ◆ **support developing economies** in going digital;
- ◆ develop **digital standards** and promote them internationally.

Follow-up Actions (2020-21)

- Digital for Development Hub

2. Europe as a global leader of the Digital transformation

The Communication on Shaping Europe's Digital Future

- Three objectives to ensure the digital transformation:



3. Digitalisation in the NDICI & next MFF



Key features

- "Geographisation"
- DACability: 92% - focus on fragile and LDCs but possibility to work with all partners regardless their level of development
- Spending targets for climate change (25%), migration (10%) and social inclusion and human development (20% ODA)

EFSD+ and Erasmus+
also financed by IPA

INTERNATIONAL PARTNERSHIPS

Objective: SDGs, Poverty Eradication, Addressing Inequalities by Building Inclusive and Sustainable Societies



Green Deal Alliances

- Circular economy
- **Biodiversity and Forests**
- Green and smart cities
- **Sustainable energy**
- Food systems: from farms to forks
- **Sustainable agriculture and nutrition**
- Water and Oceans
- Pollution



Alliances for Science, Technology and Innovation, and Digital

- **Responsible Digitalisation:** regulatory frameworks and connectivity, including key enabling infrastructure such as power, broadband
- **Digital skills and entrepreneurship**
- E-services, including e-governance
- Data protection



Alliances for Sustainable Growth and Jobs

- **Sustainable finance**
- Investment and de-risking, including key enabling infrastructure
- Creation of decent jobs
- Education and skills
- Business environment and investment climate
- Regional economic integration, trade and connectivity



Migration Partnerships

- Root causes of irregular migration and forced displacement, including development benefits of migration
- Migration management, including border management, return, readmission and sustainable reintegration, and legal pathways
- Durable solutions for refugees



Governance, Peace and Security, Human Development

- Human rights, democracy, fundamental values
- Rule of law and accountability
- Conflict prevention, sustaining peace and building resilience
- Fight against terrorism and organised crime
- Human development

WOMEN AND YOUTH

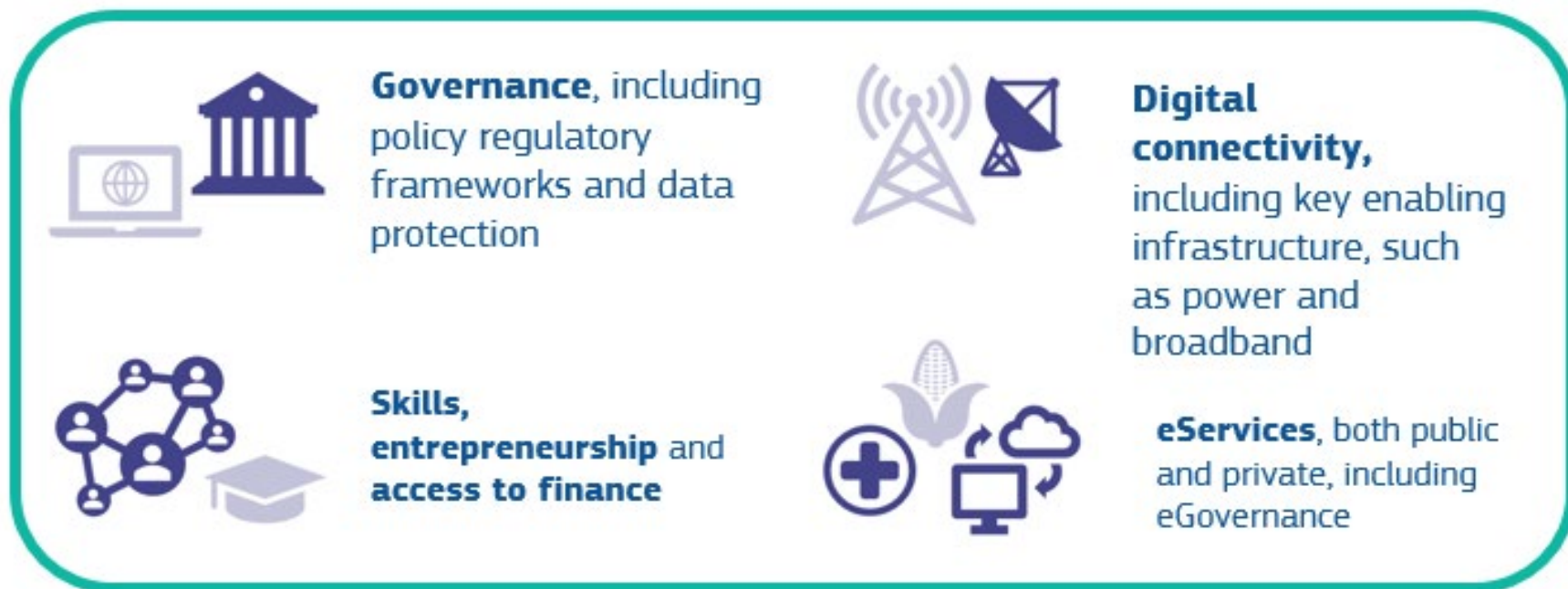
EDUCATION AND SKILLS



European
Commission

4. Ongoing work and Digital Response to COVID-19

The Four Policy Strands of work:



Projects
Grants
Blending
EFSD Guarantees

Mainstreaming

Mapping of over **200 DEVCO projects** with digital components

4. Ongoing work

Strategic evaluation, diagnostics & identification

Strategic evaluation on Digitalisation in SSA

External evaluation on past and ongoing DEVCO digital programmes, projects and focus

Digital4Women

Study on the challenges and opportunities offered by digitalisation for women empowerment and gender equality

Country-specific State of Play of Digitalisation



Partnerships

EU-AU Cooperation Framework on Data

EUMS, African and European public and private stakeholders

Partnership on Digital Transformation [Africa Strategy]

EUMS, African and European public and private sector

Global D4D Hub

MS and private sector (starting in 2020 only for Africa)

D4D Coalition

EUMS and European private sector

4. Ongoing work

Team Europe Approach

-> D4D Hub start up phase

- Concretise the D4D policy and action framework on EU/AU strategic, regional and national level
- Initiative proposed by MS (DE and BE + EE, SW, LUX, FR + more joining)

- 3 Objectives:

Joint initiatives
for
mainstreaming
D4D at national
and regional level

Piloting innovative
D4D
methodologies/
partnerships and
share best
practices

Multi-stakeholder
dialogue for policy
and regulation at
regional and
national level

-> Strategic Analysis at country and regional level in Africa

-> Digitalisation mainstreaming for EU DEL and HQ

4. Ongoing work

Thematic Support to HQ and Delegations



Team Europe Initiatives and Pre-PROGRAMMING

Kenya, Uganda, Kyrgyzstan, Laos, Ghana,

TRAINING MODULES

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D4D TOOLKIT FOR DELEGATIONS

PREPARATION OF SPECIFIC GUIDELINES

DIGITAL INTERNAL MARKER

4. Digital Response to COVID-19



Digital Response to COVID-19

- **IGAD – 7 MEUR**
- **Eastern and Southern Africa – 10.4 MEUR**
- **3 intra-ACP actions – 40.5 MEUR**

Digital financial inclusion, connectivity, hackathon to promote innovative digital solutions

Spring-Summer 2020

Spring-Summer 2020

5. The Way Forward

Next appointments

- **The AU-EU Summit and Business Forum**
- **The Programming phase**

Introduction to the dimensions of digitalisation

Business Models

Agenda

4.1 Business Models

- Introduction
 - Digital business vs. Non-digital
 - Outsourcing
 - Future of Work: Informal vs. Formal
 - Challenges for developing countries
- Deep Dive: Platform Economy

Digital Business Models bear significant economic potentials

FIGURE 0.2 Recent technological advances accelerate the growth of firms



Source: WDR 2019 team, based on Walmart annual reports; Statista.com; IKEA.com; NetEase.com.

Digital business models allow greater distribution and are able to grow fast

- In only 14 years Alibaba was able to accumulate more than **9 million online merchants** and **annual sales of \$700 billion**.
- **Traditional models** like that of Walmart or Ikea are **much slower** and less flexible

First platform based ventures gain significant traction in Africa as well.

Big and small examples:

- **Jumia:** eCommerce platform focusing on African goods. Founded only 2012 it partners w/ 81,000 local African companies today, valued \$2 bn
- **Farmerline (Ghana):** a platform providing information on weather and market prices for 200,000 farmers.

Digital Business Models

Introduction

Digital Business Models Map

A digital business model might be defined as a model that leverages on digital technology to improve several aspects of its organization. From how customers interact, to how the value proposition is derived, or how monetization happens.

E-Commerce / Marketplace



On-Demand



Subscription-Based



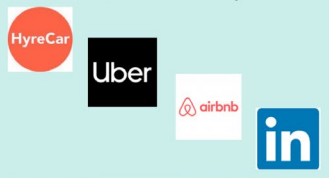
Free - Freemium Model



Hidden Revenue Generation



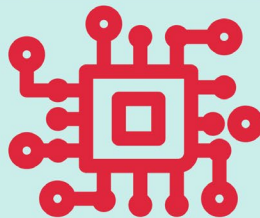
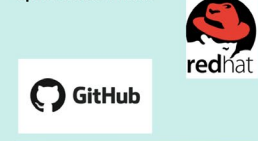
Peer-To-Peer, two-sided Marketplace



Ad-Supported



Open Source Model



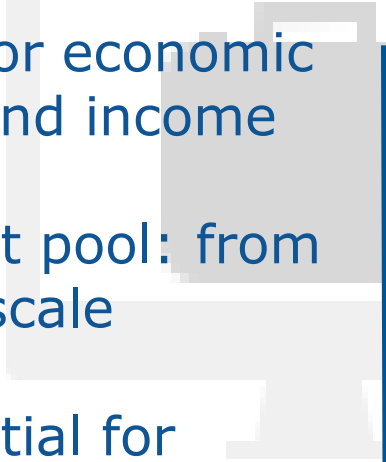

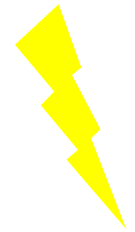
- Digital Businesses **change the way we consume, live and work.**

- **New revenue models** have been created. But all elements of businesses see significant changes due to the new possibilities, digitalisation brings.

Digital Business Models

Online Outsourcing: Inclusive jobs for everyone?

Online outsourcing or freelancing platforms match firms and workers to perform work online

- 
- 
- 
- Opportunities for economic advancement and income
 - Enhanced talent pool: from local to global scale
 - Inclusion potential for marginalized people, especially women
 - The nature of tasks favors semi-skilled and skilled workers
 - Automation risks
 - Language barriers
 - Weak payment systems

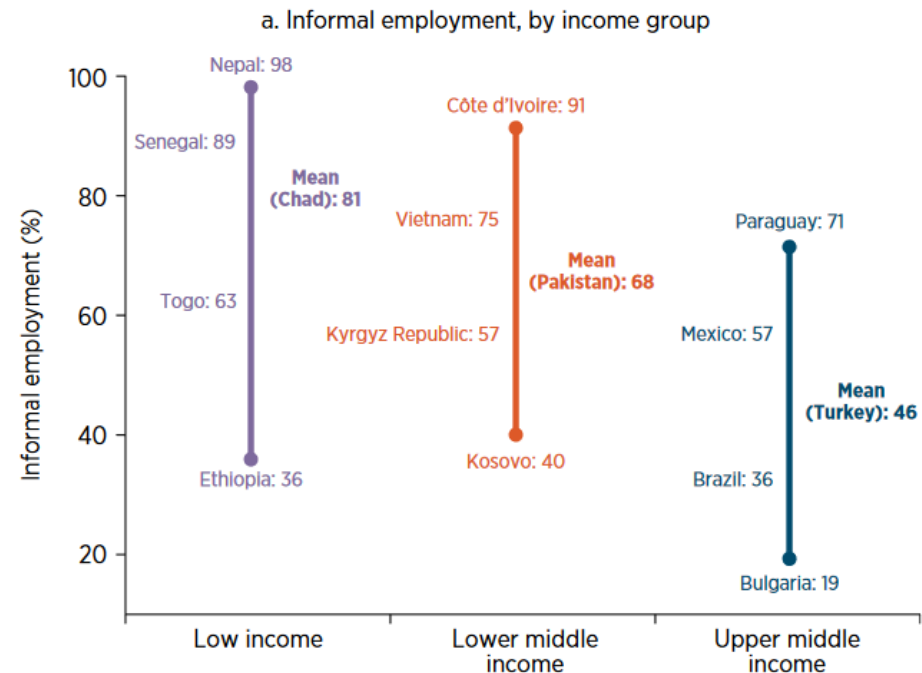
=> "Analog" foundations are required for taking full advantage of online job opportunities

Digital Business Models

The informal sector in times of digitalisation

- The informal and gig sectors hold a big share of **national business and employment**
- Digital platforms like Lynk promise:
 - **Work** (better access to markets)
 - **Trust** (evaluation of workers and employer)
 - **Formalization** (thanks to the work-data collected)
 - Qualification (
 - **Education /Qualification** (Qualifications provided based on the work conducted, additional education offered based on work and qualifications)

FIGURE 0.5 Informality persists in most emerging economies despite improvements in the regulatory environment



Digital Business Models

The GIG economy blurs the line between formal and informal work

A **single identity** through different platforms would be an important way for workers to:

- carry their reputation,
- their financial history,
- and potential benefits packages with them as they move from gig to gig.

Governments could offer **benefits** such as health insurance and pensions directly through interfaces in the platforms.

Governments could also **tax gigs** and the return the taxes via social benefit packages.

This would be a form of formalization

Unequal access:

- **excludes** left-behind groups from economic opportunities
- **exacerbating** existing inequalities in the labour market.

Moreover the gig economy could lead to **more exploitation** via intensification of work and overtime.

Without a consistent online identity for every worker possible social benefits cannot be effective.

This would exacerbate informality



Digital Business Models

Significant challenges for developing countries

- **Poor quality of education systems** especially with regards to ICT-integration into training/curricula=> Lack of digital literate workers
- **Digital Divide** (especially lack of infrastructure, lack of relevant advanced digital skills)
- **Insufficient Regulation**
- **Lack of access to finance**
- **Strong competition** from developed countries in a world of digital services, where borders become less relevant
 - Knowledge of specific needs of local population is a key opportunity and strength of local businesses

Introduction to the dimensions of digitalisation

Mapping the Requirements

Agenda

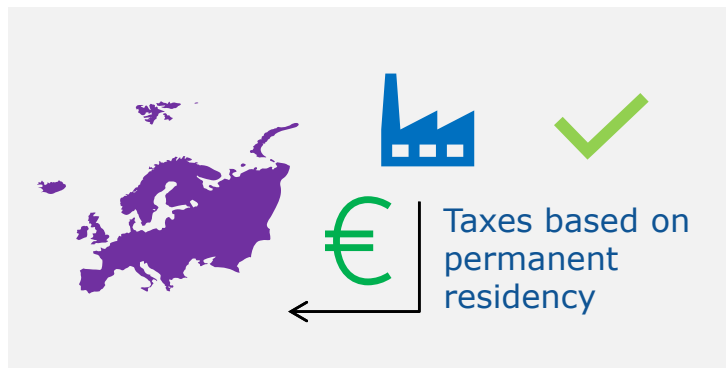
Module : Mapping the Requirements

- Pillar 1: Taxation
- Pillar 2: Intellectual Property Rights (IPR)
- Pillar 3: Financial Inclusion

Taxation


The digital economy raises challenges for taxation

Traditional Economy



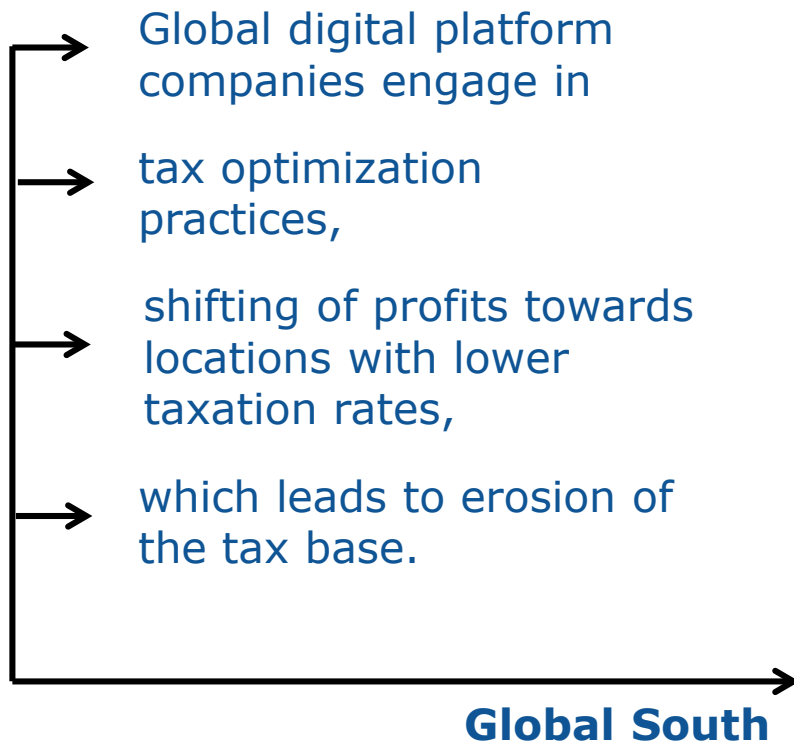
Digital Economy



- 
1. Where to tax non-resident digital businesses?
 2. How to assess intra-group transactions?
 3. How to classify digital goods?
 4. How to identify taxpayers?
 5. Where and how to collect taxes?

Taxation

The digital economy raises challenges for taxation



- Developing countries do have low tax rates
 - But lack digital infrastructure (including legislation and trust) to attract big digital firms
 - While these markets become more and more important
 - Taxes are paid somewhere else
- 

Taxation

Wrap Up

- The **taxation debate** for the digital economy faces **major challenges**:
 - business can be virtually conducted without any physical presence
 - reliance on intangibles increases the ability of companies to structure themselves to minimise their tax liabilities
 - New delivery channels and business models are hardly matched by existing rules
- The **international community** has agreed on a road map for resolving the tax challenges arising from the digitalisation of the economy, and committed to continue working toward a **consensus-based long-term solution** by the end of 2020.
- The imperative of **technological neutrality** in applying taxes should guide further discussions.

Intellectual Property Rights

Relevance

Intellectual Property Rights (IPR) in the digital age:

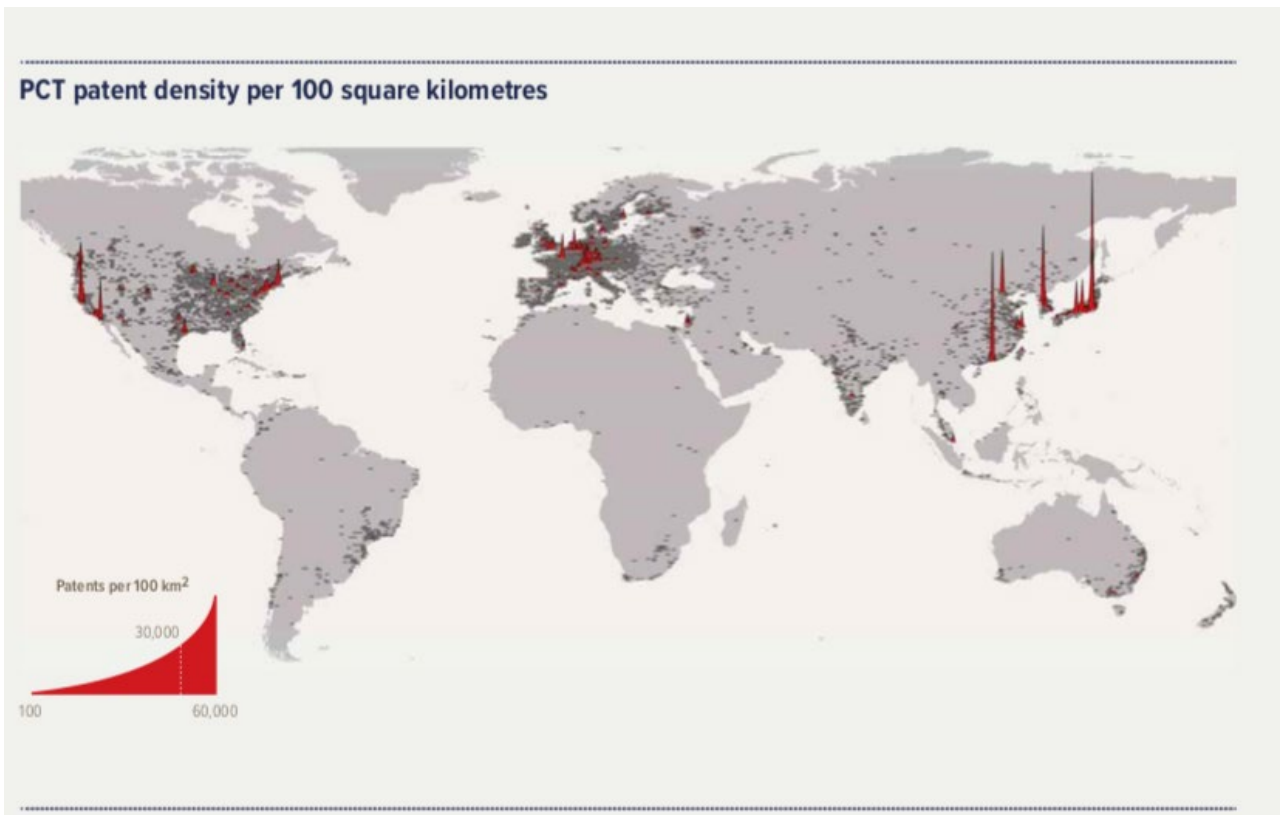
- encourage new ideas
- affect innovation performance
- provide incentives for investment and for universities to transfer knowledge
- impact how individuals and firms can access and exploit existing knowledge on efficient terms



→ The data-driven economy builds on the knowledge-based economy, in which the essential capital is intellectual property (IP).

Intellectual Property Rights

Status quo in Africa



Patent Cooperation Treaty (PTC) is an international law treaty.
Source: Table taken from the International Innovation Index 2018

Where African economies fall short is in two predominant areas:

First, there is a lack of legal enforcement of IP rights.

Second, simply not enough people in Africa are registering their IP.

In sum, the current local systems in place to register IP are inaccessible, time consuming and difficult to use.

Intellectual Property Rights

Example: Microsoft4Afrika

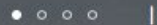
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Turning Today's Ideas Into Tomorrow's Solutions

Due to her unique challenges and the digital revolution, Africa has the potential to give the world more solutions than ever.





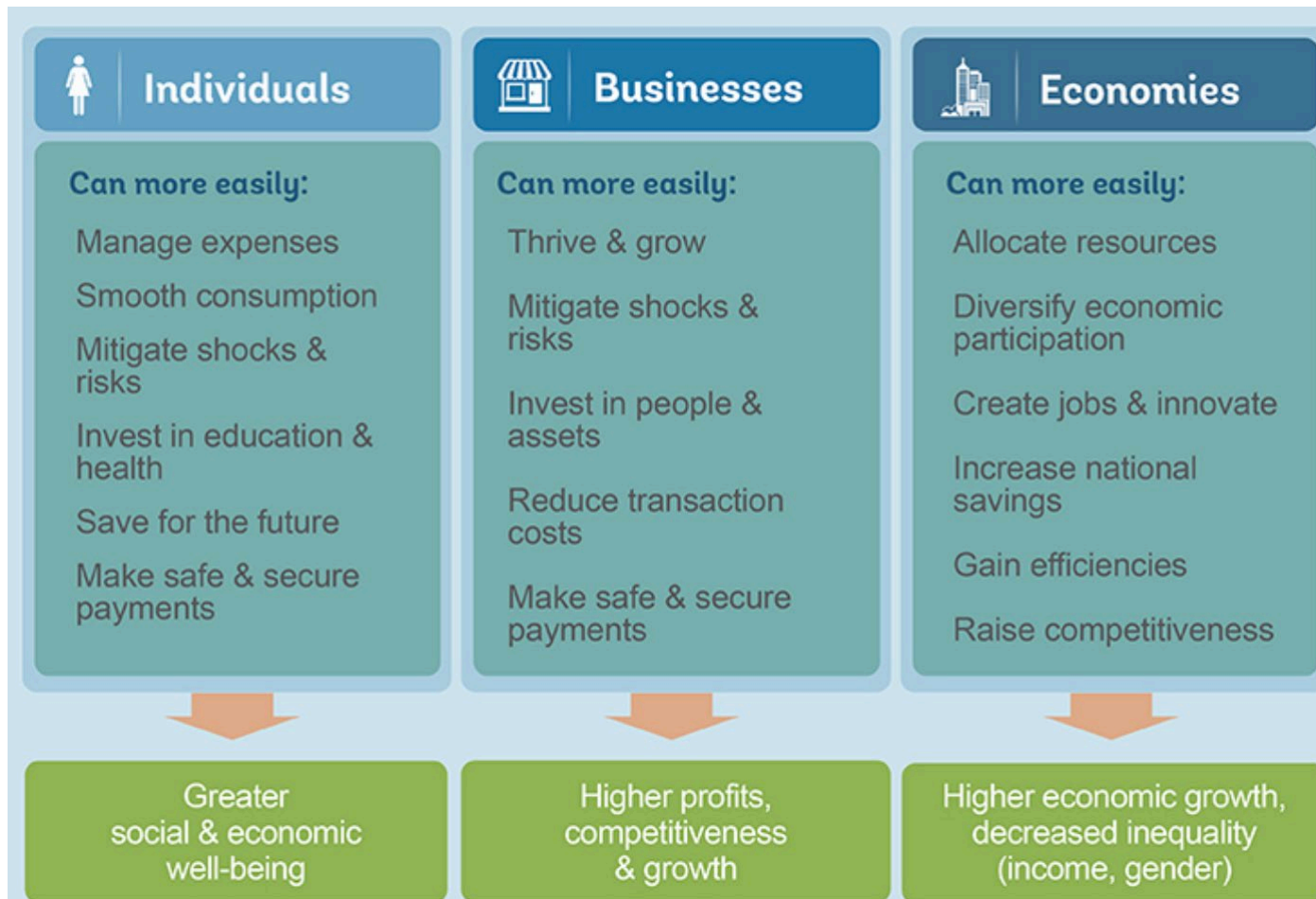
Intellectual Property Rights

Wrap Up

- The digital transformation raises novel challenges on **Intellectual Property Rights (IPR) and data**: e.g. commercialisation of data, patentability of data bases and ownership of data.
- The suitability of traditional measures for **incentivizing** the production of IP (patents and copyright) has to be discussed.
- Because of different national circumstances and optimal policy choices, **IPR protection is uneven** across countries.

Financial inclusion

A game changer for development?



Source:
Worldbank,
Gateway to
Financial
Inclusion

Introduction to the dimensions of digitalisation

Entrepreneurship

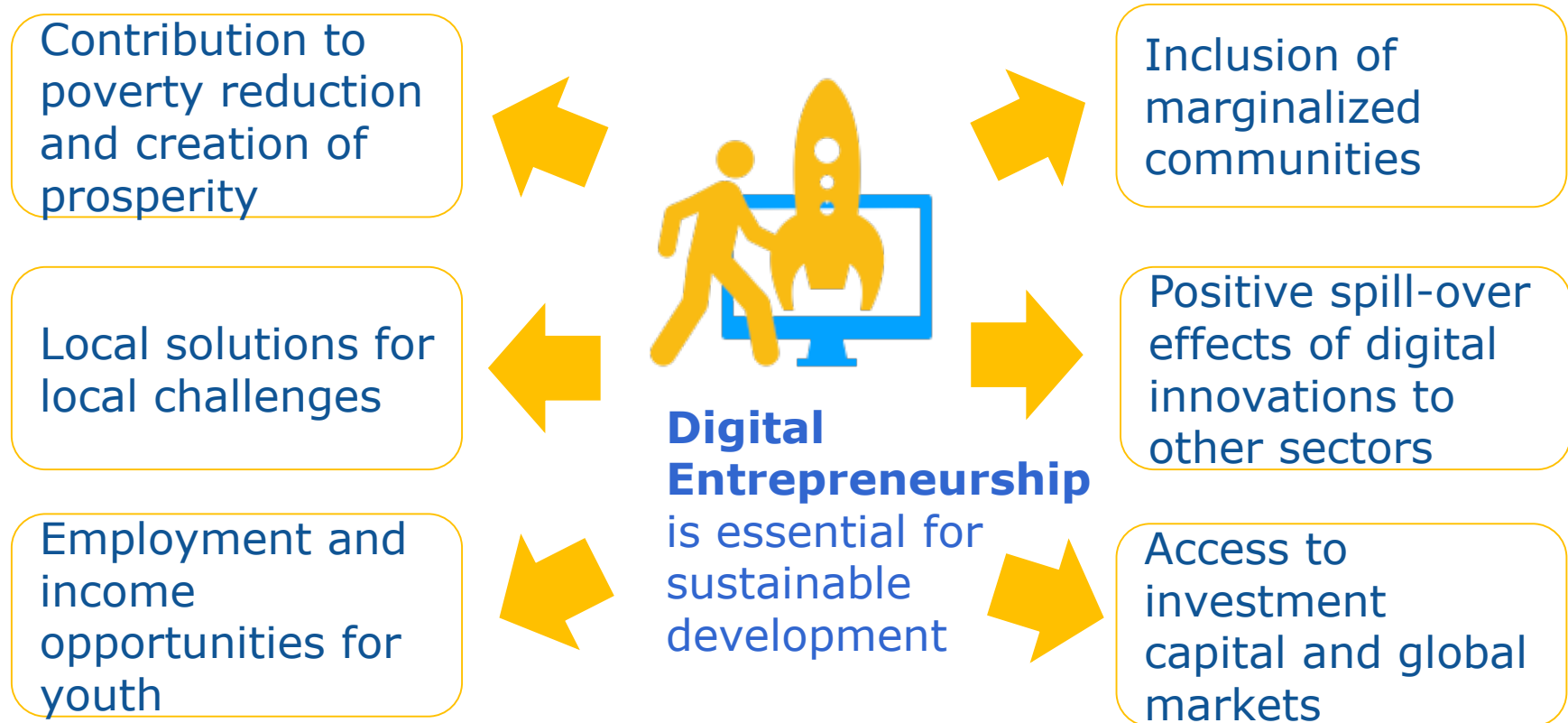
Agenda

Module Entrepreneurship

- Zoom in: The digital start-up scene
- Opportunities and challenges of digital entrepreneurship for developing countries
- The African innovation hub scene

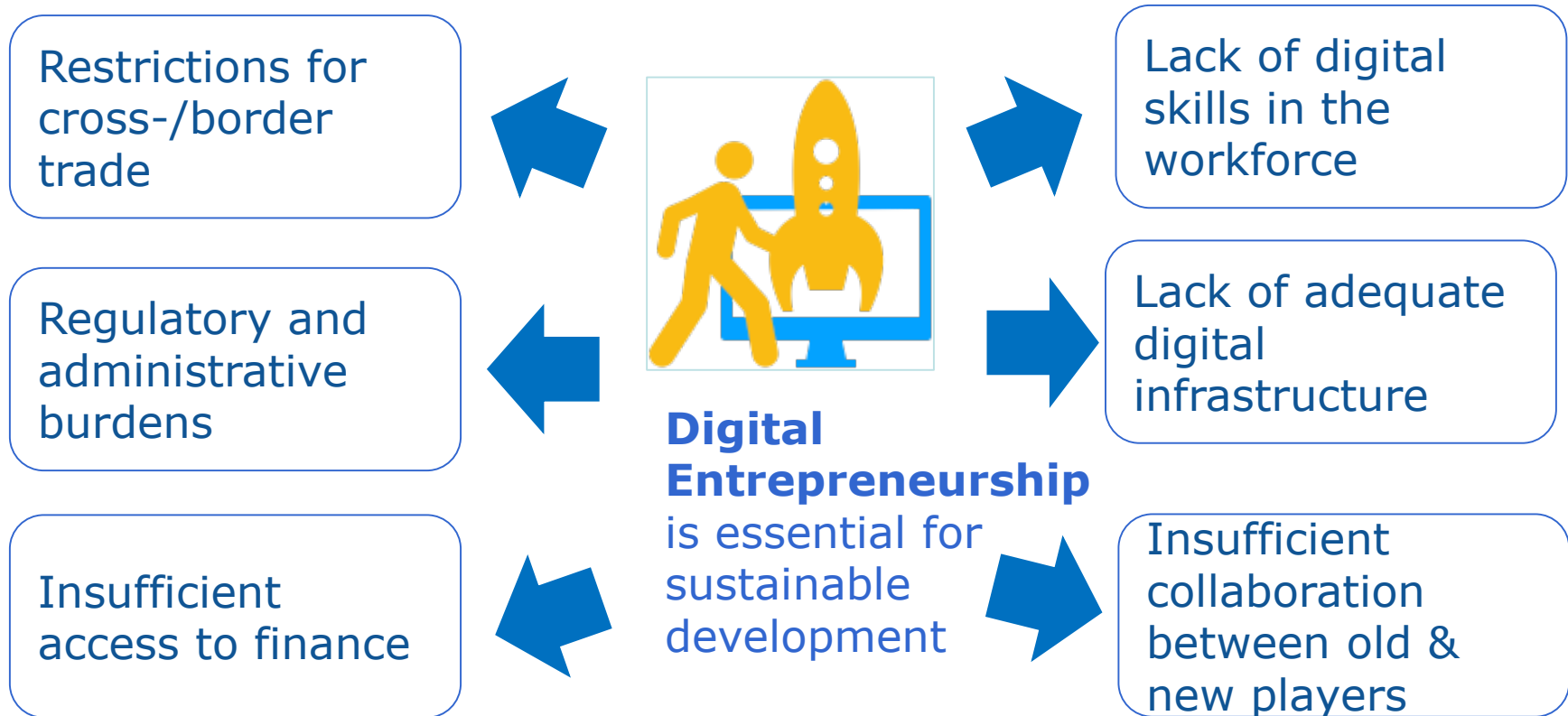
Digital Entrepreneurship

Opportunities for developing countries



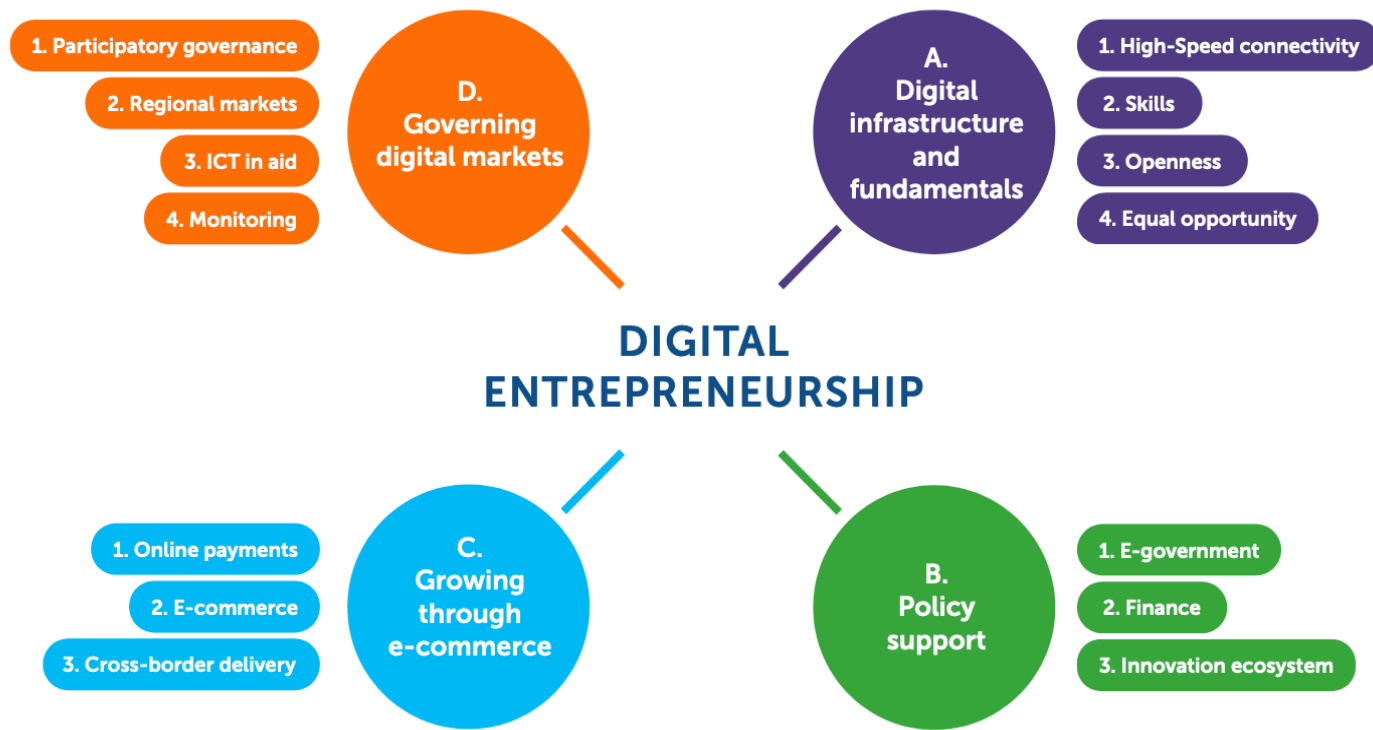
Digital Entrepreneurship

Challenges for developing countries



Entrepreneurship

Intervention dimensions for DevCo



Example: Tunisia start-up Act

[Accueil](#)[Le Startup Act](#)[À Propos](#)[Espace Startup](#)[Espace Investisseur](#)[News](#)[FAQ](#)[POSTULER](#)

LE STARTUP ACT

DÉCOUVREZ EN DÉTAIL TOUT L'UNIVERS DU STARTUP ACT

QU'EST CE QUE LE STARTUP ACT ?



- Le Startup Act est un cadre juridique dédié aux Startups en Tunisie. Ce cadre est conçu pour faciliter le lancement et le développement de Startups depuis la Tunisie.
- Ce cadre juridique intègre 20 mesures structurées autour d'un Label de mérite et d'avantages aux entrepreneurs, aux investisseurs et aux Startups.
- Il est matérialisé principalement par : (i) la Loi N°2018-20 du 17 avril 2018 relative aux Startups ; (ii) le Décret N°2018-840 du 11 octobre 2018 portant fixation des conditions, des procédures et des délais d'octroi et de retrait du label startup et du bénéfice des encouragements et des avantages au titre des Startups et de l'organisation, des prérogatives et des modalités de fonctionnement du

Digital Entrepreneurship

Focus Africa



442 active Tech Hubs



Fastest growing Ecosystems 2016-2018

Democratic Republic of the
Congo +200%

Zambia +200%

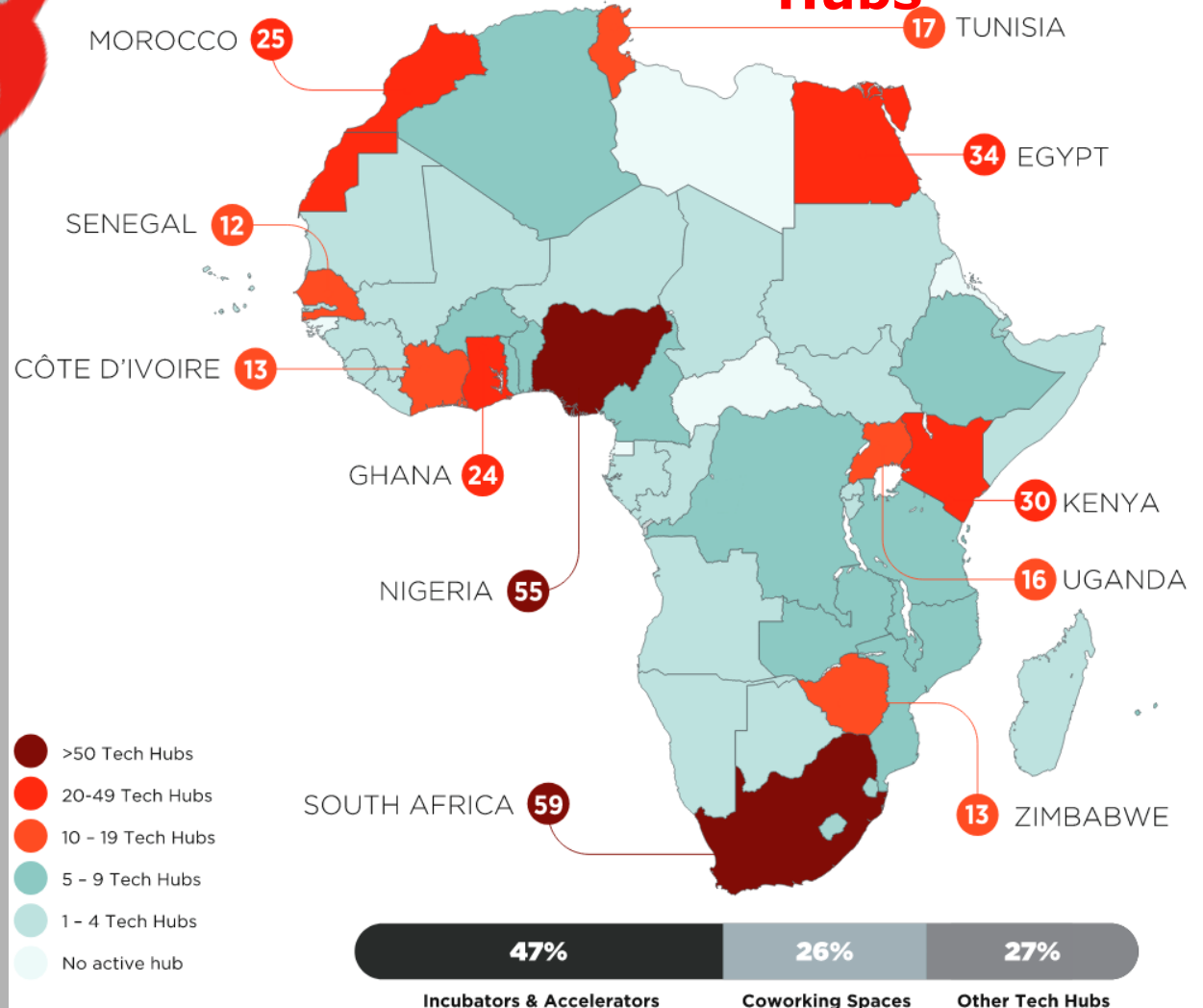
Cote d'Ivoire +160%

Top 3 Ecosystem Cities, by number of active tech hubs

Lagos, 31 hubs

Cape Town, 26 hubs

Nairobi, 25 hubs



Digital Entrepreneurship Africa

Hype or Hope?

"Digital innovation is the best way to provide the solution made by, and for African people" (Macron, 2018)

- Rising numbers of technology hubs and innovation incubators
- Strong entrepreneurial mindset
- Digital entrepreneurs gave rise to a number of ground-breaking innovations (e.g. M-Pesa mobile money revolution)
- Variety of initiatives by philanthropists, development organisations, technology corporations, and local governments



- Lack of evidence regarding effectiveness of hubs and innovations initiatives
- Regulatory and administrative barriers and gaps
- Persistent divides between countries and within countries
- Mixed numbers regarding access to venture capital, disruption of value chains and global scale
- Limited participation in global digital production

Digital Entrepreneurship Africa

Success Stories

- The Kenyan start-up **BRCK** has developed SupaBRCK and PicoBRCK to bring cost-effective Internet to remote locations and enable data updates from these areas.
- **Ushahidi** is one of the most famous software solutions made in Kenya. It was first developed in 2008 to monitor the Kenyan Elections, but soon became a global provider for crisis mapping and monitoring.
- **Jumia** is the leading pan-Africa e-commerce platform with over 3,000 employees in 14 countries spanning across 6 African regions.
- **Matibabu** is an Ugandan e-health start-up that developed a non-invasive diagnostic kit used to detect Malaria.

