Southern Africa and the Digital Challenge: How the G20 Can Influence a Digital Turnaround in the Region

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The economies of southern Africa all face significant development challenges, not helped by the fact that many of these countries are ill-prepared for the demands of the rapidly advancing digital era. Given its heterogeneous membership and therefore sensitivity towards the awkward dynamic between traditional and new technologies, the G20 is well placed to assist southern Africa in leveraging the power of the digital economy and making the transition into the future. This article provides an overview of southern Africa's digital readiness and offers a number of practical recommendations on how the G20 might help the region effect a digital turnaround.

The Digital Revolution

The world is in the grip of a technological revolution—particularly in the digital arena, which has been induced by dramatic advances in the field of information and communications technology (ICT). In fact, in many parts of the world, little economic activity is possible without a digital component, which has given prominence to the term "digital economy." The influence of the digital economy is so widespread that many people could not imagine life without internet connectivity, smartphones, and mobile apps that enable them to stay in touch with people, ideas, events, and business opportunities anywhere in the world.

"Digital" has strong connotations of intangibility and is therefore frequently associated with services that have no physical character, such as Twitter or LinkedIn. Yet innumerable tangible products are "digitally enabled," such as motor vehicles with digital controls and diagnostic tools, and drones that collect data for surveillance purposes. Even regular products such as books, clothing, and household items that are bought online under e-commerce arrangements are digitally enabled.

The increasing digitisation of information is having a transformative effect on economies. Not only is it creating new business opportunities for entrepreneurs by making data and information more accessible and removing the traditional barrier of distance to markets, but it is also helping to streamline production processes and generally lower the cost of doing business. Yet the digital economy is also disruptive and creates uncertainty since its impact can be difficult to anticipate or control. For example, the pervasive influence of the internet has raised questions about the integrity of the contractual process in the absence of traditional paperwork. It also poses risks to people's and companies' proprietary rights to information, with "data mining" and cyber-attacks becoming matters of growing concern. Of course, the digital economy is also bringing new dynamics to the employment market, with more and more people under pressure to upskill or diversify into other occupations, or face redundancy.

Digital Trends in Southern Africa

According to broad measures such as the World Economic Forum's Networked Readiness Index, southern Africa trails behind the rest of the world in terms of its digital preparedness, although performance varies from one country to the next (WEF 2016). Sharp differences also exist within countries. South Africa, for example, is seen to be the powerhouse of the region, but its financial and commercial sophistication are juxtaposed with widespread poverty and underdevelopment, making

the country one of the most unequal in the world. A deep digital divide is all too evident in South African society. When the advantages of the digital economy are felt by only a privileged few, it suppresses economic and trade potential.

This raises the question: has the advent of the digital economy intensified inequality in South Africa and other southern African countries, or is it actually helping to forge greater inclusiveness in society and lay the foundation for a more sustainable future? People are divided on the matter. Some are of the view that the rapid spread of mobile and digital technology is allowing countries to "leapfrog" traditional economic development patterns, centred on manufacturing, into more knowledge-driven economic pursuits, including services. It is estimated that in 2017 there were 444 million unique mobile phone subscribers in sub-Saharan Africa, a penetration rate of 44 percent, which compares quite favourably with the global average of 66 percent. In South Africa, the penetration rate was 90 percent (GSMA Intelligence 2018). The spread of mobile money services in several southern African countries shows how it is possible to skip some of the conventional steps involved in building a financial services industry.

However, while mobile phones have become ubiquitous, internet penetration rates, by contrast, are worrying. Countries such as the Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mozambique, and the United Republic of Tanzania have internet penetration rates of 20 percent or less. Even South Africa registered a penetration rate of only 52 percent in 2017, after Seychelles at 58 percent and Mauritius at 63 percent (We Are Social 2017). This is a sign of deeper, more fundamental problems. According to Bill Gates, "No one can suggest that great technology is in any way a substitute for good governance. I certainly don't think giving everyone computers helps their malaria or solves the problem of the teacher not being there or not having a schoolroom" (Pilling 2018). In other words, digital technology cannot smooth over the effects of poor leadership.

There are many stories of entrepreneurs in southern Africa using the power of technology to create ingenious products and services in the health, agricultural, environmental, and other fields. Yet inadequate investment (in efficient infrastructure and affordable internet access), skills and capacity shortcomings, and weak enforcement of policies and regulations often lead to economic sectors underperforming. As a result, inclusive and sustainable growth and development remain elusive goals. Whereas private initiative can and often does produce technological breakthroughs, society as a whole is unlikely to benefit unless an accountable and effective government is engaged in the process, providing support or correcting market failures where necessary.

In today's interconnected world, the dividing line between domestic and international trade is becoming increasingly blurred. Yet the natural links between the two often escape policymakers. Pierre Sauvé, senior trade specialist at the World Bank Group, spoke of a paradox when it comes to digital trade in the developing world. He said that despite all countries recognising the transformative properties of the digital agenda in a national context, there is often a refusal to accommodate, let alone speed up, digital reforms from a trade policy perspective (Sauvé 2017). This is particularly apparent in southern Africa, where individual countries and the region as a whole are often deprived

of the opportunity to use the power of the digital economy to build more competitive industries and boost trade.

According to Sauvé, reasons for the limited interest in pursuing a more aggressive digital trade agenda range from governments' desire to protect local industry against the potential onslaught of foreign domination in the ICT field, and their comfort in maintaining the status quo, to significant skills and capacity shortcomings that hamper decision-making and committed action. Another problem is that policymaking often takes place in silos, with paperless trade, electronic signatures, cybertechnology and security, and other issues remaining outside the traditional parameters of trade policy. As a result, these issues tend to fall off regional and international trade negotiation agendas (Sauvé 2017).

Role of the G20 in Fostering a Stronger Digital Culture in Southern Africa

The G20 is well placed to provide both guidance and practical assistance to the countries of southern Africa—at the individual country level and the broad regional level—so that they can build on existing strengths in the digital arena and narrow the digital divide that is to a greater or lesser extent suppressing their economic potential. As a collection of countries with varying economic circumstances, the G20 is already sensitive to the difficulty of juggling a range of competing economic priorities. South Africa, in particular, with its relatively strong institutions and policymaking machinery, is likely to derive early benefits from G20 policy advice and other interventions, and could set an example for its regional neighbours.

Providing assistance in policy and strategy implementation

In southern Africa, which faces so many development challenges, a strong policy environment is essential if the ground is to be prepared for more inclusive and sustainable growth, trade, and development across all viable economic sectors.

A common lament in southern Africa (but also elsewhere in the developing world) is that whereas some policies are well formulated, they are often poorly implemented. For example, South Africa's digital strategy is called Digital Society SA and maps out how the country intends to leverage the digital economy in the period 2017–2030 (South African Government 2017). It is an impressive document covering important priority areas, from infrastructure and universal access to security and skills development. However, the challenge will be to effectively roll out the strategy in the midst of fiscal constraints, insufficient coherence across a number of other national and sectoral policies and strategies, and a general climate of policy uncertainty in the country. Other countries have formulated equivalent strategies and face similar challenges.

The G20 members' experience and assistance in turning a broad vision of a more digitally enabled society into practical initiatives and outcomes, while keeping inclusive and sustainable development as the overarching goal, would be very valuable for southern Africa.

Encouraging a regional approach to digital development and trade

In recent years, there has been a shift in the approach of many developing countries to trade policy formulation from a national level to a regional one. For example, South Africa has been placing increasing emphasis on its African regional integration agenda, while also advancing the positions and priorities of the African Union and actively supporting the African Continental Free Trade Area. Not surprisingly, South Africa has a natural affinity with the African observers in the G20.

Promoting the regional interests of South Africa and its southern African neighbours would enable the G20 to influence policymaking in the region. It may also be appropriate for the G20 to encourage countries in the region to consider the development of regional strategies for digital development and trade and to encourage more transparent and harmonious digital trade rules. In this regard, other G20 members' experiences could be leveraged. A number of organisations have already done excellent work in this area, such as the United Nations Economic Commission for Latin America and the Caribbean, which could provide useful lessons for southern Africa.

Helping to build more knowledge and capacity

There is an inherent risk that the digital economy, with its emphasis on complex and ever new technologies, will leave people increasingly unprepared for the challenges of the changing world of work, or deprive them of work altogether. Skills training and longer-term professional development are becoming essential features of human resource management, both in government and in the private sector. Unfortunately, investment in human capital often takes a back seat when budgets are squeezed—an all-too-familiar phenomenon in South Africa at present, given its lacklustre economic performance in recent years. Other southern African countries, perhaps with the exception of Mauritius, which has long prioritised upskilling and job diversification, are grappling with similar constraints.

The G20, using its collective experience and expertise, could provide valuable assistance by sharing best practices on how to build skill sets that are essential for the development of a robust digital economy. Such assistance could include various forms of technical assistance (from conferences and seminars to more focused development programmes), mainly directed at government entities tasked with formulating policies, strategies, and regulations. Specific emphasis should be placed on how to ensure that a national or regional digital vision straddles all key policy areas (including adopting a relatively open approach to technology imports) and that the necessary steps can be taken by capable and accountable individuals. This will prevent inertia from setting in.

Much work has been done by international organisations such as the International Monetary Fund, the World Trade Organization, the World Bank, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, and the International Telecommunication Union on how to effectively leverage the digital economy through knowledge, capacity-building, and technology transfer, and this could form part of the core offerings. In Africa, Rwanda has boldly set its sights on becoming a knowledge economy within the next few years, investing in innovation hubs and prioritising ICT education at universities. It appears to be succeeding in areas where other countries are largely paying lip service.

Supporting research in digital trends and prospects for trade and development

Government policymaking and commercial activity in southern Africa have long been constrained by the relatively limited amount of research conducted into industry conditions, local and international markets, best practices in different parts of the world, and many other issues. As a result, decision-making in the public and private sectors is at risk of being an ad hoc affair.

The digital economy in a southern African context—its opportunities and constraints, the regulatory environment, investment prospects (particularly in high-potential services sectors), and the impact of the digital divide—is a particularly neglected area of research. For instance, in South Africa, the services sector is the main source of employment, particularly for women (Farole 2016) and in 2014 contributed nearly 70 percent to gross domestic product (Purfield, Farole, and Im 2014). Yet the interrelationship between services and the digital economy is not well understood. More research is needed on how the digital economy could be used, not only to expand services trade but also to protect certain types of jobs in the services sector. For example, advances in digital technologies will increasingly replace more qualified (and better-paid) workers in more developed parts of the world with lower-paid workers in other regions (Baldwin 2018).

Facilitating more research would help to fill serious information gaps, thereby enabling southern African countries to better understand and exploit the opportunities presented by the digital economy, both domestically and in regional and global value chains.

Adopting a Partnership Approach to Digital Development

Given their development challenges and the amount of catching up that is needed, the countries of southern Africa—as with many other countries that are not optimising their potential—cannot afford to delay their digital transformation. This is not an option if they are to clear their critical development hurdles (poverty, joblessness, and poor health and education), heal the sharp divisions in society, and keep pace with the fast-changing trade and investment environment.

Achieving inclusive societies that are able to sustain themselves well into the future should continue to be the overarching goal. There is much ground to cover and the challenges will multiply as the world becomes more technologically complex. But by working with the G20 and other international bodies, the southern African region will be able to walk the digital path with more conviction and confidence.

Recommendations

In summary, it is recommended that the G20 use its collective expertise to assist southern Africa in the following priority areas (according to countries' different capacity levels and needs):

•   implementing national digital development policies and strategies, supported by strong monitoring and evaluation systems;

•   developing region-wide digital strategies and more harmonised trade rules to encourage and simplify intra-regional trade in digital goods and services;

•   building knowledge in both the public and private sectors about digital technologies and their many applications, and building the capacity of government entities tasked with formulating digital policies, strategies, and regulations to enhance trade;

•   promoting and facilitating more research on the opportunities and threats presented by the digital economy in southern Africa, which will inform domestic and regional policies and priority areas for financial and/or technical assistance.

The Trade and Investment Working Group and the G20 Digital Economy Task Force would probably be the best groups to incorporate these recommendations into their respective work programmes, upon the necessary endorsement by the G20 ministers.

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