



OPERATING DIGITAL GIG PLATFORMS IN DIFFERENT REGULATORY ENVIRONMENTS

**A comparative assessment of Kenya,
Tanzania, and Ethiopia**

FINAL REPORT : JUNE 2020

Acknowledgements

Mercy Corps' Youth Impact Labs (YIL) commissioned Open Capital to conduct this comparative assessment of the digital gig economies in Kenya, Tanzania, and Ethiopia, with a focus on the regulatory environments in those three markets. The findings in this report were developed through consultations with key stakeholders in the digital gig economy eco-system including digital gig platform operators, research bodies, legal experts, and tax experts. We would like to thank the Open Capital research team for interviewing the different stakeholders and preparing this report. We would especially like to thank our interview participants for sharing their views on the digital gig economy – without their insights this study would not have been possible.

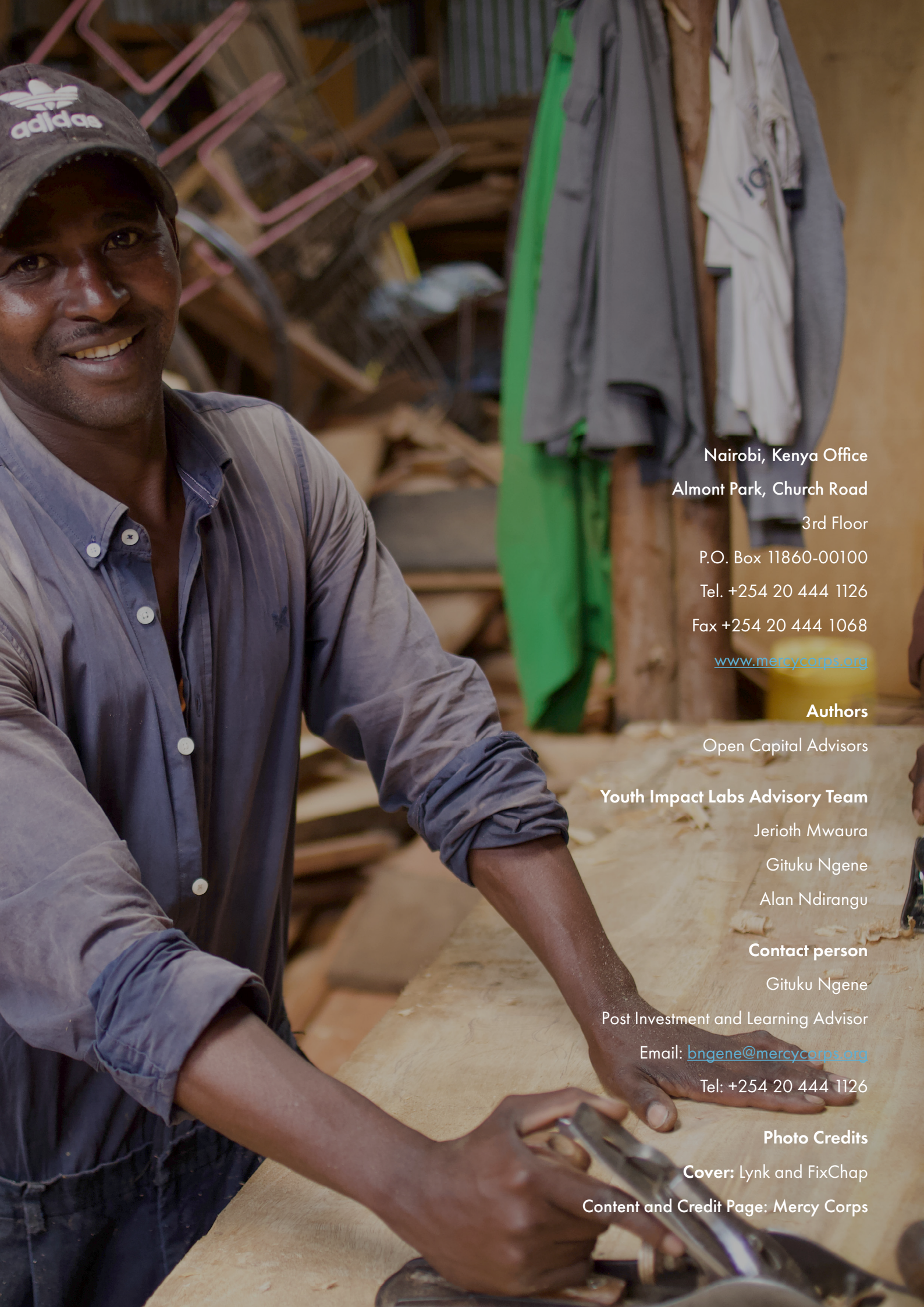
Youth Impact Labs

Catalyzed by funding from Google.org, Mercy Corps' YIL identifies and tests creative, technology-enabled solutions to tackle global youth unemployment, accelerating job creation to enable every young person to access opportunities for dignified, purposeful work. Focusing on vulnerable youth aged 15 – 35, YIL operates in two strategic regional hubs, serving the Middle East and East Africa.

In Kenya, YIL focuses on digital marketplaces and platforms that offer services to micro and small enterprises; agricultural supply chain management; and digital work. The program supports these enterprises through financial and technical support; issued in the form of milestone-based grants.

Contents

5	Executive Summary
10	1. An overview of the digital gig economy in Kenya, Tanzania, and Ethiopia
	1.1. The context
	1.2. The digital gig economy in Kenya
12	1.2.1 Country context
	1.2.2 Traction of the digital gig economy
13	1.3. The digital gig economy in Tanzania
14	1.3.1 Country context
15	1.3.2 Traction of the digital gig economy
	1.4. The digital gig economy in Ethiopia
17	1.4.1 Country context
	1.4.2 Traction of the digital gig economy
18	2. Effects of policies and regulations on the digital gig economy
19	2.1. Policies and regulations in Kenya
25	2.2. Policies and regulations in Tanzania
32	2.3. Policies and regulations in Ethiopia
37	3. Impact of COVID-19 on the digital gig economy
44	3.1. Impact on Kenya
45	3.2. Impact on Tanzania
46	3.3. Impact on Ethiopia
47	4. Recommendations
52	Appendix
54	References



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Executive Summary

The global digital gig economy has been growing rapidly, with the gross value of transactions projected to more than double from USD 204 million in 2018 to USD 455 million by 2023¹. This growth, and the concurrent increase in gig jobs, represent a significant opportunity to help overcome the challenges of unemployment and underemployment currently faced by many developed and emerging economies alike.

OVERVIEW OF THE GIG ECONOMY IN KENYA, TANZANIA, AND ETHIOPIA

The digital gig economy has been growing in Kenya, Tanzania, and Ethiopia over the past decade, first through the entrance of international players followed by the emergence of homegrown platforms. A growing middle class, high levels of youth unemployment and underemployment, and the growth of digital infrastructure have helped digital gig platforms gain traction in the three markets, particularly in Kenya. Some of the leading digital gig platforms operating across the three countries include ride hailing, microtask work, delivery and collection services, and artisanal services.

- **Kenya:** As of 2019, the unemployment rate in Kenya was at 4.9% (34% among the youth), with approximately 80% of employed Kenyans earning an income from informal jobs.^{2,3} This presents a large potential labor force for the digital gig economy in the country. Advancement of digital infrastructure has supported the uptake of digital gig platforms with the government incentivizing investment from both the public and private sector. This has resulted in the growth of the digital gig economy with the total number of digital gig workers estimated at 36,500, earning a total of USD 109 million in 2019.⁴ While relatively small by global standards, this is significantly more advanced compared to both Tanzania and Ethiopia. International players were the first to enter and gain traction in the country.
- **Tanzania:** Unemployment is also a challenge for Tanzania with 9.7% of the labor force unemployed.⁵ In addition, 80% of workers are engaged in informal work which is characterized by underutilization and low pay.⁶ However, the development of digital infrastructure has been slow compared to Kenya, contributing to the slower pace of adoption of digital gig platforms. Like Kenya, the first digital gig platforms to set up operations in Tanzania were international players with the country seeing an upsurge of locally owned players such as TanTaxi (launched in 2018), Ping (2018), Quitax (2019), and Oyaa (2019) over the last two years. Although there are currently no reliable estimates of the size of the overall gig economy in Tanzania it appears to be smaller than Kenya, with the larger ride-hailing platforms reporting over 4,000 active monthly drivers.⁷
- **Ethiopia:** There is a huge opportunity for digital gig platforms to tap into Ethiopia's labor force, with urban unemployment rates of 19.1%.⁸ However, uptake of digital technology has been slow compared to Kenya and Tanzania as a result of high data costs and frequent internet shutdowns. Similar to Kenya and Tanzania, majority of the digital gig platforms were founded within the last few years with pioneering platforms including DeliverAddis (launched in 2015), TaskMoby (2016), and Zayride (2016). However, with restrictions to foreign investments as well as stringent rules around repatriation of profits, there has been a noticeable absence of major global players such as Uber. In addition, demand for services has also been slow, with some local platforms reporting fewer than 1,000 cumulative gig jobs completed to date.

EFFECTS OF POLICY AND REGULATION ON THE DIGITAL GIG ECONOMY

As digital gig platforms begun to scale, most notably in the Kenyan market, policies and regulations around important areas, such as taxation and social protection for gig workers, have been slow to follow. If the sector is to reach scale and act as a catalyst for socio-economic progress by providing productive income generation opportunities for thousands, a need which is made more urgent by the impacts of COVID-19, supportive policies and regulations must play a central role.

 <p>TAXATION</p>	<p>The governments' approach to taxation of the digital gig economy in the three countries has been reactive, resulting in a lot of uncertainty. Taxation of the digital gig economy is increasingly on government agendas, especially in Kenya where tax legislation (e.g. VAT) which applies to digital gig platforms has been introduced but currently without clear implementation guidelines. In Tanzania and Ethiopia – where digital gig platforms are more nascent – governments have yet to put in place any specific pieces of tax legislation that apply to these platforms. Despite the lack of clear legislation, governments have taken a “wait and see” approach to taxing the gig economy, which to some extent has allowed platforms (particularly in Kenya and Tanzania) to pilot their models.</p>
 <p>LABOR POLICIES</p>	<p>Across all three countries there is no legislation currently in place that mandates platforms to provide digital gig workers with welfare or social security protections, leaving the workers at risk. Most gig workers on the digital platforms are classified as independent contractors and as such, platforms are not required by law to provide benefits accorded to workers in traditional employment. Some platforms (particularly the larger ones with more resources) have independently provided protections or partnered with different organizations to provide this. However, leaving the onus on companies has arguably left thousands of gig workers at risk and companies open to liability, a situation which has come to light specifically as COVID-19 has significantly reduced demand across many digital gig platform models.</p>
 <p>LABOR POLICIES</p>	<p>None of the countries have specific regulations in place that protect customers from poorly vetted digital gig workers or require platforms to take liability for damages. Unsurprisingly, many platforms have put in place vetting requirements and policies around liability to ensure customers feel protected and to protect their reputational risk, which has helped in instilling trust among customers,</p>

	<p>increasing uptake and retention. However, a lack of minimum vetting standards could put customers at risk, and in the longer term open up platforms to liability for damages which could hinder their ability to scale.</p>
 <p>LICENSING</p>	<p>There is a lack of specific licenses for digital gig platforms or gig workers across the three countries which has slowed down uptake and growth of the digital gig economy. In some cases, this means platforms which cut across a number of traditionally siloed sectors (e.g. e-commerce, courier services, and taxis) need to apply for their licenses and ensure the gig workers on their platforms are also licensed. This has been problematic during the COVID-19 related downturn, where platforms trying to provide alternative offerings after the drop in demand, have not been able to pivot as quickly as they would have liked. While slow and bureaucratic licensing processes were highlighted as a constraint across all three markets, in Tanzania the cost of licensing was also noted as a key issue.</p>
 <p>DIGITAL INFRASTRUCTURE</p>	<p>Internet penetration, mobile phone, and mobile money uptake are key enablers that affect the total addressable market of the digital gig economy in each country. Although all three countries have data costs that are higher than the global average, uptake of digital technology is higher in Kenya compared to Tanzania and Ethiopia. For instance, Kenya has a 51.5% mobile phone penetration compared to 42% in Tanzania and 32% in Ethiopia.^{9,10,11} This has arguably contributed to the greater traction in the digital gig economy in Kenya.</p>
 <p>INVESTMENT RESTRICTIONS</p>	<p>Differences in restrictions on foreign owned companies operating in key sectors and limitations on repatriation of profits have resulted in global digital gig platforms entering Kenya and Tanzania but staying out of Ethiopia. A key difference across the three markets is the difference in protections against foreign investment. In Ethiopia, stringent laws restrict foreign companies operating in sectors such as communication and logistics, and repatriation of profits out of the country. This has impacted both direct foreign investment into companies and has limited the number of global or regional digital gig platforms entering Ethiopia. The fact that Kenya’s legislation is the most conducive to entry of foreign platforms arguably contributes to the pace of growth of its digital gig economy.</p>

Impact of COVID-19 on the digital gig economy

The COVID-19 pandemic has led to a decline in economic growth and business activity globally, with the IMF projecting a 3% decline in global GDP in 2020. Kenya, Tanzania, and Ethiopia have also experienced a drop in economic activity as a result of the pandemic. The International Labour Organization (ILO) reports that the pandemic is expected to have a disproportionate effect on gig workers as many do not have access to traditional employee benefits such as paid leave and medical cover. Some of the platforms that have been heavily impacted in the three countries include ride hailing, artisanal services, and accommodation platforms.

RECOMMENDATIONS

To support the scaling of the digital gig economy, the three countries will require a coordinated approach across several government institutions, taking a long-term approach that considers the needs of platforms, gig workers, consumers, and the government authorities themselves. The following recommendations are both specific to certain policy areas as well as offering solutions for processes and structure to drive policy innovation.

- **Recommendation 1: Tax authorities should clearly define tax legislation applicable to the digital gig economy, issue clear guidelines and implementation procedures, and allow for a phased implementation approach of new tax regulations.** When developing and implementing legislation, authorities should consider equity (i.e. tax burden should be shared across gig economy participants), efficiency (i.e. minimizing the cost of compliance for actors while maximizing revenues), and timing. Clear guidelines, a phased implementation approach, and tax measures in line with OECD recommendations will enable platforms to plan effectively for compliance and stagger shifts in pricing or service provisions over a period of time.
- **Recommendation 2: Introduce minimum requirements that mandate digital gig platforms to facilitate access for gig workers to existing public or private pensions and healthcare schemes. Regulatory bodies can introduce legislation that requires platforms to sign up their gig workers for public or private schemes** (e.g. auto-enrollment) with the decision to contribute funds ultimately lying with the gig workers themselves. In the short term, platforms can voluntarily facilitate access. Funders and development agencies can insist on contract clauses that set minimum requirements for platforms to provide access to available healthcare and social security schemes.
- **Recommendation 3: Create a contribution fund that provides portable benefits that gig platforms must pay an amount into that is proportional to the time a gig worker was engaged through the platform.** The 'portable benefits' system, which can apply to both health insurance benefits and pensions, stipulates that workers own their benefits and are therefore not tied to a particular job or company. This system would require platforms to contribute an amount that is proportional to the duration of work or gig workers' earnings through the platform. A collaborative effort between development agencies, platforms, and gig workers can help to pilot systems which are affordable for platforms but provide real benefits for gig workers.
- **Recommendation 4: Allocate a percentage of tax revenues earned from digital platforms to an emergency fund for gig workers to support resilience in times of economic crisis.** In an economic crisis, this fund can be triggered to provide relief to gig workers with-

in the industry. In the medium term, program implementers, development agencies, and funders can set up pilot funds to provide proof of concept. In piloting such a fund, development agencies can use the learnings gained to lobby governments on a more long-term sustainable solution.

- **Recommendation 5: Set minimum vetting requirements to ensure consistency across different operating models.** Governments can put in place regulations that would ensure that companies are following minimum vetting measures when hiring gig workers. To help speed up the otherwise usually long process of introducing legislation, development partners can work with governments and platforms to develop and test minimum vetting requirements. Overall, this would provide a level of comfort to consumers that can help increase uptake, thereby growing the digital gig economy and employment opportunities.
- **Recommendation 6: Classify gig workers as clearly defined entities that differ from full-time employees and independent contractors to provide greater clarity within existing legislation.** Governments can put in clear definitions for gig workers as well as the relevant rights and obligations of a gig worker. This would set out the parameters within which a platform may engage with gig workers, thus providing clarity around tax liability and benefits they need to provide.
- **Recommendation 7: Create a regulatory sandbox to facilitate business model and regulatory experimentation and innovation in a safe environment.** Policy makers can set up a regulatory sandbox to providing a collaborative environment for participants to test ideas across the themes of taxation, labor policies, licensing, consumer protection, and any other areas that require public-private cooperation. The sandbox would allow regulators to use an evidence-based approach to create legislation.
- **Recommendation 8: Establish a helpdesk to provide access to information to all participants within a digital gig economy.** The digital nature of the platforms makes the ministerial docket responsible for innovation, information, or technology ideally suited to manage the helpdesk. The helpdesk would provide digital gig economy participants all relevant information e.g. licensing requirements, tax liability, labor protections under 'one roof'.
- **Recommendation 9: Consider a long-term approach to licensing and tax revenues, balancing upfront or periodic licensing payments with tax revenues further down the line.** The government can use this longer-term approach to reduce the barriers to entry for digital gig economy participants while ensuring consistent future tax revenue streams. Assuming appropriate and fair tax measures are in place, governments stand to gain from increased tax collection from companies as they grow. The right balance will help encourage new market entrants and increase employment opportunities for gig workers in the process.

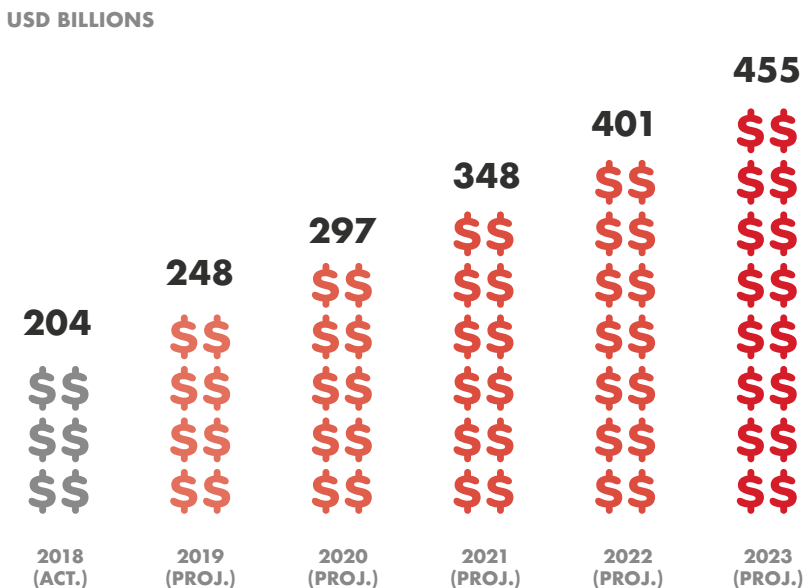
1. An overview of the digital gig economy in Kenya, Tanzania, and Ethiopia

1.1. THE CONTEXT

Africa's labor force continues to grow rapidly, with a working-age population (individuals aged 15 years or older) in 2018 of 764 million people that is projected to increase to approximately 1.25 billion by 2050. This growth will require the creation of 18 million jobs each year, particularly among the youth, who make up the majority of the labor force in Africa.^{12, 13} According to a Brookings Institution report, youth unemployment in sub-Saharan Africa is four times that of the region's overall unemployment level.¹⁴ The digital gig economy provides a viable solution for unemployment and underemployment in Africa, especially as technology availability and internet connectivity continue to advance on the continent (with the latter growing from 7.7% in 2005 to 45.3% by the end of 2018).¹⁵

The global digital gig economy has been growing rapidly over the last decade in both advanced and emerging markets with an estimated gross transaction value of USD 204 billion in 2018. The gross transaction value, which captures the value of services facilitated by digital platforms, is projected to grow to USD 455 billion globally by 2023, as illustrated in

Figure 1: Actual and projected gross transaction value of the global digital gig economy



The global digital gig economy has been growing rapidly over the last decade in both advanced and emerging markets with an estimated gross transaction value of USD 204 billion in 2018. The gross transaction value, which captures the value of services facilitated by digital platforms, is projected to grow to USD 455 billion globally by 2023, as illustrated in Figure 1.¹⁶ The digital gig economy in Africa has also been growing over the last decade with the entry of global players such as Uber and the growth of local companies.

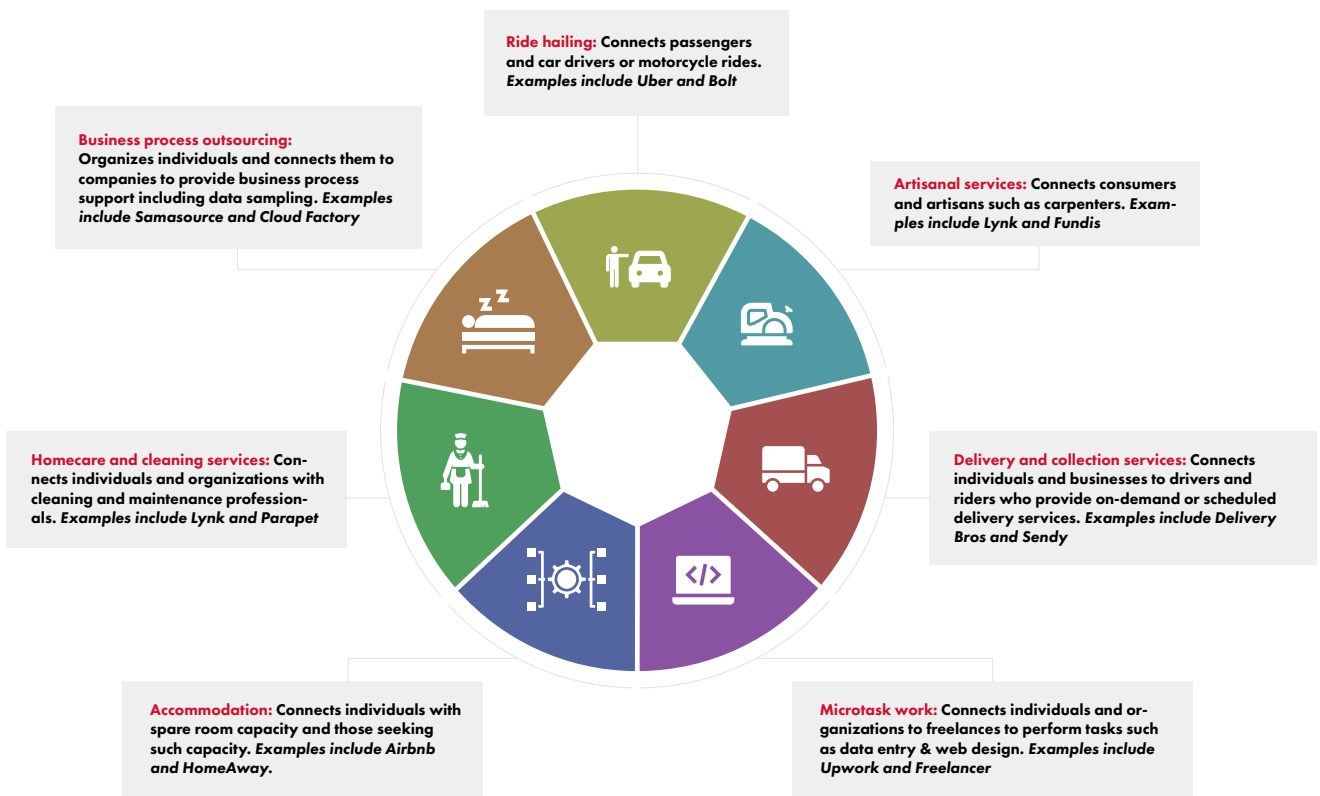
Gig work is characterized as independent, temporary work that is conducted on a short-term or task-by-task basis, and payment is received upon the completion of these tasks. In contrast, traditional employment is characterized by standard working hours and a monthly salary, or contractual employment.¹⁷ The gig economy is not a new concept – while payroll jobs became the predominant worker-employer arrangement in advanced economies after the industrial revolution, short term and independent work have remained prevalent across the informal economy in developing markets across much of sub-Saharan Africa and parts of Asia and Latin America.¹⁸

Technological change has transformed the labor market by creating new forms of work and transforming existing ones. One area that has seen such evolution has been the gig economy.¹⁹ The increasing access to

smartphones and internet across the globe has led to the development of the digital gig economy, emerging in the early 2000s.^{3,4} With increased digital connectivity some tasks can be completed by workers remotely; even the forms of work requiring physical proximity can be enhanced through increased visibility and easier communication. The development and growth of digital gig economy platforms has enabled gig workers to develop more consistent pipelines of jobs from improved visibility of existing opportunities. These platforms allow gig workers to establish track record from work with past clients which has helped in establishing trust with potential clients and as a result supported them in securing more work.

A Mastercard and Kaiser Study found that globally, transportation-based platforms including ride hailing and delivery and collection platforms have led the digital gig economy, contributing over 50% to gross transaction value in 2018. Asset sharing platforms including accommodation platforms, contributed about 30%. Some of the other categories with smaller market share include platforms that facilitate artisanal, household, professional and other miscellaneous services.²⁰ Figure 2 illustrates the operating models that are most prevalent in Kenya, Tanzania, and Ethiopia which will also be the focus for this report.

Figure 2: Digital gig platforms operating models





Kenya is the only country for which there exists a reliable estimate of the size of the digital gig economy, with the total number of digital gig workers estimated at 36,500, with earnings of USD 109 million in 2019²¹. While relatively small by global standards, this is significantly more advanced than Ethiopia, which currently only has a few platforms with limited traction to date. In Tanzania, some of the large global players have entered the market and reported several thousand gig workers operational on their platforms, but the customer uptake appears to still be lower compared to Kenya. This rest of this chapter will provide an overview of the labor markets, level of digital infrastructure as well as the traction of digital gig platforms operating in Kenya, Tanzania, and Ethiopia. Appendix 1 summarizes the labor force, and digital infrastructure statistics for the 3 countries.

1.2. THE DIGITAL GIG ECONOMY IN KENYA

1.2.1 Country context

The Kenya National Bureau of Statistics estimates Kenya's population to be 47.6 million in 2019, growing at an average rate of 2% since 2015.²² By 2025, Kenya's population is projected to approximately reach 54-56 million putting significant pressure on the job market.²³ There has been a continued trend in urbanization in Kenya, with a third of the population living in urban areas in 2019.²⁴

Kenya's economy has experienced strong growth in recent years with an annual average GDP growth rate of 5-6% between 2015-2019, although this has not translated to widespread creation of formal jobs.²⁵ Service sector growth was responsible for about two thirds of total economic growth between 2018 and 2019 contributing to 59.4% of total GDP which stood at USD 95.5 billion in 2019, and has been an engine of job creation.^{26,27} Despite steady economic growth over the past decade, the national poverty rate stood at 36.8% as at 2015, which underlines the strong need to continue increasing economic activity to create more job opportunities.²⁸

 <p>LABOR MARKET</p> <p>19 people in the labor force</p> <p>4.9% unemployment rate</p> <p>5.3M informal workers in urban areas</p>	<p>In Kenya, 70% of the 27 million people between the ages of 15 and 64 were active in the labor force as at the end of 2019.²⁹ At 4.9%, the national unemployment rate at the end of 2019.²⁹ was relatively low, although these figures are likely to have increased substantially as a result of the COVID-19 pandemic.³⁰ However, youth unemployment rates were substantially higher, with 34% of young Kenyans who are eligible for work without jobs in 2020.³¹</p> <p>The informal sector in Kenya plays a critical role in the economy, with approximately 80% of employed Kenyans earning an income from informal jobs as at 2019^{32,33}. This trend continues to persist with 90% of the 845,000 jobs created in 2019 being in the informal sector³⁴. Approximately 5.3 million (35%) of the total informal workers are in urban areas, with many underemployed and engaged in small scale trading, creating a large potential labor pool for the digital gig economy.³⁵</p>
 <p>DIGITAL INFRASTRUCTURE</p> <p>51.5% unique mobile subscriptions penetration</p> <p>27% smartphone penetration</p>	<p>The Kenyan government's prioritization of digital infrastructure and the digital economy has incentivized investment from both the public and private sector. For example, through the National Optic Fibre Backbone, the government has laid out fibre optic cables connecting all 47 counties and has allowed private firms to utilize the cables for business activities.³⁶ This focus has helped improve connectivity and accessibility, providing an enabling environment for digital gig platforms to gain traction.</p> <p>Availability of lower priced phones and increased 3G coverage (93% in 2019), helped boost mobile phone penetration to 51.5% in 2019 (based on unique mobile subscriptions)^{37,38}. Mobile money continues to see an upward trend in usage, driven by factors such as the increasing adoption of mobile money as a payment option and the availability</p>

3%
price (USD) of 1 GB of
data as % of average
monthly GNI per capita

of services such as savings and loan options. In addition, total mobile money transactions were valued at USD 42.6 billion in 2019^{39, 40} Mobile internet penetration stood at 24%, while the price (USD) of 1 GB of data was 3% of average monthly GNI per capita in 2019, slightly higher than the 2% that the Alliance for Affordable Internet considers affordable.^{41, 42} Improving mobile internet coverage and decreasing data costs combined with a smartphone penetration of 27% as at 2018 means that more and more people, especially the youth, are engaging with various platforms boosting e-commerce transactions and encouraging the development of even more platforms.⁴³

1.2.2 Traction of the digital gig economy

In Kenya, international players were the first platforms which gained significant traction in the local digital gig economy. Many of these were ride hailing platforms, including Uber which began operations in Kenya in 2015. As the ride hailing sector began gaining traction, homegrown companies such as Little Cab were founded in 2016. Across other models, Lori, a platform connecting cargo owners to transportation options, and Lynk, a platform connecting consumers and businesses to skilled blue-collar professionals, were pioneers that began operations in 2016. The sector has seen rapid growth since then, resulting in the growth of gig worker earnings from the platforms to an estimated USD 109 million by 2019.,⁴⁴ In the same year, the digital gig economy in Kenya was estimated to engage over 36,500 gig workers.⁴⁵

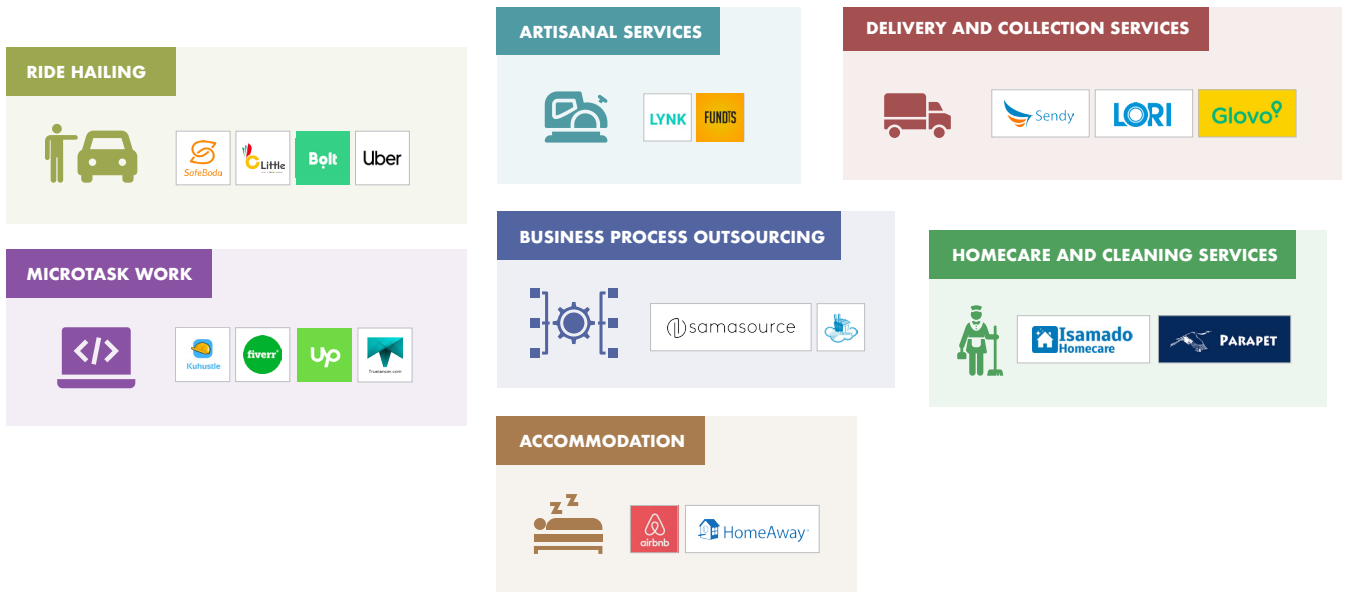
Rapid growth in this economy has been enabled by an increasing demand for these services by individuals, households, and businesses, driven by a growing middle class in Nairobi and the surrounding areas. Rapid advancement in the country's digital infrastructure, including mobile phone, internet, and mobile money penetration, has also been key. In addition, funding from both donors and investors has been increasing in the space, either directly to businesses or the ecosystem, as funders, such as Google.org, Mastercard foundation, and Safaricom Spark Venture Fund, seek to support technology-enabled innovations that tackle youth unemployment.⁴⁶

Today, Kenya is home to digital gig platforms that span a range of operating models (as shown in Figure 3). Gig workers on microtask work platforms such as Upwork and Kuhustle and business process outsourcing platforms such as Cloud Factory were estimated to capture over 50% of the earnings in 2019, with over 14,000 of them actively engaged by platforms in this category. Ride-hailing platforms such as Uber and Safeboda come second, contributing approximately 40% of the gig worker earnings and engaging about 13,000 gig workers.⁴⁷ These platforms initially operated primarily within Nairobi and its surrounding areas. Now, a majority have now expanded their operations to secondary cities and towns such as Mombasa, Eldoret, Kisumu, and Nakuru

Over the years, these platforms have also adapted their operating models to better address market needs. For instance, Uber and Bolt which have the largest market share in ride-hailing started purely as car ride-hailing platforms. They later began offering motorcycle ride-hailing services to compete with Safeboda, a motorcycle hailing platform that first started in Uganda before expanding to Kenya. Starting as a motorcycle ride-hailing firm, SafeBoda expanded into package delivery and has also added an online shopping delivery service in 2020 after the COVID-19 pandemic hit. On delivery and collection services, Sendy, Lori, and Glovo are some of the well-known players. Sendy and Lori focus primarily on B2B clients, with Glovo focusing on B2C clients including food and grocery deliveries.

Looking forward, the digital gig economy in Kenya is projected to grow over the next few years, adding

Figure 3: Examples of digital gig economy platforms in Kenya



approximately 57,000 jobs to reach a total of 93,000 by 2023 (26.6% CAGR) and increasing gig workers earnings to over USD 345 million (33.5% CAGR) by 2023 as shown in Figure 4 and Figure 5.^{48,49} It is likely that Kenya’s large youth population will supply the bulk of the needed workforce, thereby further demonstrating that with the right policies, regulations, and conditions enabling scale, the digital gig sector can help address Kenya’s youth unemployment challenges.

Figure 4: Actual and projected number of digital gig workers in Kenya

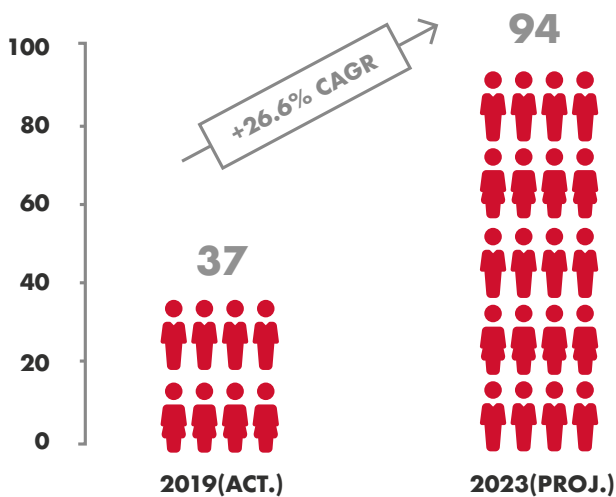
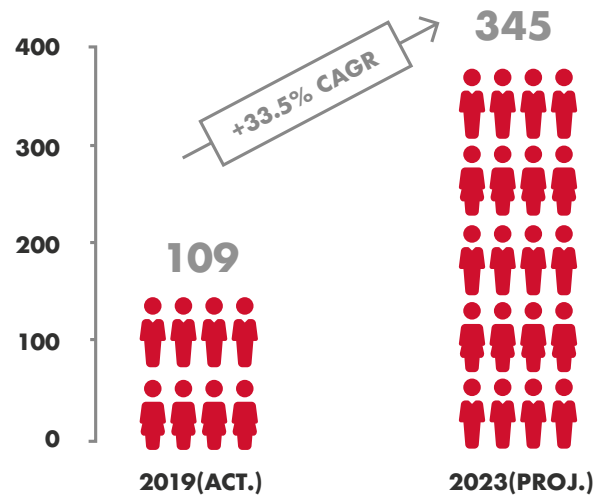


Figure 5: Actual and projected earnings of digital gig workers in Kenya



1.3. THE DIGITAL GIG ECONOMY IN TANZANIA

1.3.1 Country context

Tanzania's population was estimated to be 56.3 million as of 2018 and is projected to grow to 67 million by 2025.^{50,51} While Tanzania is currently still a predominantly rural country with an urban population that stood at roughly 19 million in 2018 (33.8% of total), long term urbanization trends mean this is expected to triple to 60 million by 2050.^{52,53}

The country has shown strong economic growth, with a GDP of USD 56 billion in 2018 (an increase of 7% from the previous year), largely driven by an increase in private consumption and public spending.^{54, 55, 56,57} Given that 49.1% of the population were living under USD 1.90 per day in 2017, there is a strong need to create inclusive employment opportunities for low skilled workers that further reduce the poverty rate as the population grows.⁵⁸



LABOR MARKET⁵⁹

27M

people in the labor force

9.7%

unemployment rate

Tanzania has a labor force of 27 million and unemployment rate of 9.7%.^{60,61} The World Bank estimates that only one out of five workers in Tanzania are employed in the formal sector, with the remaining 80% engaged in informal work.⁶² A 2014 International Development Research Centre (IDRC) report estimates that about 75% of youth are employed in the agricultural sector, mostly on an informal basis, so there is significant opportunity to improve their livelihoods and contribution to the economy through productive employment.⁶³

Though such employment positively contributes to the relatively low rate of unemployment amongst the youth (3.6% of the labor force), it is characterized by underutilization and low pay. This state of underemployment creates a lot of opportunity for gig platforms to provide additional employment opportunities for the youth, especially in urban settings.^{64, 65}



DIGITAL INFRASTRUCTURE

42%

unique mobile subscriptions penetration

22%

smartphone penetration

5.1%

price (USD) of 1 GB of data as % of average monthly GNI per capita

Although mobile internet penetration has increased from 9% in 2014 to 15% in 2019, access to digital infrastructure in the country remains low and is concentrated mainly in Dar es Salaam and a few other urban areas.⁶⁶ Improved internet infrastructure, which has been put in place through the National ICT Broadband Backbone (NICTBB), remains largely underutilized.⁶⁷ The price (USD) of 1 GB of data in 2019 was high at 5.11% of average monthly GNI per capita.⁶⁸ Unique mobile subscriptions penetration was at 42% in 2017, while smartphone penetration was at 22% as of 2018.^{69,70} An increase in mobile money service providers, from two in 2008 to six in 2018 has helped grow active mobile money accounts to about 19.5 million and increased total transaction values to USD 1.43 billion.⁷¹

Given that most digital gig platforms are accessed using mobile devices, the high data cost and low penetration numbers have an adverse effect on their total addressable market.

1.3.2 Traction of the digital gig economy

Like Kenya, the first digital gig platforms to set up operations in Tanzania were international players. However, over the last two years, the country has seen an upsurge of locally owned players such as TanTaxi (2018), Ping (2018), Quitax (2019), and Oyaa (2019). The main digital gig operating models in Tanzania are ride hailing, delivery and collection, microtask, and accommodation. Although there are currently no reliable estimates of the size of the overall gig economy in Tanzania, large ride-hailing platforms have reported engaging over 4,700 active monthly drivers.⁷² Figure 4 shows examples of the leading digital gig economy platforms currently operating in Tanzania

Figure 4: Examples of digital gig economy platforms in Tanzania



Most of the ride-hailing platforms are based in Dar es Salaam, with a few venturing into other urban areas such as Dodoma and Arusha. These platforms operate using a similar on-demand model, with a few differentiating characteristics. InDriver, for instance, allows users to enter the amount they are willing to pay for a trip, with the driver confirming that they are willing to accept the price quoted before accepting the ride. Platforms providing artisanal services have also begun to emerge with the introduction of Fundis and FixChap platforms, both launched in 2018. These have provided a means of engaging qualified youth from vocational training institutions with work which matches their skills.



Data processing and management platforms have also been gaining traction, led by international freelance companies like Upwork, Fiverr, and Workana. A Research ICT Africa report assessing the state of microwork in seven African countries, including Tanzania, found that gig workers performing online tasks, completing surveys or data entry, made up 26% of online gig workers.⁷³ However the requirement for consistent access to the internet to perform such gig works is a significant barrier. As internet use in Tanzania is still lower compared to markets such as Kenya, the majority of the informal workers in Tanzania are effectively excluded from gig work on data processing and management platforms.

1.4. THE DIGITAL GIG ECONOMY IN ETHIOPIA

1.4.1 Country context

Ethiopia is Africa's second most populous country with a population of 109 million in 2018, which is expected to grow at a rate of over 2% per year to 130 million by 2025.^{74,75,76} The country is at an early stage of urbanization, with slightly over 20% of total population living in urban areas in 2018.

In the same year, the country's GDP totaled USD 84.4 billion, growing 6.8% year on year. Although the government has focused on growing the manufacturing sector in recent years (e.g. through development of industrial parks), the service sector contributed 36.5% to total GDP, highlighting its importance as a driver for job creation.^{78,79,80} Furthermore, with over 30% of the population living under USD 1.90 per day in 2015 there is still an urgent need for productive employment opportunities to drive poverty reduction.⁸¹

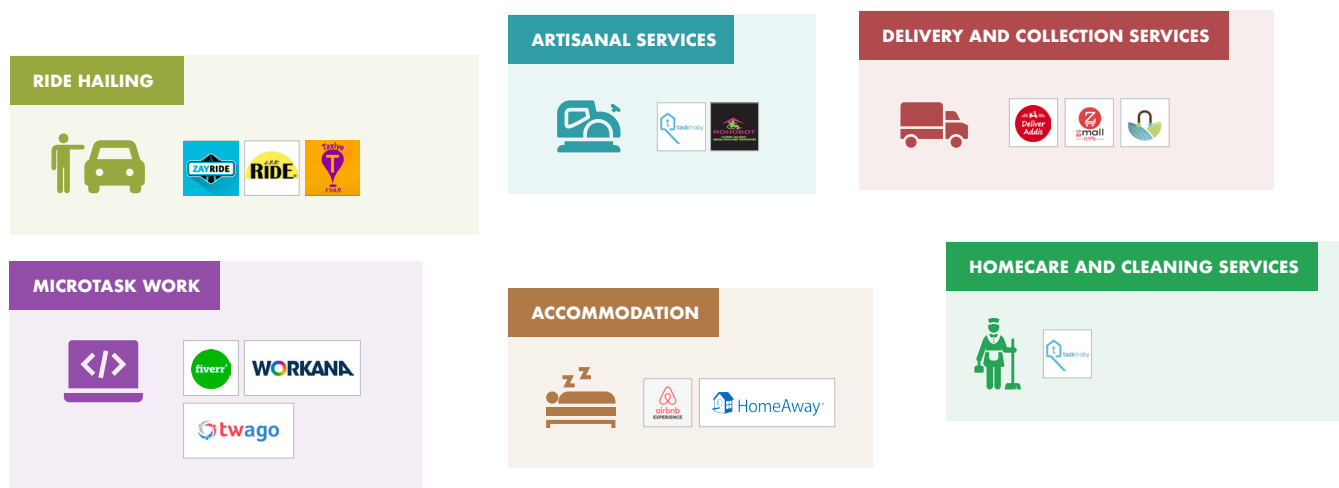
 <p>LABOR MARKET</p> <p>53.2M people in the labor force</p> <p>19.1% unemployment rate</p> <p>1.34M informal workers in urban areas</p>	<p>With a labor force of 53.2 million and an estimate of over 1.3 million more people added to the job market every year, creating productive employment opportunities is arguably the most significant long term challenge the Ethiopian economy is facing.⁸² Urban unemployment rates of 19.1% and a youth unemployment rate estimated at 27%, highlight the scale of this challenge.^{83,84,85}</p> <p>As of the last unemployment survey in Ethiopia in 2018, over 1.34 million people (nearly one fifth) of people worked in the informal sector in urban areas where most digital gig work is done.⁸⁶ This creates a huge opportunity for digital gig platforms to tap into this labor force, given the right policy environment and entrepreneurs who are able to develop platforms that match the preferences of Ethiopians living in urban areas.</p>
 <p>DIGITAL INFRASTRUCTURE</p> <p>32% unique mobile subscriptions penetration</p> <p>11% smartphone penetration</p> <p>5.28% price (USD) of 1 GB of data as % of average monthly GNI per capita</p>	<p>Mobile phone penetration was estimated at 32% (based on unique subscribers) in Ethiopia in 2018, although only 11% of the population used smartphones.^{87,88} Increased mobile phone penetration has driven internet uptake, which is another key enabler of digital gig work, with 34% of the country's population estimated to have had access to the internet in the same year.</p> <p>However at over 5% of average monthly GNI per capita, the price of 1 GB of data in 2019 is more than double the benchmark set by the Alliance for Affordable Internet.^{89,90,91} Furthermore, data connections from the sole telecommunications operator in the country, Ethiotel, are reportedly unreliable with the country experiencing slow internet connections and occasional shutdowns at least twice a year.^{92,93} There has been a push by the government to open up the mobile phone industry to international companies and this, resulted in a growing number of mobile money operators, such as Mbirr and HelloCash.⁹⁴</p>

1.4.2 Traction of the digital gig economy

Similar to Kenya and Tanzania, majority of the digital gig platforms operating in Ethiopia were founded within the last few years. Pioneering platforms in Ethiopia include DeliverAddis (launched 2015), TaskMoby (2016), and Zayride (2016). However, with restrictions to foreign investments in sectors such as transportation and communication as well as stringent rules around repatriation of profits, there has been a noticeable absence of major global players such as Uber and Bolt. This has contributed to a market with fewer players as compared to countries like Kenya and Tanzania but presented opportunities for the development of locally owned platforms such as delivery-and-collection platforms ZMall and Asbeza and homebased healthcare service Rohobot.

These restrictions have also limited the diversity of digital gig platform operating models compared to Kenya and Tanzania. While the ride hailing, artisanal and delivery and collection platforms are more developed (although still nascent compared to Kenya and Tanzania), microtask work companies such as Fiverr and Twago and accommodation platforms like Airbnb have very limited presence. ⁹⁵ Figure 5 shows examples of digital gig platforms in Ethiopia operating across key models.

Figure 5: Examples of digital platforms in Ethiopia



2. Effects of policies and regulations on the digital gig economy

As the digital gig economies in Kenya, Tanzania, and Ethiopia continue to scale, policies to guide important areas such as taxation and social protection for gig workers have been slow to follow. Given the economy's potential as a catalyst for socio-economic progress, regulation and policies shall play a central role in supporting its scalability and sustainability.



TAXATION

The governments' approach to taxation of the digital gig economy in the three countries has been reactive, resulting in a lot of uncertainty. Taxation of the digital gig economy is increasingly on government agendas, especially in Kenya where some platforms are approaching significant scale (e.g. ride hailing). However, even in Kenya, the government's approach to taxation of the digital gig economy has been reactive. Although legislation (e.g. around VAT and turnover tax) has been put in place, there remains a lack of clear implementation guidelines which make it challenging for platforms to plan ahead (e.g. in terms of putting in place processes and developing long term pricing strategies). In Tanzania and Ethiopia – where digital gig platforms are more nascent – governments have yet to put in place any specific pieces of tax legislation that apply to digital gig platforms. Despite the lack of clear legislation, governments have generally taken a “wait and see” approach to taxing the gig economy, which to some extent has allowed platforms (particularly in Kenya and Tanzania) to pilot their models. However, longer term clarity on taxation will be critical to enable them to make decisions which allow them to scale.



LABOR POLICIES

Across all three countries there is no legislation currently in place that mandates platforms to provide digital gig workers with welfare or social security protections leaving the workers at risk. Most gig workers on the digital platforms are classified as independent contractors and as such platforms are not required by law to provide benefits accorded to workers in traditional employment. Some platforms (particularly the larger ones with more resources and greater potential for reputational risk) have independently provided protections or partnered with different organizations to provide this. For instance, Lynk has partnered with Micro-Save Consulting to create insurance and microinsurance products for their gig workers. However, leaving the onus on companies has arguably left thousands of gig workers at risk and companies open to liability, a situation which has come to light specifically as COVID-19 has significantly reduced demand across many digital gig platform models (e.g. ride hailing).



CONSUMER PROTECTION

None of the countries have specific regulations in place that protects customers from poorly vetted digital gig workers or requires platforms to take liability for damages. Unsurprisingly, many platforms have put in place vetting requirements and policies around liability to ensure customers feel protected and to protect their reputational risk, which has helped in instilling trust among customers, increasing uptake and retention. However, a lack of minimum vetting standards could put customers at risk, and in the longer term open up platforms to liability for damages which could hinder their ability to scale.



LICENSING

There is a lack of specific licenses for digital gig platforms or gig workers across the three countries which has slowed down uptake and growth of the digital gig economy. In some cases, this means platforms which cut across a number of traditionally siloed sectors (e.g. e-commerce, courier services, and taxis) need to apply for their licenses and ensure the gig workers on their platforms are also licensed. This has been problematic during the COVID-19 related downturn, where platforms trying to provide alternative offerings after the drop in demand, have not been able to pivot as quickly as they would have liked. While bureaucracy in this area was highlighted as a constraint across all three markets, in Tanzania the cost of licensing was also noted as a key issue.



DIGITAL INFRASTRUCTURE

Internet penetration, mobile phone, and mobile money uptake are key enablers that affect the total addressable market of the digital gig economy in each country. Although all three countries have data costs which are higher than the global average, Kenya has a more advanced digital infrastructure than Tanzania and Ethiopia, with 51.5% mobile phone penetration compared to 42% in Tanzania and 32% in Ethiopia.^{96,97,98} 24% mobile internet penetration, 52% mobile phone penetration, and 61% mobile money penetration. This has arguably contributed significantly to the greater traction in the digital gig economy in Kenya.



**INVESTMENT
RESTRICTIONS**

Differences in restrictions on foreign owned companies operating in key sectors and limitations on repatriation of profits have resulted in global digital gig platforms entering Kenya and Tanzania but staying out of Ethiopia. A key difference across the three markets is the difference in protections against foreign investment. In Ethiopia, stringent laws restrict foreign companies operating in sectors such as logistics, and repatriation of profits out of the country. This has impacted both direct foreign investment into companies and has limited the number of global or regional digital gig platforms entering Ethiopia. The fact that Kenya’s legislation is the most conducive to entry of foreign platforms arguably contributes to the pace of growth of its digital gig economy.

Table 1 shows a country by country comparison of policies and regulations impacting the day to day operations of digital gig platforms and either enabling or limiting their growth in the three countries.

Table 1: Country by country policy and regulation comparison**KEY:** ▲ Enablers ▼ Limitations**KENYA**

- ▼ Until recently, tax legislation specific to the gig economy did not exist while existing legislation that may apply have been ineffectively implemented resulting in a lot of uncertainty for parties involved.
- ▲ The government's "wait and see" approach to taxing the gig economy, to some extent has allowed platforms to pilot and scale their models free from tax liability.
- ▼ Looking forward, amendments and proposed amendments to tax laws imposing different taxes will likely slow growth of platforms if not phased over time.

TANZANIA

- ▼ Unclear regulations on the extent of digital gig platform players' exposure to VAT have resulted in uncertainty for businesses.
- ▲ Similar to Kenya, this "wait and see" approach to some extent has allowed platforms to pilot their models free from tax liability.

ETHIOPIA

- ▼ Unclear interpretation of the application of existing tax laws to the digital gig economy, has created an environment where platforms perceive a constant risk of penalization for non-compliance.
- ▼ VAT reporting regulations e.g. submitting physical receipts to the regulatory body have led to time inefficiencies and unnecessary costs for platforms.
- ▲ New legislations by the government of Ethiopia are expected to address some of these taxation challenges going forward.



**LABOR POLICIES/
SOCIAL
PROTECTION**

ALL COUNTRIES

- ▼ By law, digital gig workers (treated as independent contractors) are not entitled to labor, social security and healthcare protections, leaving them vulnerable especially in economic downturns and exposing the platforms and sector to reputational risk.
- ▼ Some platforms have independently facilitated access to health insurance for gig workers. However, lack of minimum standards mean protection is uneven for different workers working within the same sub-sectors.



**CONSUMER
PROTECTION**

KENYA

Vetting of gig workers:

- ▼ Inconsistent vetting processes across different platform types and even within the same platform type may put consumers at risk of poor quality or incomplete service, or worse, physical, or emotional harm

Liability:

- ▼ Companies decide what liabilities to cover on a case by case basis based on their internal processes. This approach is limited by platforms' resources and can leave consumers in more nascent sectors at risk.

Data protection and privacy:

- ▼ Data rights are outlined but it remains to be seen how the regulation will be implemented

TANZANIA AND ETHIOPIA

Vetting of gig workers and liability: Similar to Kenya
Data protection and privacy

- ▼ Weak data protection laws pose a threat to the digital gig economy in Tanzania and Ethiopia



LICENSING

KENYA

- ▼ There is currently no common licensing requirement for digital gig platforms in Kenya which acts as a barrier to innovation and scaling for platforms operating across a number of sectors.
- ▼ Slow licensing processes or the requirement for multiple licenses limit the ability of platforms to rapidly adapt their business models.

TANZANIA

- ▼ There are no licenses specific to majority of digital gig platforms, forcing businesses to adapt to sector specific licensing requirements or negotiate concessions
- ▼ In some cases, existing licensing legislation have been cost-prohibitive and required platforms to negotiate with the regulators to manage costs.

ETHIOPIA

- ▼ Stringent and bureaucratic licensing requirements reduce flexibility for platforms and gig workers in Ethiopia.
- ▼ Licensing regulations have limited the speed at which platforms in Ethiopia can take advantage of opportunities.
- ▼ Laws around who can use company assets has forced some gig companies to permanently hire staff to avoid being penalized, increasing operational costs.
- ▼ Lack of stakeholder consultation and unclear implementation of laws has affected platform operations.



DIGITAL INFRASTRUCTURE

KENYA

- ▲ Significant public and private investment in digital infrastructure, has been a key enabler of the growth of the digital gig economy in Kenya.



**INVESTMENT
RESTRICTIONS**

- ▼ High data cost and internet coverage concentrated in urban and peri-urban areas has limited growth of the digital gig economy in a wider area.

TANZANIA

- ▼ Digital infrastructure in Tanzania remain underutilized resulting in ICT products being too expensive and low ICT skill development.
- ▼ The country also has high mobile centric taxes.

KENYA AND TANZANIA

- ▲ Legislations in place are conducive to entry of foreign platforms which has resulted in their growth.

ETHIOPIA

- ▼ Current restrictions on foreign investment have prevented global players from entering the digital gig economy in Ethiopia.
- ▼ Foreign exchange controls discourage investment.
- ▼ High capital requirements do not meet the smaller ticket sizes required by local companies.

In this section, we look at how the existence or non-existence of policies and regulations have impacted gig platforms, gig workers, and end consumers. Specifically, we look at whether these policies have either enabled or limited the digital gig economies' ability to scale in the three markets. The themes we explore include taxation, labor policies, consumer protection, licensing, digital infrastructure, and investment restrictions.

2.1. POLICIES AND REGULATIONS IN KENYA

Recognizing the growing role played by the digital economy, government bodies in Kenya have started to formulate specific regulation for the sector that also apply to digital gig platforms. Specific tax legislation has been passed that encompasses all transactions conducted on digital platforms, although there is still considerable uncertainty around implementation. Unlike for taxation, there is currently no specific legislation that covers consumer protection and labor practices for the digital gig economy however, common law around both apply such as the right to quality goods or service. Draft legislation has also been introduced that specifically covers licensing for platforms and gig workers in the ride-hailing ecosystem, although the majority of other digital gig models are still forced to fit within business licensing structures which pre-date digital gig business models. The government can help support the growth of the economy and boost employment opportunities by considering a longer-term outlook towards policy and regulation.

Taxation

Until recently, tax legislation specific to the gig economy did not exist while existing legislation that may apply have been ineffectively implemented. It has been widely discussed that almost no digital gig workers have paid income tax to date, while platforms have largely avoided charging and remitting VAT on digital transactions.⁹⁹

Recent amendments to the Finance Act 2019 and Tax Laws Act 2020 bring the digital gig economy and its participants under the tax base in theory, although details around implementation are currently unclear. A new paragraph now highlights that income tax applies to 'income accruing through a digital marketplace', and the Finance Act also explicitly states that VAT applies to services rendered through a digital marketplace.¹⁰⁰ However, clear implementation guidelines are yet to be provided for the amendments. For example, there is a lack of clarity around whether the platforms or gig workers are responsible for collecting and remitting taxes. Further, the digital economy is now included in the expanded scope of services liable to Withholding Tax. The Tax Laws Act 2020 indicates that Withholding Tax (at a rate of 20%) is chargeable to services provided through digital platforms.¹⁰¹

The Finance Bill 2020 also proposes introducing a 1.5% digital tax on online transactions, 1% gross sales tax, and a minimum tax for all companies. The 1.5% tax will apply to income derived or obtained in Kenya through digital platforms, with the minimum tax also applying to firms, even if loss-making.¹⁰² However, it is still unclear how the digital tax will be implemented and whether it will apply to all digital gig platform models.

New regulation will boost government tax revenues in the short term, but if not phased in over time may impact the profitability of digital gig platforms and their ability to scale in the long run. Platforms will need time to adapt their pricing and commission structures to reflect new taxes, and if implemented overnight could suffer serious earnings losses or exposure to tax risks. The most likely outcome is that some component of this will be passed on to consumers and potential gig workers. Without adequate and timely guidance, it will be challenging for the management of these platforms to plan appropriately, risking a sudden

negative impact on customers and gig workers, putting the platform's commercial viability at risk in the short and longer-term, further hindering the broader sector's ability to create jobs.

Consumers will face an increase in the price of goods and services because of new tax legislation but phasing in the implementation should limit a drop in customer numbers. Consumers will face increased prices if gig workers become liable to pay VAT and lobby to have the full or partial cost passed on to the consumers, or if platforms become liable to pay VAT and pass a component of the cost on to the consumers. Increased prices may impact customer numbers – customer price sensitivity and sector competition will determine the level of impact across different platforms. For example, a VAT rate of 16% would increase a ride-hailing journey costing KES 500 and KES 580 if the full cost were passed on to the consumer. In the medium to long term, a negative impact on customer numbers could impact platform revenue, ability to scale and provide jobs, and subsequently stifle innovation. However, in competitive sectors (e.g. ride-hailing where there are several players) fierce price competition is likely, likely resulting in winners and losers and a changing market landscape that may favor customers and result in loss of earnings for gig workers or platforms.

Gig workers may suffer a sudden loss in income depending on how taxes are implemented. As an example, an individual digital gig worker earning a monthly income of KES 40,000 would see a drop of 6% in their take-home earnings if they paid income tax, with this figure rising to 16% if monthly earnings increase to KES 100,000. Based on the new income tax bands only workers earning KES 25,000 and below are exempt from income tax.¹⁰³ Similar to VAT, hasty implementation will force gig workers to quickly increase the number of gigs completed, subject to demand, to make up for potential shortfalls in earnings. Alternatively, existing gig workers may choose to return to work in the informal economy, while potential gig workers may also be discouraged from joining.

Measures may put at risk a platform's ability to operate an independent contractor model. Companies fear the possible impact of tax collection burdens on their ability to operate using the 'independent contractor' model. Specifically, whether it changes their role from an 'employer – independent contractor' relationship to one where it is an 'employer-employee' relationship. This would then expose them to different obligatory requirements that may render them unable to operate as they currently do as it would significantly increase the cost of compliance.

There is a chance for perceived double taxation that would cause international platforms to exit. The US, where several international gig platforms are headquartered, has warned, and in some cases has retaliated against countries that tax American gig platforms resulting in double taxation. However, countries in which gig platforms operate, argue that their countries should be able to charge tax on earnings made in their countries. Unresolved disputes may lead to punitive or reciprocating measures against Kenyan companies or in the worst-case scenario, a pull out of affected platforms from the Kenyan market resulting in fewer gig worker opportunities. For example, Uber alone provides earning opportunities to approximately 10,000 drivers in Kenya.^{104,105}

Labor policies

Platforms treat digital gig workers as independent contractors and are therefore not afforded any labor protections like those provided to salaried employees. Under Kenyan law, there is currently no specific employment legislation for digital gig workers and platforms currently engage digital gig workers as independent contractors through a contract for service. In contrast to salaried or employed workers under a contract of service (Employment Act 2007, Section 2), digital gig workers under a contract for service are not entitled to protections such as paid sick leave and annual leave, health cover, or pension protections. COVID-19 has brought the lack of protections available to the global gig workforce to the forefront, as inde-

pendent contractors have been some of the hardest hit.

Some platforms have facilitated access to services such as health insurance and pensions. Recognizing the importance of protections and the importance of gig workers to their success, companies facilitate access within the limits of what their business model allows and within the limits of the law to ensure they are not seen as engaging in an employer-employee relationship. Little Cab, a ride-hailing platform, collaborated with two insurance companies to provide gig workers with access to health insurance products. In this case, drivers independently enroll in the service, pay the premiums, and make any claims directly to the insurance companies.¹⁰⁶

Decreased demand during economic downturns (e.g. COVID-19 crisis) will have a significant impact on some gig worker livelihoods if labor protection policies are not put in place, exposing the platforms and the broader sector to negative perception. Governments' stay at home orders, social distancing measures, and reduced economic activity have reduced the demand for platform services such as ride-hailing, cleaning, and furniture making. One ride-hailing company highlighted during consultations that they had seen a decrease of approximately 40% in the number of rides post COVID-19. On the other hand, delivery and collection services and online work services have seen a boost in their demand. For example, GoBeba, a local delivery service, saw a 300% increase in the value of goods being ordered.¹⁰⁷ Where possible, digital gig platforms have tried to reallocate their gig workers to services that still have consumer demand. Gig workers unable to shift to offering different services are experiencing earnings losses. Their situation is compounded by the fact that, unless they had private healthcare cover, were making private contributions to the national healthcare system, or had significant savings, they are likely to face financial difficulty if they or members of their family fall sick.

The lack of protection and negative plight of gig workers may push the public, the government, and gig workers themselves to more deeply scrutinize the value of the digital gig economy for society. For example, in light of COVID-19, the lack of protections has exposed platform companies to negative publicity on the treatment of gig workers left to fend for themselves with some platforms scrambling to offer short term measures. Public pressure may force governments to look at the industry and 'contracts for service' unfavorably, potentially imposing penalties in the short term and potentially passing legislation to companies in the long term to force them to shift their models. Existing gig workers and potential new gig workers may reconsider whether the industry or the work is beneficial to them and whether it can offer consistent income in the face of external shocks.

In the absence of minimum basic protections, companies may vary in the extent to which they facilitate protections to gig workers. Without regulations and policies that uniformly cover the sector, platforms are left to their own to decide what actions they take to support the gig workers. This means that protections for gig workers may be patchy and inconsistent within a sector and across different sectors. For example, platforms in the ride-hailing sector tend to provide discounted access to third-party insurance products to drivers however online work platforms may not. Therefore, protections provided may be limited if there is no framework or requirement (e.g. NSSF) for the platform, worker, or government to contribute.

Consumer protection

There are currently no regulations around minimum vetting requirements for platforms, putting Kenyan consumers at risk of poor service quality, fraud, or physical harm. As digital gig workers are considered independent contractors there are no specific legislative requirements compelling platform operators to vet digital gig workers. The onus and the extent to which companies' vet is therefore at the sole discretion of the platform. Most platforms ask for, at a minimum, an identity document, and the type of platform model

also dictates additional requirements such as a driving license for drivers in the ride-hailing or delivery sector. Some companies utilize third parties to verify customer information while others are exploring the use of tests to better assess worker suitability. Companies voluntarily engage in these processes to protect the brand, maintain customer experience, and protect themselves from penalties or litigation. However, inconsistent vetting processes across different platforms types and even within the same platform type may put consumers at risk of poor quality or incomplete service, or worse, physical, or emotional harm. This also has liability implications for platforms themselves. Companies may need to compensate customers in the short term and may suffer reputational damage and subsequent loss of revenue in the long term if checks and balances are not put in place. One significant incident involving one gig worker can disproportionately affect the jobs and earnings of all the other workers on the platform.

As providers of a ‘marketplace service’ digital gig platforms have limited liability, but many voluntarily offer varying levels of consumer protection to protect their reputation and avoid costly litigation. Kenyan law through the Consumer Protection Act and Article 46 of the Constitution of Kenya protects the rights of a Kenyan consumer concerning the purchase of goods and services (e.g. quality, pricing, and disputes). However, customers who consume a good or service from a gig worker via a gig platform are not legally provided the same cover as if they were engaging with an employee of a company. In place of regulated protection, some platforms offer consumer protection to differentiate themselves among competition but also to protect brand name and reputation. For example, Uber in December 2018 launched a self-funded ‘Partner Injury Protection’ program where driver-partners and passengers are provided with health care payments for accidents and lump sum cash payments in the case of death or disability.¹⁰⁸ However, this type of proactive consumer protection policy is limited by platforms’ resources and therefore can leave consumers in more nascent sectors at risk.¹⁰⁹

Kenya’s recent Data Protection Act clearly outlines a data subject’s rights, but it remains to be seen how the regulation will be implemented. The Data Protection Act 2019 provides a legal framework for which data may be obtained and used by relevant authorities. It also indicates the rights of a subject related to how their data is collected, how it is used, how it can be accessed, and how the subject may correct or delete misleading data. It remains to be seen how the Data Protection Act 2019 will play out with international privacy and protection acts and what will take precedence. For example, the Kenya Revenue Authority (KRA) previously attempted to obtain information from Uber to better understand payments made to drivers and those made by drivers to Uber. However, Uber denied access, citing data protection and privacy laws such as the Dutch Privacy Act and European Union’s General Data Protection Regulation.

Weak data protection policies will hurt companies in the long term. Customers and gig workers may lose trust and may potentially reduce or stop using platforms that are known to have poor or substandard data protection policies. For example, if they share data with marketing agencies or other companies without prior consent, as in the case of Facebook and the Cambridge Analytica scandal.¹¹⁰

Licensing

There is currently no common licensing requirement for digital gig platforms in Kenya - platforms must instead acquire sector-specific licenses. To operate as a business in Kenya, a company requires a business license from the county government at the minimum. However, platforms must also obtain specific licenses from sector-specific governmental bodies (e.g. transportation, logistics, household services, etc.). For example, to operate a platform that provides delivery and courier services, companies are required to obtain a license and registration as a courier company from the Communication Authority of Kenya. While this may not be challenging for platforms that operate a single model or within a single sector, it may present a more significant barrier to innovation and scaling for platforms operating across a number of sectors.

Slow licensing processes or the requirement for multiple licenses limit the ability of platforms to rapidly adapt their business models, with consequences during challenging market environments e.g. COVID-19. Platforms seeking to pivot their business models away from sectors that have seen a reduction in customers (e.g. ride-hailing) to others with consistent demand during the lockdown (e.g. delivery services) may not be able to do so quickly if they do not have the necessary licenses and it is challenging to get them quickly. This has knock-on implications on gig workers, whose livelihoods have been badly hit. To address this, some ride-hailing platforms are trying to support their drivers by helping to register their drivers with partner companies that already have the necessary licenses to operate in the delivery and collection sector.

The government is currently seeking to improve licensing participants in the ride-hailing sector – proposed legislation will help to formalize the industry but may restrict driver income. The National Transportation and Safety Authority (NTSA) is proposing regulations specific to digital ride-hailing platforms such as Uber, Little Cab, and Bolt. The proposed annual licensing fee for platforms is KES 500,000 for the first year and KES 300,000 for subsequent years, which is unlikely to pose a significant barrier to entry for new platforms.¹¹¹ Vehicle owners will also need to provide documentation such as a certificate of ownership and valid insurance cover and will also be required to obtain a digital ride-hailing service identifier. Drivers would need to provide documents such as a valid driving license, certificate of good conduct, PIN and tax compliance certificate to obtain the driver license costing KES 1,000 annually and would need to adhere to a proposed working time limit of 8 hours.¹¹²

The proposed legislation helps regulatory authorities obtain oversight, ensure that vehicles on ride-hailing platforms are bound by the same regulations as regular taxis, and will provide NTSA an avenue to collect license fees from participants. The costs indicated are not considered to be prohibitive however depending on the implementation process, the process may be time-consuming, especially for the drivers. Restricting drivers to working only 8-hour shifts takes away the choice of drivers to do so. Furthermore, without cross-platform integration, this may prove to be difficult to implement if the driver is working across multiple applications.

Digital infrastructure

There continues to be significant public and private investment in digital infrastructure, a key enabler of the growth of the digital gig economy in Kenya to date. Recognizing the role digital and mobile technologies can play in improving Kenya's economic outlook and in creating jobs to tackle youth unemployment levels, Kenya's government earmarked ICT as a key focus sector in its Vision 2030 manifesto. As part of this focus, for example, the Ministry of ICT developed a digital economy blueprint that lays out the foundation pillars to grow the digital gig economy.¹¹³ An extensive mobile network infrastructure, availability of cheap smartphones, and effective competition contribute to continued growth and investment in this space.

However, there are still a number of challenges that need to be overcome to support platforms to scale to the emerging middle class outside of Nairobi. Data costs remain high with the price (USD) of 1 GB of data at 3% of average monthly GNI per capita, which is higher than what the Alliance for Affordable Internet considers as affordable.¹¹⁴ Reliable internet coverage is restricted to urban and peri-urban areas, therefore those outside these areas are not well placed to participate in the gig economy. Interoperability between payments systems can still be improved, while taxation of the mobile sector is high.¹¹⁵ GSMA notes that operator taxes and fees and consumer taxes and fees constitute 16% and 21% of mobile sector revenue respectively, well above the Sub-Saharan average of 12% and 14%.¹¹⁶ If not properly addressed, these challenges may collectively constrain engagement with the digital gig economy for those who would otherwise have the ability and willingness to pay for the services it provides.

CASE STUDY: LYNK



Background

Lynk was founded in 2015 and operates as both an e-commerce store selling furniture and as a marketplace for furniture, cleaning, installation, repair, and maintenance (IRM), and beauty services. As part of the marketplace, individual consumers and businesses can access services provided by blue-collar workers such as carpenters, plumbers, and beauticians. While they initially focused on the B2C segment, lower than expected market demand – due to factors such as willingness to pay and size of the addressable market – led to an increased focus on B2B services. This required Lynk to provide standardized training and improved customer service, leading to growth in corporate demand for the platform to take on larger pieces of work.

Adaptations to the evolving regulatory environment

Gig workers lack social and personal protections and in the case of those operating in high-risk service lines, the risk of workplace injury is even higher. Lynk engaged in a project with Microsave consulting and BritamInsurance to create a pay-as-you-go microinsurance product. The group personal accident cover protects gig workers in the event of an accident, permanent or temporary disability, and death. The product was designed to cater to the platform's nuances, for example, in recognizing that workers may not work with Lynk every day, the insurance covered any 400 workers on each given day. From its inception, it was designed to address factors specific to gig workers such as frequency of work and risk profile.

Lynk adapted its recruitment model to better standardize skill levels among their gig workers. Lynk discovered that varying levels of technical and soft skills among gig workers was impacting the customer experience journey. In response, Lynk created an 'incubation' period for all new platform workers that lasts 6-12 months with the aim of training gig workers, across service lines, to an acceptable minimum level. However, as independent contractors who are free to take up other jobs, Lynk initially found it difficult to coordinate the training and has, from about a year ago, adapted their business model to now hire gig workers on a fulltime basis for the incubation period. On completing their training, gig workers are transitioned back to independent contracts. Like permanent employees, the gig workers receive a fixed salary and all other statutory benefits during the incubation period. As an example, Lynk helps gig workers register for NHIF and NSSF, although once they transition to independent contracts, the onus to contribute to the social schemes falls back on the workers.

Lynk, provides, where possible, registration support to their gig workers in some sectors to avoid project delays. Gig workers in the IRM service line require a yearly license from the National Construction Authority (NCA) to work with B2B clients and projects, and delays in obtaining these can extend project deadlines. Lynk highlighted that many gig workers do not have these licenses as they are unsure of the application process. Recognizing this gap, Lynk has a team to guide workers in the process of obtaining all necessary licenses.

Lynk piloted a fund to provide their gig workers much needed access to capital. Limited access to finance hinders Independent gig workers from obtaining the tools required to operate. In exploring opportunities to address this challenge, Lynk ran a pilot with BFA Global and Digital Divide Data (the lender), where a fund pool was used to provide loans to eligible gig workers.

Other key non-regulatory considerations

Many informal sector workers lack the necessary skills to operate in the gig economy or business in general. Businesses interviewed reported that many informal sector workers have poor soft skills (e.g. project management and task prioritization) that may negatively impact customer experience, some are not very digitally fluent which limits their use of digital platforms, while others lack business skills and therefore may not be able to effectively price their goods and services. In particular, online workers may struggle to obtain international work because they are unable to compete with international talent.

2.2. POLICIES AND REGULATIONS IN TANZANIA

Though digital gig platforms continue to gain momentum within the economy, legislation has been slow to adapt to the shifting landscape. With few regulations focused on the digital economy, and even fewer guiding digital gig platforms specifically, platforms are forced to navigate existing legislations that do not adequately cater to the nuances of their business models. Unlike the situation in Kenya, tax authorities are yet to explicitly develop legislature for services provided through digital marketplaces and plans to introduce withholding tax may impede the growth of platforms. In the absence of social protection regulations protecting gig workers, its provision remains discretionary. The law is also silent on consumer protection requirements for gig platforms, with Tanzania having a particularly weak data protection regime. Digital infrastructure remains largely unutilized due to high cost and uncertainty within the digital gig platform licensing framework which has led to mixed fortune amongst different platforms.

Taxation

There is uncertainty around the extent of digital gig platforms' exposure to VAT in Tanzania. The VAT Act 2014 is theoretically applicable to the digital gig economy as it covers services provided and delivered through a telecommunication network.¹¹⁷ Under the services provided for, the Act caters for a few ICT intensive areas such as website building, web hosting, or remote maintenance of programs and equipment. However, it does not cover the broad spectrum of services that can be facilitated through the digital gig economy. Based on the above Act, gig workers, within some microtask and business process outsourcing platforms, that provide any of the highlighted services may be subject to VAT exposing them to the collection of dues by revenue authorities, possibly extending to backdated dues. However, the authorities have not put in place practical means of collecting the tax from these gig workers. Furthermore, the Act does not provide any clarity on the extent other platforms are liable, particularly those that have no physical presence in Tanzania but continue to act as a conduit for such services.

Taxation on gig worker earnings that is not phased over time might impact the growth of the digital gig economy in Tanzania. Platforms operating in Tanzania have expressed concerns over plans to impose a tax on gig worker earnings by having the platforms themselves withhold a percentage of gig worker's earnings. From a tax authority's perspective, gig platforms provide a semblance of formality to the largely informal gig economy and could facilitate easier collection of government dues. However, platform operators have

cited that this would negatively impact uptake and retention of gig workers. The present state of the informal sector allows workers to retain their full earnings and attempts to enforce statutory deductions may likely reduce uptake. These concerns have been foreshadowed by platforms that engage with gig workers as consultants, as such platforms are by law required to withhold 5% of consultant's earnings. The platforms that have consultant contracts with gig workers highlighted that given limited understanding of regulatory requirements, workers were quick to voice dissatisfaction with the reduction of their dues. Therefore, platforms would need to choose between taking up the tax burden themselves or passing it on to consumers. The former will reduce margins while the latter will likely lead to the loss of price-sensitive customers, particularly if the full level of income tax is implemented overnight.

Labor Policies

Gig platforms in Tanzania are not legally required to provide employment benefits or social security protection to gig workers, although some are doing this independently. The Employment and Labor Relations Act (ELRA) and Public Service Retirement Benefits Act states that companies must provide benefits such as annual leave, sick leave, minimum wage, and a pension for salaried employees, but not for independent contractors. Certain regulatory provisions were introduced to provide some form of social protection for informal workers. The Community Health Fund (CHF), established in 2001, allows households to voluntarily register for community-based health insurance at the district level. The fund, co-financed by the household and government, pays for the provision of basic health care services.¹¹⁸ Regardless, no provisions compel platforms to provide such benefits, however, some do provide some benefits to their gig workers. FixChap, for instance, facilitates access to social security and health insurance.

However, most companies interviewed in Tanzania remain hesitant to provide extensive social security protection for gig workers on their platforms as the functioning of their business models is pegged on their ability to engage with gig workers as independent contractors and not employees. Due to this, many companies are not willing to risk blurring the line as to whether the gig workers are employees or independent contractors by providing such benefits of their own volition.

A downturn in economic activity negatively impacts gig worker livelihoods even more because they do not enjoy the same relative stability as employed workers with fixed income. The COVID-19 pandemic has helped to further shed light on the vulnerability of informal gig workers. With the request for artisanal services limited to only those that are necessary, FixChap highlighted how platform growth has abruptly been halted. Reduced gigs have greatly affected workers earning capability on platforms. Also, the absence of benefits such as health insurance puts them far more at risk than salaried employees in the event of a pandemic or other health concerns.

Consumer Protection

Vetting of gig workers is not required by Tanzania law but platform operators conduct basic screening at their own discretion. As is the case in Kenya and Ethiopia, Tanzania has no laws that explicitly require the vetting of gig workers by platforms. However, platforms have put in place some basic internal vetting processes that include requesting and reviewing police clearance certificates and proof of residence. Bigger international platforms have more vetting processes in place, adopting most of these from their global counterparts. For instance, Uber has begun to issue psychometric tests to potential drivers as part of the screening process in Tanzania. As in other markets, failure to standardize vetting requirements exposes customers to potentially varied quality of service and in some instances actual physical harm. Implementation of minimum vetting requirements would help streamline quality and safety measures to the benefit of Tanzanian consumers, potentially helping to increase uptake and subsequently growth in gig jobs and the digital gig economy.

Liability for the actions by gig workers is also not referred to explicitly in Tanzanian law. Most platforms engage with gig workers as independent contractors. As opposed to traditional employment where the employer may be held liable for the actions of their employee, independent contractors are taken by definition to act independently. Regardless, due to reputational risks, most platforms operating in Tanzania do not renounce liability in absolute terms. Varied approaches have been taken by platforms when handling customer claims. For example, ride-hailing platforms approach liability on a case by case basis. Artisanal and homecare platforms are willing to take more liability as their model is based on providing a high standard of quality to their customers. FixChap, for instance, stipulates in its policy that it accepts liability for damages occasioned by the gig workers on their platform and shares the cost of the damages with the gig worker. By instilling trust amongst users this approach can help grow demand for services and increase job opportunities, through increased customer uptake and retention.

Tanzania has weak data protection laws, which pose a threat to the digital gig economy. Unlike in Kenya, Tanzania does not have in place a Data Protection Act. A data protection bill is currently being drafted but is yet to be unveiled. The government is seen to pose a potential threat to data protection rights in Tanzania, and there are fears the government could seek to obtain real-time linkage to some of the platforms and access real-time location data on their users. For many international companies especially, data protection is an extremely sensitive area given increased consumer awareness on their right to privacy and protection of their information.

In addition, a Public Notice dated 31st January 2020 was issued by the Tanzania Communication Regulatory Authority enforcing the requirement in the Electronic and Postal Communications Act (CAP 306) for all companies operating in the country to have a .tz domain. This has been viewed as an attempt to increase control of the digital landscape and the ability to access information by controlling the country code top-level domain.

Licensing

The ride-hailing sector aside, there are no licenses specific to the majority of digital gig platforms in Tanzania, forcing businesses to adapt to sector-specific licensing requirements or negotiate concessions. Under the governing legislation, all entities wishing to conduct business need a valid business license from the appropriate sector authority.¹¹⁹ Some types of gig work also require individual licensing and accreditation for workers e.g. electrical maintenance workers. In some cases, existing licensing legislation in a specific sector has been cost-prohibitive and required platforms to negotiate with the government to manage costs. For example, when ride hailing platforms initially expanded into Tanzania, the absence of appropriate licenses for their drivers posed a challenge as existing taxi and tour operator licenses were prohibitively expensive. This prompted Uber to negotiate with the Dar City Council to obtain special operating stickers for their drivers. The Land Transport Regulatory Authority has subsequently sought to streamline the sector through the Private Hire Regulations proposal. The proposed regulations provide for an operator license fee of TZS 1,000,000, as well as a 0.5% levy, which platforms consulted with do not find prohibitive. They are however opposed to the proposed real-time data integration for purposes of revenue identification and price regulation by LATRA. Even as reform comes to the ride-hailing sector, a lot of uncertainty surrounding licenses within the gig economy leaves most platforms at the mercy of a licensing body that is itself struggling to understand the gig economy. For this reason, two platforms with similar business models may find themselves operating under different licenses with significantly different fee requirements.

A Commission Agent license allows for operations across different sectors. FixChap, an artisanal platform, obtained a Commission Agent license to operate. A Commission Agent license operates much like a uni-

fied license, which would allow for a platform to operate in different sectors provided that the business model remains one of collecting commissions from gig workers. A Commission Agent license is a Class “A” license, issued by the BRELA. Under the Finance Act 2014 amendments to the Business Licensing Act, a Commission Agent License as a principal license is TZS 300,000/- (USD 129). From consultations, the platforms find the cost reasonable and not prohibitive. The ability to operate in different sectors under a unified license positively impacts gig platforms’ ability to scale as they can easily initiate new product lines or pivot to better-performing sectors.

Digital infrastructure

The National ICT Broadband Backbone (NICTBB) remains underutilized. The NICTBB involved the laying of about 7,500 kilometers of fibre optic cable connecting international submarine cables SEACOM and EASSY in Dar es Salaam to enable connectivity to global internet infrastructure, with roll-out beginning in 2009.¹²⁰ Despite the vast area covered by the fibre optic network to date and substantial allocation of funds towards its development, it is estimated that over 70% of the backbone remains unutilized in many districts. Underutilization has been attributed to ICT products being too expensive and low ICT skill development.

¹²¹ **Tanzania has high mobile-centric taxes.** GSMA highlights that 35% of the total cost of mobile ownership is attributed to taxes. Mobile devices, calls, SMS, and data usage incur a VAT rate of 18% and an excise tax of 17%.¹²² High sector-specific taxes act as barriers to increasing the ownership of smartphones and the use of data, and GSMA has attributed the limited use of the internet in Tanzania to high excise on airtime and data. This has likely slowed down the uptake of digital gig platforms in the country for both consumers and gig workers.

CASE STUDY: FIXCHAP



Background

Founded in 2018, FixChap is a digital gig platform that provides access to repair, maintenance and installation services to home and office owners in Tanzania. The services provided include electrical, plumbing, painting, amongst other artisanal services. FixChap presently operates as a B2C model but intends to begin B2B operations as well.

Adaptations to the evolving regulatory environment

In the absence of platform-specific licenses, FixChap uses a Commission Agent License, allowing it to operate in different sectors. With no digital gig platform-specific licenses available, companies are forced to find licenses that most closely describe the type of business being carried out. FixChap, therefore, has a Commission Agent License that allows them to charge a commission on the earnings of gig workers for jobs secured through the platform. A Commission Agent license operates much like a unified license, with FixChap able to easily expand across sectors provided that the business model remains one of charging a commission to gig workers.

FixChap intends to comply with the government directive to switch to the .tz domain, limiting its reach. The Government through the Tanzania Communication Regulatory Authority issued a public notice directing companies to switch to .tz domains. Though FixChap intends to comply as they presently operate a .com site, they do find the policy restrictive to companies and platforms that have growth ambitions beyond the Tanzanian border.

Recognizing its importance to gig workers, FixChap fulfills its social protection responsibility even in the absence of legislation. Though no statutory provisions are compelling the company to do so, FixChap provides gig workers with social security and health insurance benefits. FixChap views this as a means to improve the standard of living of gig workers, fulfilling their corporate social responsibility. The contribution to the social security fund is optional.

FixChap accepts liability for damages occasioned by the gig workers on their platform. Similar to social protection policies, there is no specific legislation assigning liability to platforms for actions of independent contractors on their platforms. Regardless, FixChap does take liability for the actions of servicemen on their platform, sharing any damage costs between the company and workers.

FixChap also conducts comprehensive vetting of gig workers. With no standardized vetting requirements, companies are free to set their own policies. FixChap conducts a two-part vetting process, namely a background, and skill and experience check. For the background check, they require a letter from the Municipal Council, a National ID, and information on next of kin. For the skills and experience check, FixChap conducts interviews with experts in the relevant field. This helps to ensure that the quality of servicemen on the platform is of an appropriate level and safeguards the company's reputation.

Other key non-regulatory considerations

There is a digital technology skills gap in Tanzania which constrains uptake by consumers and gig workers. As highlighted by FixChap's progress, internet penetration and ownership of smartphones have not proven to be a significant barrier for gig workers. This was attributed to a shift in the perception of mobile phones and the internet from being a luxury to an essential tool for business. Lack of digital skills has proven to be a greater challenge, with many facing difficulties in using the platform. This has also resulted in an increase in the company expenses through the provision of training as well as in the app development phase where the gig-worker facing app had to be simplified compared to the customer-facing one.

Language barriers pose a challenge to the adoption of digital gig platforms. It is estimated that about 53% of active digital platforms in Tanzania are imports from Europe and America, many of whom operate as gig platforms.¹²³ With Swahili being the main language spoken in Tanzania, the language interface poses a challenge to both gig workers and consumers.

Weak online mapping services is a challenge for platforms requiring navigation. Many transport sector gig platforms (e-hailing and courier services) depend on Google Maps for navigation. One of the ride-hailing companies operating in the region highlighted that the mapping system in Dar es Salaam was not as well developed and robust as it is in Kenya, leading to delays for customers and potentially negatively impacting overall uptake.

2.3. POLICIES AND REGULATIONS IN ETHIOPIA

With a relatively nascent digital economy, there are no regulations and policies in Ethiopia which specifically apply to digital gig platforms. Currently, the Proclamations, or pieces of legislations that regulate businesses in the country do not have specific provisions for digital companies, leaving them with the burden of fitting into various structures and regulations created without their operational models in mind. Similar to Tanzania, there are no specific provisions for taxation which creates concerns about compliance for startups. The labor laws also do not account for workers who rely on digital platforms for income, leaving them without mandatory social benefits such as healthcare and pensions. Furthermore, while the consumer protection laws protect consumers from business malpractices, there is no clear legislation on the rights and responsibilities of customers, gig workers or customers in the digital gig environment. Licensing has also stood out as a key challenge for firms in the space, with companies having to find various sectors they fit into instead of being classified as strictly digital platforms.

Taxation

There is uncertainty around the application of existing tax laws to the digital gig economy, creating an environment where platforms perceive a constant risk of penalization. Ethiopia's tax landscape is guided by Tax Proclamations, such as the VAT Proclamation and Income Tax Proclamations, with business subjected to corporate income tax of 30%, turnover tax of 2%, and value-added tax of 15% among others.^{124,125} However, legal experts highlight that the Ethiopian Ministry of Revenues is yet to communicate a clear position on the taxation of the digital gig economy, and with such companies not categorized in the Proclamations, this poses an existential risk to startups in the digital economy that are trying to be compliant.¹²⁶ Without clarity, varying interpretations of the law may lead to firms being adjudged as non-compliant and subsequently being penalized. This has caused unease among platforms, with one founder highlighting his concerns around being found non-compliant by the tax authorities.

VAT reporting regulations do not consider the operating models of digital gig platforms, leading to time inefficiencies and unnecessary costs. Current VAT compliance regulations require physical receipts to be submitted to the Ministry of Revenue as proof of transactions. This assumes that the exchange of cash and receipts occurs at the same time and place for goods or services rendered. However, due to the nature of some types of gig work (e.g. microtask work) the gig worker may not always be in the same physical location as the customer and since electronic receipts cannot be used as fiscal documentation, gig workers and companies need to prepare and provide significant documentation to ensure proof of transactions. The necessary manual process has been highlighted as a time-consuming and costly process for companies and gig workers.

New legislations by the government of Ethiopia are expected to address some of these taxation challenges going forward. The government has been looking to improve the taxation reporting processes, such as the piloting of electronic payment systems for tax in 2019, which is expected to reduce the time it takes to pay taxes and reduce the number of physical appearance of tax payers in government offices in comparison to the old cash payment system.¹²⁷ Another supporting regulation, the Electronic Signature Proclamation of 2018, that is yet to be passed, has also been made in mind to ease administrative burdens by treating electronic signatures and messages equally with hand written signatures and documents and repealing laws and regulations that mandatorily require handwritten signatures and documents.¹²⁸ The Ministry of Innovation and Technology is also in the process of preparing a digitization strategy that is expected to set the tone for initiatives that are needed to make digital transformation a reality such as e-government services that assist in ease of doing business. From a taxation point of view, a consultation with an administrator indicated that directives developed from an upcoming Startup Proclamation are also expected to provide more clarity on the taxation of startups.

Labor policies

As is the case in Kenya and Tanzania, lack of labor legislation specific to gig workers leaves some vulnerable to workplace injuries and reductions in consumer demand. Ethiopia's Labor Proclamations do not currently provide clear guidelines on the classification or treatment of gig workers. While recent updates have strengthened labor legislation for employees around several key areas such as setting up a Wage Board that will be carrying out studies to set and review minimum wages and increased employee leave days, there are no welfare or social security provisions for digital gig workers or requirements stipulating that platforms provide a minimum level of cover, leaving them unprotected without benefits such as paid sick leave, health cover, or pensions.¹²⁹ Given that digital gig platforms have had limited traction in Ethiopia to date and few gig workers rely solely on digital gig work as their sole source of income, there are likely to be few gig workers who are substantially at risk as a result of this lack of clarity. However, working with platforms to agree and put in place a minimum level of coverage could make the digital gig economy more attractive to workers.

Independent contract usage limits may lead to poor service quality and increased training costs. Some stakeholders interviewed highlighted that there are existing regulations relating to contract durations for non-permanent staff. These stipulates that contract workers may only be employed for a maximum of 11 months and consultants may only be employed for a maximum of 6 months, renewable 3 times. In considering the nature of gig work and the interpretation of regulations, this has implication to digital gig platforms and their workers. For example, hiring new workers every 11 or 18 months will lead to increased recruitment and training costs. Furthermore, a constant turnover may lead to challenges in maintaining quality of service as workers become ineligible for contract renewal just as they gain experience and while it's unlikely that platforms will adhere to this, the government needs to provide a clear exception for digital gig platforms.

Consumer protection

As a result of gaps in consumer protection legislation, some digital gig platforms have reduced their service offering to avoid potential liability. The Trade Competition and Consumers Protection Proclamation does not dictate any requirements specific to the digital economy but outlines the rights of consumers which includes the right to claim compensation from the provider of goods and services for damages suffered from the consumption or use of the good or service. As highlighted by the owner of a cleaning service provider, a lack of insurance products to cover such liabilities in the market has contributed towards the company choosing not to offer lower value services like home cleaning, affecting diversification of product lines and resulting in them missing out on a potential market opportunity.

In absence of minimum vetting requirements, some companies employ requirements that balance consumer protection and growth. Just as in Kenya and Tanzania, many Ethiopian digital gig platforms have independently put in place vetting processes for gig workers. Several platforms ask gig workers to provide evidence of a clean police record, while one artisanal platform requires its gig workers to provide a financial guarantor to encourage worker accountability and to be able to provide recourse to customers for incidences such as theft or harm to the customer. However, the requirement also creates a barrier to entry for gig workers as many do not have people that meet the criteria in their networks. This may impact a company's ability to attract gig workers which in the long run, will impact the company's ability to scale. As for the same reasons highlighted for Kenya and Tanzania, a lack of standardized vetting mechanisms can impact the customer experience, company reputation, and worse, industry reputation.

Current data protection laws may discourage foreign investment and participation in the gig economy. One such data protection law is the Computer Crime Proclamation which allows courts to grant investigative organizations access to real time computer data for prevention of computer crimes and for collection

of evidence.¹³⁰ Whilst local companies have not highlighted this to be a major issue or impediment to their operations, it has the potential to discourage foreign investment and direct foreign participation in the local digital gig economy scene because the companies may employ data practices that do not allow for unrestricted access. Opportunely, administrators are in the process of developing more comprehensive data protection laws modelled around international standards such as the General Data Protection Regulation (GDPR).

Licensing

Stringent and bureaucratic licensing requirements reduce flexibility for platforms and gig workers in Ethiopia. As it stands, a digital gig platform would have to get a license for each additional service they provide. In addition to a commercial business license, a typical digital gig platform will also require an ICT value added license as well as licenses required by the different authorities that govern the specific services (e.g. logistics, taxis, plumbing) they are providing. This increases the company's costs of compliance to acquire the licenses and ensure all workers are appropriately certified, presenting platforms with a significant barrier to innovation and scaling.

Stringent licensing regulation has forced platforms in Ethiopia to adapt their revenue collection models. An artisanal platform interviewed is currently only licensed to act as a marketplace between consumers and service providers, leaving it unable to collect money directly from customers out of concern of being classified as a company providing that service. This would oblige the company to seek additional licenses related to the service provided as opposed to just a commercial business license and an ICT license. Another platform interviewed has adapted its revenue collection model by requesting gig workers to provide an upfront deposit. Once a job is completed and the gig worker is paid directly, the platform deducts a commission amount from the deposit. These deposits, however, are said to be a major barrier to gig workers joining the platform as many lack the upfront capital.

Licensing regulations have limited the speed at which platforms in Ethiopia can take advantage of opportunities to respond to the COVID-19 pandemic. Specifically, one platform attempted to introduce a cleaning service in response to the increased demand for disinfection services, however, requirements such as an HR license and the need for a dedicated HR personnel has delayed the rollout of their cleaning service. Delays such as this impact a company's ability to grow, limit employment opportunities for eligible gig workers and reduce opportunities for regulatory and tax authorities to earn revenue from business services offered. Looking forward however, it was highlighted in a consultation that the government is looking to experiment with a legal sandbox for companies in the digital space which will enable them to find the right licenses and potentially reduce registration timelines and fees.

Laws around who can use company assets has forced some gig companies to permanently hire staff to avoid being penalized, increasing operational costs. In the middle of 2019, the government banned the use of motorcycles in Addis Ababa, citing the rise in motorcycle related crimes. This ban affected all the drivers providing delivery and collection services to businesses including those in the digital gig economy. However, there was an exception for licensed businesses conducting operations using motorcycles. In light of these regulation changes, one delivery and collection service provider reported that they subsequently purchased their own fleet of motorbikes. However, this decision created another challenge as legislation only allowed company employees to use company assets. As a result, and in order to continue operating, the platform decided to employ their gig workers on a full-time basis to avoid potential liability issues.

Lack of stakeholder consultation prior to implementation of new laws affect business operations. In introducing the motorcycle ban referred to above, the government did not engage all stakeholders, instead of imposing a blanket ban, with few exceptions, with very little time for people to adjust. Also, poor commu-

nication between the legislative and enforcement authorities led to motorbikes being impounded by local authorities earlier than the stated deadline date. This cost multiple businesses, including those in the digital gig economy, substantial losses. For example, one, delivery platform had to stop operations as their gig workers' bikes were impounded.

Digital infrastructure

The country has decent mobile penetration but high costs keep uptake low. At present, mobile broadband connections (i.e. 3G and 4G sim cards as a percentage of population) sits at 34%, which is lower than Kenya's 41% but higher than Tanzania's 32% in 2018.¹³¹ However, with Ethio Telecom as the sole telecommunications operator in the country there has been a lack of competition which lowers the incentive for the incumbent player to innovate and invest in improving the product offering and the customer experience. Furthermore, it has led to high costs, with the price (USD) of 1GB of data coming at 5.28% of average monthly GNI per capita, which is the highest among all three countries in this comparative assessment.¹³²

Low smartphone penetration and "app literacy" have pushed platforms to adapt their customer channels to expand their customer base and target market. For example, an artisanal and cleaning service platform interviewed combines the use of a mobile application, a USSD/SMS service, and a call center to engage customers across the customer journey. The platform highlighted that over 90% of the job requests came through the use of the call center and the USSD service, rather than via the application. As platforms grow, this approach has cost implications with more employees required to service queries and provide support. Another ride-hailing app interviewed also employs a similar hybrid digital and analogue model, with riders using an app to hail a driver but pricing communicated to the customer through a call. Once a ride is complete, a call agent calls the customer and indicates the distance traveled and the corresponding price. In spite of the adaptations, further improving customer experience and application functionality will require greater smartphone usage.

Internet restrictions are hurting the digital gig economy. The government has shut down the internet on multiple occasions in the past, with shutdowns being reported at least twice a year since 2015. State of emergencies, anti-government protests, or exam cheating are reasons that have previously been cited for the shutdowns.¹³³ These shutdowns have on occasion been reported to go on for as long as three months, and have resulted in significant financial losses, with one platform highlighting losses of up to USD 4,000 for each day the internet is shut down.

There was generally a positive outlook on the future state of Ethiopian digital infrastructure despite the current challenges. The government is currently undertaking efforts to denationalize the telecommunications sector with consultations being held to issue two new licenses and plans in partly selling off the incumbent mobile network operator.¹³⁴ This has been coupled with a rise in the number of mobile money platforms such as Mbirr, Hello Cash and Amole, although interoperability can be improved further. Limited interoperability has forced platforms to set up multiple accounts, raising transactional costs, and costing potential revenues for businesses unable to do so. Nonetheless, efforts to increase private sector participation in the sector are indicative of a promising digital infrastructure landscape and are expected to drive lower data costs and higher uptake of mobile money which in turn are set to benefit the digital gig economy.

CASE STUDY: TASK MOBY



Background

Founded in 2016, TaskMoby is an Ethiopian based platform that connects gig workers and customers looking to get services such as plumbing, electrical installations, and TV satellite dish installations. Other services include home cleaning, laundry, and baby care services with the company operating in both the B2B and B2C space.

Adaptations to the evolving regulatory environment

Existing regulation surrounding licensing has pushed the company to adopt two methods of collecting revenue for its B2C and B2B services. For B2B services, Taskmoby is required to have the relevant licenses for services provided such as plumbing or construction and directly bills the customer. For B2C jobs where the company does not have the required licenses, the gig worker is responsible for billing the client and collecting payment, with TaskMoby receiving a commission from the gig worker.

Legislation around physical printing fiscal documentation has increased cost and complexity of financial reporting. As a licensed entity, the company needs to issue physical receipts for any amount collected, increasing cost and complexity of financial reporting. The management highlights that it makes sense for B2B work but is currently cumbersome and expensive for smaller B2C jobs.

Licensing requirements have slowed down the company's ability to bring a new service to market. Plans for the company to hire 1,000 domestic workers to provide disinfection services in the wake of COVID-19 have been slowed down due to the requirements for the company to acquire an HR license and hire a HR manager.

Despite a lack of platform-specific legislation around customer protection, Taskmoby's requirements for gig workers to have a financial guarantor has affected the company's ability to scale. While the company is not legally liable for unsatisfactory work done by gig workers in the B2C space, the company still provides mechanisms to protect customers against incidences such as theft. This includes carrying out background checks as well as a requirement for workers to provide a financial guarantor, which has been a challenge for some of the gig workers. The company in collaboration with the Livelihoods Improvement for Women and Youth (LI-WAY) project, is developing an insurance solution that would protect both, the customer and the service provider.

High data costs and poor smartphone penetration pushed the company to incorporate additional channels. Despite the company's original plans to drive transactions through a mobile app, the digital infrastructure ecosystem pushed the company to incorporate a call center service from which roughly 90% of their requests come from. However, as the country plans

to open up the telecommunications industry, the company is considering moving more people to the mobile application.

Investment restrictions and foreign investment requirements

Current restrictions on foreign investment have prevented global players from entering the digital gig economy in Ethiopia. Banking, insurance, broadcasting services, import and export, and small-scale businesses are examples of sectors that are excluded from foreign investment.¹³⁵ In contrast, traditional sectors such as mining and agriculture do not face these restrictions and even come with government incentives. Investments are allowed into the logistics sector but require a minimum of 51% local ownership. Therefore, international platforms that operate in sectors that have limited or no foreign investment allowed may be unable to enter the Ethiopian market, or if they do, would need to cede majority control to a local partner. This has been a contributing factor to international digital gig platforms operating in the delivery and collection and transport sector, such as Glovo, Uber and Bolt, staying out of Ethiopia to date. These restrictions have reduced employment opportunities for potential gig workers, limited consumer choice, and decreased potential tax revenues earned by the government. However, some may also argue that these restrictions provide opportunities to local players and allow them to develop without the threat of international competition.

Foreign exchange controls discourage investment. Additionally, foreign exchange controls are a major talking point as foreign investors face stringent forex regulation. Foreign companies are noted to only be able to convert up to 90% of their investments back into foreign exchange and for companies operating outside the non-priority sectors such as energy and mining, companies are highlighted to often face difficulty in getting foreign currency out. This coupled with restrictions on repatriation of profits, among other reasons has affected the investment landscape and has been one of the main reasons highlighted by a major ride-hailing platform for not investing in the country.

High capital requirements do not meet the smaller ticket sizes required by local companies. USD 200,000 is the minimum ticket size for foreign investors looking to invest in the country for a single project. This is in stark contrast to the actual investment needs, with consultations highlighting that typical investment requirements for startup gig platforms is USD 10,000 to USD 15,000. Legislation such as this block digital gig platforms from accessing vital funds from international early stage investors. Compounding this problem of a lack of access to capital, traditional banks are noted to not favor financing non-collateralized applications. Startups with minimum or no assets at all are therefore disadvantaged in accessing finance.

Looking forward, the government has proposed economic reforms which seek to provide exceptions for investments into innovative local startups by international private equity, venture capital, and angel investors. The Ministry of innovation and technology has also introduced an innovation fund intending to provide access to capital for startups in the digital space.¹³⁶

Other key non-regulatory considerations

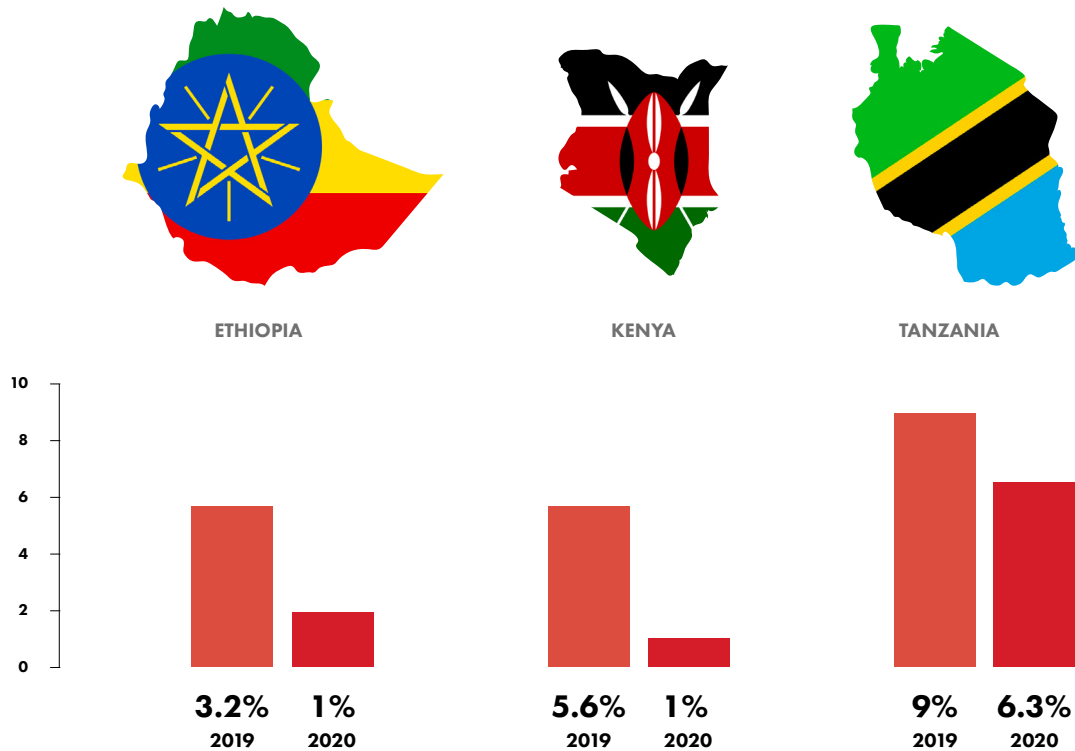
Culture, literacy, and language affect uptake of digital gig platforms. One platform owner highlighted that regulations are often informed by culture, and this at times may not be done in a way that promotes the digital economy. Additionally, one other consultation with a trade and development expert highlighted that low literacy levels among groups like migrants who form a key part of the informal workforce in the country

and the use of multiple languages such as Amharic, Oromo, and Tigrigna were factors make the building of inclusive platforms challenging.

Enablers and support services are not in place to catalyze the growth of Ethiopia's nascent digital eco-system. It was also noted that an underdeveloped digital ecosystem lacked significant support services for startup entities as there are few incubators, accelerators, and research institutions that can provide the necessary support to platform developers. Government entities however are looking to change this with the currently developing Startup Proclamation that is in the works that is expected to address issues related to financial access, investment requirements and licensing of the digital economy among other areas.

3. Impact of COVID-19 on the digital gig economy

Figure 6: Impact of COVID-19 on the digital gig economy



The COVID-19 pandemic has led to a decline in economic growth and business activity globally, with the IMF projecting a 3% decline in global GDP in 2020. Health crises, demand shocks, and a plunge in commodity prices are all expected to have a huge impact on emerging markets, with projections for Kenya's GDP growth falling to 1% in 2020 from 5.6% in 2019. Tanzania and Ethiopia are also expected to see large drops in economic activity with growth estimates falling from 6.3% and 9% in 2019 to 2% and 3.2% in 2020 respectively.¹³⁷

It is anticipated that much of the digital gig economy will face the same predicament, as actions to limit the spread of the virus such as travel restrictions, curfews, and city lockdowns have decreased consumer and business spending affecting uptake of services.¹³⁸ For example, on a global scale, platforms like Uber have been adversely affected, with the company announcing a layoff of 3,700 full-time staff in early May followed by 3,000 less than 2 weeks later in the wake of COVID-19.^{139,140} This has affected gig workers who are faced with decreased income earning opportunities, negatively impacting their standards of living.

The pandemic has also exposed inherent weaknesses around labor policies within the gig economy and has further heightened the urgent need for long-lasting solutions. Specifically, it has exposed the lack of measures, by the governments, platforms, and other key stakeholders, needed to safeguard gig workers. As the International Labor Organization (ILO) notes, gig workers are expected to be disproportionately affected as many do not have access to traditional employee benefits such as paid leave and medical cover.¹⁴¹ For gig workers that operate in ride-hailing, delivery, and other sectors that require customer interaction, the choice to go to work brings on added risks. The situation for them is further compounded as not only do they lose income-earning opportunities but in choosing to go to work and falling sick, they are ineligible for sick leave,

pay, and unemployment benefits.

However, in recognizing their plight, countries, some platforms, and development partners have scrambled to offer protection to gig workers. For example, platforms like Uber have instituted financial assistance schemes for drivers diagnosed with COVID-19 or ordered to self-quarantine by a doctor or public health authority in most countries they operate in.^{142,143} Additionally, countries like the UK have provided support to gig workers through grant schemes, providing these workers with a monthly payment to protect them from financial hardship. Furthermore, other organizations have also played an important role such as the Worker's Lab, an organization that innovates solutions for low wage workers, which created a 'Workers Fund', funded by donor money, that offers emergency cash transfers to gig workers during the COVID-19 pandemic.¹⁴⁴

In the face of challenging operating conditions and the need to continue providing services (either to survive, take advantage of opportunities, or because they were considered essential), platforms have also adapted their work processes in order to keep their staff and their customers safe. For example, global e-commerce company Amazon, after much negative publicity, now provides protective equipment for its warehouse staff. In Kenya, Uber is giving free reusable masks for driver partners and delivery staff, and food delivery service providers such as Glovo have introduced 'drop at door' options, where deliveries are dropped at the door requiring no interaction with the customer.^{147,148}

The stakeholders of the digital gig economies in Kenya, Tanzania, and Ethiopia have fared no differently to those in other countries, with gig workers bearing the brunt of the impact, significantly hurting their livelihoods. Companies that can, have tried to adapt to new opportunities, protecting their incomes and the incomes of their gig workers. Nonetheless, the pandemic has highlighted the need for more long-term solutions to safeguard gig workers in times of sickness or economic crisis.

3.1. IMPACT ON KENYA

Kenya implemented measures to curb the spread of the disease. Measures in place included dusk to dawn curfews, closure of schools and places of worship and restaurants, among others. The government also imposed travel restrictions in and out of main cities including Nairobi and Mombasa.¹⁴⁹

Platforms and gig workers have reported decrease in economic activity. In Kenya, where the government has taken measures such as a dusk to dawn curfews, ride hailing platforms have had to adjust to decreased operating hours.¹⁵⁰ This, coupled with travel restrictions within the country have affected opportunities for drivers as highlighted in a survey by the Consultative Group to Assist the Poor (CGAP) where some drivers have reported that sometimes they are not able to make a single ride in a full day.¹⁵¹ Artisanal service platforms have also experienced similar problems with some gig workers in Kenya offering these services reporting decreases in business by up to 90%.¹⁵² Furthermore, international travel bans in the country have significantly reduced traffic with the International Air Transport Association (IATA) estimating 3.5 million fewer passengers traveling into Kenya.¹⁵³ This has negatively impacted accommodation platforms such as Airbnb which facilitate accommodation for tourists with industry executives estimating revenue drops of at least 60% in the travel and tourism sector.¹⁵⁴ As air travel is expected to take a while to recover, negative impact on direct (platforms, users, accommodation workers) and indirect actors is expected to continue.

However, other operating models such as delivery services have seen a rise in activity. There has been a rise in partnerships between various delivery platforms and supermarkets such as Glovo and Naivas, Sendy and Tuskys as well as Jumia and Carrefour to provide grocery delivery services.^{155,156} This has presented opportunities for the platforms to grow those business lines. For instance, Glovo, reported a 30% increase in grocery deliveries in March 2020 compared to the previous month. The online retailer Jumia and fresh

produce supplier Twiga Foods have also partnered to provide fresh produce to households across Kenya.¹⁵⁸ In addition, payment platforms in Kenya such as MPESA have waived fees and increased limits to support digital payments, which most consumers have been using with during this time.¹⁵⁹

3.2. IMPACT ON TANZANIA

The Government has put in place fewer mitigating measures to control COVID-19 compared to its East African neighbors. The country has secured ports of entry, closed down airports and schools and prepared a stimulus package for the private sector.¹⁶⁰ However, many feel that the government's response does not meet the globally accepted best practices. According to Center for Strategic and International Studies, government officials are quick to downplay the severity of the situation and are frustrating the dissemination of information. With limited visibility, it is believed that numbers are on the rise.¹⁶¹ Regardless, no lockdown or curfew has been implemented, and most businesses continue to operate as usual.

Despite few government restrictions on movement, many digital gig platforms have seen a downturn in business. From consultations, ride hailing, artisanal service and accommodation gig platforms have been particularly affected. FixChap, an artisanal service gig platform operating in Dar es Salaam, has seen reduced demand with customers only requesting for services they deem pressing. This can be attributed to precautionary measures by customers, avoiding platforms that would necessitate close physical interactions that could lead to infection.

Companies continue to leverage technology even further to bridge the digital skill gap during COVID-19. FixChap flagged limited digital skills as an impediment to the use of the application by gig workers. This has necessitated training, which was initially carried out physically. However, in light of the need to maintain social distancing, the company has begun disseminating learning material through social media applications such as WhatsApp.

3.3. IMPACT ON ETHIOPIA

The Ethiopian government was quick to implement essential measures to combat COVID-19. It has been reported that the government initiated responses ahead of many developed countries (as early as January), such as passenger screening protocols at the Addis Ababa International Airport, house to house screenings, public awareness and education campaigns.¹⁶² The government also suspended school and sporting events as well as social gatherings as the situation was monitored.¹⁶³ However, there was no national lockdown imposed with production and other economic activities encouraged to continue during the crisis.

However, a large number of jobs remain at risk which are expected to affect gig workers. It is estimated that over 1.5 million employees in the private sector, 3.1 million self-employed, and 5 million individuals from SMEs are at risk of losing their jobs.¹⁶⁴ Decreased economic activity is expected to have significant impact on both formal and informal sectors which is expected to trickle down to the digital gig economy as well.

Other gig platforms have adapted service offerings to meet growing demand. Companies in the delivery collection such as Deliver Addis in Ethiopia have expanded services to enable consumers to shop for groceries and essential goods through their platforms.¹⁶⁵ TaskMoby is also looking to introduce a disinfection services to meet rising demand for this service.

4. Recommendations

Digital gig platforms have the potential to create thousands of income-generating opportunities for low- and medium-skilled workers in Kenya, Tanzania, and Ethiopia. Given the rapidly growing youth population and the slow formal job market growth across all three countries, as well as the potential for significant tax revenue generation, governments should look to grasp the opportunity to create an enabling environment that is conducive to these businesses innovating and scaling.

However, this will require a coordinated approach across several government institutions in each country, taking a long-term approach that considers the needs of platforms, gig workers, consumers, and the government authorities themselves. The following recommendations are both specific to certain policy areas as well as offering solutions for processes and structure to drive policy innovation.



RECOMMENDATION 1: *Tax authorities should ideally clearly define tax legislation applicable to the digital gig economy and issue guidelines and implementation procedures specific to the digital economy and allow for a phased implementation approach of new policies.*

Tax authorities across the three countries can help promote compliance from the digital gig economy by providing clear and explicit guidelines on VAT, income tax, and corporate tax. Clear guidelines, a phased implementation approach, and tax measures in line with OECD recommendations will allow digital gig workers and platforms to better plan and price their products and provide comfort and confidence in their aims to be compliant. **Kenya** has made some steps in the right direction by passing tax legislation specific to the digital marketplace, which includes digital platforms, but authorities need to move quickly to develop processes and guidelines to ensure these are operationalized as currently, the implementation details are unclear. Meanwhile, revenue authorities in **Tanzania and Ethiopia** should move quickly to develop tax legislation specific to platforms to reduce the uncertainty they are operating in.

When developing and implementing legislation, **authorities** should consider equity (i.e. tax burdens should be shared across gig economy participants), efficiency (i.e. minimizing the cost of compliance for actors while maximizing revenues), and timing (i.e. a phased approach to provide adequate time to the participants of the digital gig economy to adapt and comply).



RECOMMENDATION 2: *Introduce minimum requirements that mandate digital gig platforms to facilitate access for gig workers to existing public or private social security and healthcare schemes.*

As previously highlighted, in the absence of legislation, companies vary to the extent to which they facilitate access to health insurance, pensions, or other social security schemes for gig workers. **Regulatory bodies** can introduce legislation that requires platforms to sign up their gig workers for public or private schemes.

The decision to contribute funds will ultimately likely have to lie with the gig workers themselves, but there is evidence from other markets (e.g. UK government pensions) that “auto-enrolment” can significantly increase participation and contribution to social security schemes. This would ensure that gig workers are eligible for those protections that they contribute for. With their ability to deploy resources relatively faster, development partners can help governments by designing and running pilots, that at the end of the test phase, can provide valuable insights on more permanent requirements.

In the short term, platforms can voluntarily facilitate access, allowing themselves to create and continuously improve processes and solutions that facilitate easier access to government-based or private schemes. For example, and as mentioned previously, most ride-hailing apps offer gig drivers access to insurance products with some even providing an in-app claims process.

In supporting or partnering with digital gig platforms, **funders and development agencies** can insist on contract clauses that set minimum requirements for platforms to provide access to available healthcare and social security schemes.



RECOMMENDATION 3: *Create a contribution fund providing portable benefits that gig platforms must pay into, with payments proportional to the time a gig worker was engaged through the platform*

As gig work becomes more commonplace, many recognize the importance of adapting or innovating benefit systems so that they are more reflective of this evolution in work dynamics. ‘Portable benefits’ is one such system that has been suggested for independent contractors.¹⁶⁶ It stipulates that a worker owns their benefits and is therefore not tied to a particular job or company and that requires **platforms** to contribute an amount that is proportional to the duration of or earnings from work. Portable benefits can apply to and be used for unemployment and health insurance, sick pay, and pensions may be included.

A collaborative effort between **funders, development agencies, program implementers**, platforms, and gig workers can help to create a system that at the very least suits the gig worker. This would help create a business case that can be adapted across sectors and other countries. **Governments** would benefit in operating such a system, as formal registration can be a precondition of access thus opening up potential tax revenue opportunities.



RECOMMENDATION 4: *Allocate a percentage of tax revenues earned from digital platforms to an emergency fund for gig workers to support resilience in times of economic crisis.*

In the long term, tax revenues earned from the **platform companies** would contribute the necessary funds. In an economic crisis, this fund can be triggered to provide relief to gig workers within the industry. In periods when entire sectors have been hit by a drop in demand, a fund could also be used to provide income relief to gig workers who lose employment opportunities when a platform goes out of business. This income relief would be provided for the short-term as gig workers find other employment opportunities. Other than benefiting the gig workers, such a fund would reduce the need for governments to reallocate emergency monetary

resources from elsewhere to gig workers.

In the short to medium term, **program implementers, development agencies, and funders** can set up pilot funds to provide proof of concept. In piloting such a fund, **development agencies** can use the learnings gained to lobby governments on a more long-term sustainable solution. For instance, the Worker’s lab, an organization that innovates solutions for low wage workers, created a ‘Workers Fund’, funded by donor money, that offers emergency cash transfers to gig workers during the COVID-19 pandemic.¹⁶⁷ Similarly, The UK government created the Self-Employment Income Support Scheme (SEISS) to provide grants of up to GBP 2,500 to eligible and self-employed workers.¹⁶⁸



RECOMMENDATION 5: *Set minimum vetting requirements to ensure consistency across different operating models.*

In setting minimum vetting requirements, **governments** can provide consumers with confidence that all companies are following minimum safety measures when hiring gig workers. For instance, requiring artisanal platforms to ensure that blue-collar workers such as carpenters, plumbers, and electricians have the applicable professional licenses would likely improve customer trust and loyalty. Minimum requirements may also make it easier for gig workers to move between platforms as they would already possess all necessary documentation, potentially in the form of a digital ID, creating a more effective and fluid “digital gig labor market”.

However, **platforms** and other companies may choose to go above and beyond the minimum measures to distinguish themselves from competitors. The type of work or platform type will determine the minimum requirements for each platform. For instance, gig workers involved in homecare for individuals would likely require more layers of vetting compared to gig workers performing microtask work remotely on platforms.

Development agencies can work with platforms within specific sectors to develop and test minimum vetting requirements. Learnings may help develop a standardized set of requirements that considers all stakeholders covering criteria such as the cost and time resources and the ease of implementation. These recommendations can be then presented to government agencies to adopt into legislation. This collaborative effort can help speed up the otherwise usually long process of introducing legislation and in doing so provide a level of comfort to consumers that can help increase uptake, thereby growing the digital gig economy and employment opportunities.



RECOMMENDATION 6: *Classify gig workers as clearly defined entities that differ from full-time employees and independent contractors to provide greater clarity within existing legislation.*

As **governments** work towards creating legislation specific to the digital gig economy, they can use the opportunity to clearly define who a gig worker is, as well as the relevant rights and obligations of a gig worker. This will ensure all parties have a clear understanding of the rights and obligations of gig workers. More specifically, it can set out the parameters within which a platform may engage with the gig worker, thus providing

confidence to the platform to provide any permissible benefits. Clearer classification may help governments and the justice system better handle disputes between platforms and gig workers. As an example, a courier company innovated a collective bargaining agreement with a labor union, to offer drivers a 'self-employed plus' option. It is an opt-in model that entitles drivers to benefits such as holiday pay and union representation and although it is a private agreement, it offers inspiration to the possibilities at the legislative level.¹⁶⁹



RECOMMENDATION 7: *Establish a helpdesk to provide access to information to all participants within a digital gig economy.*

The helpdesk would provide digital gig economy participants all relevant information under 'one roof'. The digital nature of the platforms makes the **ministerial docket responsible for innovation, information, or technology** ideally suited to manage the helpdesk. For entrepreneurs seeking to start a new digital gig platform or existing global platforms seeking to enter a specific market, the helpdesk could provide detailed information and one to one support around licensing requirements, tax liability, and labor protections. This is similar to the model followed by investment promotion bodies (i.e. the Kenya Investment Authority, the Tanzania Investment Centre, and the Ethiopia Investment Commission), and could facilitate the entry and scaling of digital gig platforms across all three countries. For gig workers, the helpdesk could be a digital portal that enables them to quickly apply for licenses required to operate on specific digital gig platforms, like how an 'ecitizen' portal functions for visa and work permit requirements.



RECOMMENDATION 7: *Create a regulatory sandbox to facilitate business model and regulatory experimentation and innovation in a safe environment.*

Multiple stakeholders highlighted the business case for regulatory sandboxes to grow the digital gig economy by providing a collaborative environment for participants. A regulatory sandbox can be used to test ideas across the themes of taxation, labor policies, licensing, consumer protection, and any other areas that require public-private cooperation. A sandbox provides platform operators with an opportunity to explore and test ideas without the fear of repercussions or punitive action from regulators. It can help highlight the different licenses required from different regulatory bodies and can provide companies, under the care of the relevant regulatory authorities, opportunities to test ideas that promote the welfare of the gig workers without jeopardizing the employer-independent contractor relationship and thus can foster the creation of novel legislation.

Regulatory sandboxes also provide government and regulatory agencies with an opportunity to experiment with creating legislation specific to the digital gig economy and its platforms. Also, it allows them to create and continuously refine implementation and enforcement processes. Platform operators and regulatory bodies can use the sandbox to align on mutually agreeable regulations while ensuring that the gig workers are not negatively impacted. Finally, a sandbox can give gig workers a mechanism to voice their concerns and provide feedback on processes about them. They may provide feedback such as the ease of use of any reporting measures or the frequency of interaction. As an example, the Capital Markets Authority of Kenya created a

regulatory sandbox for fintech companies to test their innovations. The sandbox allows regulators to use an evidence-based approach to create legislation. The end goal is to grant licenses to the companies compliant under existing legislation, or provide letters of no objection, or consider introducing new regulation based on feedback, or deny licenses for non-compliant companies.¹⁷⁰

Striking a balance between the two will reduce the barriers to entry for digital gig economy participants while ensuring consistent future tax revenue streams. Licensing requirements that are costly and time-consuming may raise upfront revenues but may deter companies from entering the market or deter existing companies from introducing new products, regardless of any potential tax incentives. Instead, a long-term approach that encourages market entry and innovation may help to increase consumer choice, improve product quality, and lead to a decrease in prices in competitive sectors while helping to positively disrupt the status quo in nascent sectors. Assuming appropriate and fair tax measures are in place, governments stand to gain from increased tax collection from companies as they grow. The right balance will help encourage new market entrants and increase employment opportunities for gig workers in the process.



RECOMMENDATION 9: *Consider a long-term approach to licensing and tax revenues, balancing upfront or periodic licensing payments with tax revenues further down the line.*

Other market enablers for consideration

Improve digital infrastructure. All three countries have seen steady growth in digital infrastructure with Kenya leading the way in performance across access and cost metrics. Despite the growth, data costs are still considered to be high while network coverage outside of urban and semi-urban areas can be poor or inconsistent. Further reduction in data and smartphone costs can lower the barrier to entry to the digital gig economy, opening access to many more people. Expanding the network coverage would also help to create opportunities for those beyond urban and semi-urban areas and promote a more inclusive digital gig economy.¹⁷¹

For Ethiopia, create a conducive investment environment for foreign investments. The Ethiopian government classifies sectors for investments according to who can invest in them ranging from sectors purely reserved for the government to those that are open to foreign investment. For instance, the government has heavily promoted the textile industry for foreign investment, which has benefited from numerous incentives including access to foreign currency.¹⁷² The government may consider creating such exceptions for the sectors in which the key digital gig platforms operate in, owing to the possibility of engaging many potential gig workers. These exceptions could take the form of a sector-specific pilot, to begin with, and eventually lead to a roll-out across the other sectors.

Appendix

Appendix 1: Country overview, labor force, and digital infrastructure statistics

	Kenya	Tanzania	Ethiopia
Overview			
Population (millions)	47.6 (2019) ¹⁷³	56.3 (2018) ¹⁷⁴	109 (2018) ¹⁷⁵
Population growth rate	2% (since 2015) ¹⁷⁶	2.98% (2018) ¹⁷⁷	2.62% (2018) ¹⁷⁸
Population projections (millions)	54-56 (2025) ¹⁷⁹	67.0 (2025) ¹⁸⁰	130 (2025) ¹⁸¹
Urban population (%)	33% (2019) ¹⁸²	33.8% (2018) ¹⁸³	20.76% (2018) ¹⁸⁴
GDP (billions)	USD 95.5 (2019) ^{185, 186}	USD 56 (2018) ^{187, 188}	USD 84.4 (2018) ¹⁸⁹
Real GDP growth rate	5-6% (from 2015-2019) ¹⁹⁰	7% (from 2017-2018) ¹⁹¹	6.81% (from 2017-2018) ¹⁹²
Percentage of population living under USD 1.90 per day	36.8% (2015) ¹⁹³	49.1% (2017) ¹⁹⁴	30.8% (2015) ¹⁹⁵
Labor force			
Labor force (million)	19 (2019) ¹⁹⁶	27 (2019) ¹⁹⁷	53.2 (2019) ¹⁹⁸
Unemployment rate	4.9% (2019) ¹⁹⁹	9.7% (2018) ²⁰⁰	19.1% (2018) ^{201, 202}
Youth unemployment	34% (2019) ^{203, 204}	3.6% (2019) ^{205, 206}	27% (2017) ^{207, 208}
Informal workers in urban areas (million)	5.3 (2019) ²⁰⁹	-	1.34 (2018) ²¹⁰
Digital infrastructure			
Unique mobile phone subscriber penetration	51.5% (2019) ²¹¹	42% (2017) ²¹²	32% (2017) ²¹³
Smartphone penetration	27% ²¹⁴	22% ²¹⁵	11% (2018) ²¹⁶
Mobile internet penetration	24% (2019) ²¹⁷	15% (2019) ²¹⁸	Not available
Mobile broadband connections (3G and 4G connections as % of population)	41% (2018) ²¹⁹	32% (2018) ²²⁰	34% (2018) ^{221, 222}

Mobile money transaction value (billion)	USD 42.6 (2020) ^{223,224}	USD 1.43 ²²⁵	-
USD Price of 1 GB of mobile data as % of monthly GNI per capita	3% (2019) ²²⁶	5.11% (2019) ²²⁷	5.28% (2019) ²²⁸

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