World Customs Organization East & Southern Africa Region Regional Private Sector Group Webinar

Connecting the ESA Region through technology and trade digitalization

11th Webinar – 28 October 2021, 14h00 to 15h30 (CAT; UCT +02:00)

Introduction

Digitalization has played an undeniable role in keeping economies afloat throughout the pandemic. E-commerce and online platforms have enabled large corporations, small and medium enterprises, and informal businesses to continue business operations and keep supply chains running through hard lockdowns and restrictions on the movement of people and goods.

According to OECD (Organization for Economic Co-operation and Development), digital trade encompasses digitally enabled transactions of trade in goods and services that can be delivered digitally or physically and involve consumers, firms, and governments.

Digitalization has a plethora of uses in modern-day business and international trade. Indeed, digitalization can increase the scale and the speed of trade, allowing suppliers to reach a much broader platform of potential consumers. However, digitalization also brings about new regulatory challenges in terms of digital disruption and ensuring opportunities and benefits of digital trade are shared fairly among all. Unfortunately, technological uptake in Africa is exceptionally low compared with the Western world due, in large part, to the fact that most African trade is informal trade.

This WCO-ESA-RPSG webinar – *the 11th of its kind* – aims to delve into the challenges that Eastern and Southern (ESA) African countries face regarding technology uptake. Furthermore, various proposals are made in addressing these challenges and how the ESA regions can be brought closer together via digital trade. The webinar was chaired by Dr Juanita Maree (WCO ESA-RPSG and SAAFF CEO) and joined by four distinguished panelists who shared their insights on this topic. Finally, Mr. Larry Liza (Director, WCO-ESA-ROCB) ended the webinar with some closing remarks.

1. **Martin Cameron** – *Managing Director, Trade Advisory*
2. **Jason Blackman** – *Senior Director – Customs Trade Compliance and Regulatory Affairs, DHL Express – Sub Saharan Africa*
3. **Anthony O'Sullivan & Nadeem Lala** – *Director; and Senior Advisor, World Logistics Passport*
4. **Juanita Clark –** *Chief Executive Officer, Digital Council Africa*

Outline of the agenda:

1. **Welcome:** Dr Juanita Maree
2. **Panelist discussions:**

   a. Identifying export opportunities from South Africa to ESA – a big data approach – **Martin Cameron**
   b. Driving the paperless trade agenda – **Jason Blackman**
   c. How can Technology Impact Logistics? – **Anthony O'Sullivan**
   d. Africa's evolving Digital Landscape – **Juanita Clark**
3. **Closure:** Larry Liza

1. Welcome and rules of engagement

Dr. Juanita Maree extended a warm word of welcome to the distinguished panelists and delegates participating in the discussion. Before the webinar started, guests who joined early were given a quick overview of the WCO ESA RPSG website.

Participants were encouraged to use the chat box for comments or questions, monitored throughout the discussion. Panelists switched on their videos while presenting. It was noted that the presentations with all relevant information and the video concerning the webinar would be made available on the WCO ESA RPSG's website. Therefore, attendees were encouraged to visit the website and read through the information.

2. Panelists' discussions

a. Dr Martin Cameron: Identifying export opportunities from South Africa to ESA – a big data approach

Dr Martin Cameron presented some insights into digital trade and its context within Africa. Furthermore, he explained how to identify export opportunities from South Africa to the East African region using big data analytics.

i. What is digital trade?

"Beauty is in the eye of the beholder" – a relevant concept in the realm of digital trade and big data. But, first, one needs to understand digitalization, which is the transformation of economic activities through applying the digital technologies of the "fourth industrial revolution" (4IR). This concept incorporates the cross-border commercial implications of a digitizing world.

Digital trade is a broad concept encompassing the effects that emerging digital technologies have on the global economy. These effects include, but are not limited to, three-dimensional (3D) printing, "e-commerce" production, distribution, and labour-saving technological developments through robots, Artificial Intelligence (AI), automation, big data, and the like.

ii. Context for Africa

In relative terms, the growth of the digital economy in Africa has been limited. Indeed, some figures highlight the tepid growth. In 2016 only 22% of the entire African population were using the Internet. Less than 0.3 of every 100 people in Africa have fixed broadband subscriptions. Only 6 African countries were among the global top 100 countries regarding information and communications technology (ICT) development. In addition, in 2015, ICT goods accounted for only 5% of merchandise imports in Africa against a global average of 13%. According to UNCTAD Business-to-Consumer (B2C) E-commerce Index 2018, the regional average index for Africa was 30, compared to a world average of 55.

There has, however, recently been a rise of various digital platforms in Africa, mainly concentrated within certain regions. Distance is a common barrier to intra-regional trade in Africa in terms of infrastructure, which hinders connectivity. By shifting the focus on increasing connectivity, intra-African trade can significantly increase from its current low levels. When there are significant investments in infrastructural development, the gains are much more in trade, even though it might take longer to attain. For digital trade to truly be embraced within Africa, especially from an industrialization point of view, there needs to be an environment with favorable tariffs, efficient infrastructure, access to credit, and quality logistics services. In relative terms, rail transport is nearly insignificant in terms of transport modes used to export goods from South Africa to Eastern Africa. In contrast, the value of exports from South Africa to East Africa via airfreight has grown exponentially, especially in the past six months.

iii. How to identify export opportunities from South Africa to the East African region

According to OECD, WTO (World Trade Organization), and ITC (International Trade Centre), which have conducted numerous surveys, a critical factor in which global export firms value improvements, is access to information relating to export opportunities. Trade Advisory has created a methodology to determine realistic export opportunities through big data, incorporating transport, socio-economic, commercial, and economic geography. According to this methodology – using strict filters - South Africa already knows how to produce about 2 896 combinations (markets and products) for the East African region.

In conclusion, Dr Martin Cameron pointed out that digitalization offers new opportunities for trade and industrial leapfrogging. However, physical trade facilitation infrastructure remains the Achilles heel to unlocking this potential on any large enough scale to make a significant difference in Africa's "bigger" scheme.

b. Jason Blackman: Driving the paperless trade agenda

From a trade facilitation point of view, industry and Customs representatives usually seek processes that allow for transparency, simplification, harmonization, and standardization. Digitalization can offer all these factors to trade processes. Therefore, there is an excellent opportunity for digitization to help further the objectives of trade facilitation.

i. The current landscape

In many cases, Customs in Africa still rely on hard copy documentation and paper-based procedures. In 2019 the United Nations (UN) surveyed various companies on paperless trade in Africa. The global average implementation level for paperless trade stands at 64.49% in 2021 versus 62.7% in 2019. For Africa, the figures indicate a slight increase from around 49.1% in 2021 versus 47.8% in 2019. However, in one African country with a documented paperless trade objective promoted by the government, Customs officials still use at least four copies of files. And when questioned on why, they responded, "*we have always done it this way*". There is undoubtedly a culture-change issue at hand, and most companies are hesitant to adapt to the changes that technology brings. In addition, apart from some African countries having an effective Customs system in place with a risk-based screening, most Customs officers still require a customer to print out at least four copies of the same documents to be checked and passed on to other officers.

As part of Mr. Blackman's research on this subject, he surveyed 51 Sub Saharan African countries. Only 8 use risk-based profiling regularly for Customs clearance, where the remainder requests physical and documentation inspections. Out of the 51 countries, 41 had 100% inspection regimes on inbound shipments rather than fully reliant on digitalized images and electronic data. Regarding operating systems, 37 of these countries use the Ayscuda clearance system, with the rest using self-developed or manual clearing processes. Furthermore, the AEO (Authorized Economic Operator) program is still minimal within the Sub-Saharan African region, although it observed a slight increase. An uptake in "E-commerce" trade or B2C (Business to Customer) shipments puts an increased strain on Customs clearance processes in Africa due to most of it still being done manually with physical documents and inspections.

ii. Proposed Solutions and roadmap to fast track the paperless agenda

There are various solutions to fast trade the paperless trade agenda, which revolves around increasing the data fields on commercial documents and pre-arrival submissions. These solutions further include increasing the reliance on advanced electronic data transmission, coupled with the need to mitigate against poor or inaccurate data and image quality. Moreover, the recognition and the acceptance of digitization should be pushed as an integral part of a modernized customer environment. Integrated system solutions are essential for a smooth clearance process. Increase the reliance on electronic document submission and digital certification. Allow for simplified document protocols by limiting the basic data elements needed for a Customs entry. Increase access to E-payments for finance charges and use risk profiling in terms of Customs clearance procedures. Furthermore, promote mutual recognition by implementing the AEO program in Africa as fortunately there is a current uptake on AEO recognition taking place globally.

Finally, digitalization can drive the physical production and distribution of manufactured goods and services by adopting digital supply networks (DSNs) and allowing for integrating data and information from disparate sources and locations. In conclusion, he listed a few paperless trade systems as examples being; Automated Customs systems, Integrated connection available to Customs and Other Government Agencies (OGAs), Electronic Single Window Systems, Electronic submission of Customs declarations, electronic submissions of applications for permits, and other trade-related documents and e-payments, and others. Thus, the future of Customs modernization relies heavily on digitalization and paperless trade.

c. Anthony O'Sullivan: How can Technology Impact Logistics

Mr. O' Sullivan started by explaining the drivers behind technology's impact on logistics. He further alluded to key trends in digitalization. Mr. Nadeem Lala then explained the framework for digitalization by identifying the digital tools to address challenges in logistics. Next, Mr. O' Sullivan delved into the WLP (World Logistics Passport) and explained its purpose as a global logistics solution.

i. Key trends driving digital logistics

The future of logistics will be shaped by challenges associated with digital technologies. Drivers behind the technology that affect logistics can be explained in economic terms considering supply and demand. We have noticed the exponential rise in digital Customs, trade, especially E-commerce on the demand side. This change has significantly changed the composition of consumer buying behavior. On the

supply side, with increased technological processes, regulatory compliance has become very challenging. As a result, there is an overall incentive among key logistics role players and actors to move to a more cost-effective and time-effective trading environment. Digitization can help to streamline and simplify processes, effectively reducing delays and added costs.

ii. Why is it important to implement digital solutions into operational processes?

It is vital to incorporate digitalization within operational procedures as there are currently many challenges associated with manual processes and documentation. International trade processes are complex and cover at least 25 stakeholders with 30 to 40 documents. 90% of data extraction and entry today is manual. 12% of invoices are processed manually. With international trade being very complex and including so many role players, a holistic approach is needed to change the current culture towards a digital trading environment. Interestingly most companies perceive data and digital tools to be critical for transportation and logistics in the future.

It is essential to decompose the logistics chain to identify appropriate digital tools to help automate the most routine parts of the logistics chain. There are ultimately three dimensions where digital tools are incorporated which are (1) Customer experience, (2) Business Processes, and (3) Sales Management. These three dimensions interact with each other, and it is crucial to ensure each dimension runs effectively.

iii. What are the key challenges of going digital?

According to survey data conducted by WLP, companies advised that five different constraints are limiting digital uptake. Coming in at most challenging is budget constraints, secondly the company culture, thirdly the lack of tech skills, in fourth place the resistance to change, and lastly, legacy infrastructure. Among these five obstacles, company culture seems to be the biggest issue to overcome. CEO-vision and Public-Private partnerships are critical in moving this narrative. Companies with limited financial resources or investment capabilities can shift their focus to subscription-based technologies and gradually build up in-house digital potential.

iv. Framework for digital tools

The WLP has been in contact with various freight forwarding and logistics companies worldwide to establish how technology can be incorporated into their operations. By doing this, they have established a training package to help companies leverage the opportunities of technology. According to the WLP, the key steps to identify areas for digitization include (1) Developing the company's logistics value chain (2) Identify key challenges in logistics operations (3) Identify and prioritizing critical areas for digitization (4) Develop a Digital Plan by focusing on incorporating digitalization in the basic operations, building on internal capabilities, and lastly investing in innovation.

v. The World Logistics Passport (WLP)

The objective of the WLP is to support greater efficiency within the logistics and supply chain using all mechanisms available and working closely with partners around the world, including Customs operators. The WLP includes a loyalty program related to benefits such as priority clearance, delivery, reduced charges, or access to digital solutions that improve trading processes. Together with the Loyalty Program, a Dubai Logistics World Fund will be launched in 2022 to identify investments in critical logistics infrastructure projects in targeted countries. This fund is 50% funded by International

Financial Institutions (among others the World Bank) and 50% by the United Arab Emirates. In addition, the WLP is looking forward to working closely with the WCO to accelerate the adoption of the AEO program through its mandate.

d. Juanita Clark: Africa's evolving Digital Landscape

Several of the other speakers highlighted that the Covid-19 pandemic had shown us the value and immense power of the digital economy. Indeed, the digital economy is often seen as the quiet engine of the economy – as people expect devices and applications always to work. Nevertheless, since we are firmly in the Fourth Industrial Revolution (4IR), companies should leverage digital transformation or risk being left behind. Therefore, we need to talk about a digital transformation and accelerate the digital uptake in our economy and fast-track the digital culture. A good example during the pandemic includes the "work-from-home" initiative to ensure business continuity.

Ms. Clark showed a global digital infrastructure snapshot. Interestingly, mobile connectivity dated March 2021 was 68%. Data centers outside of Sub-Saharan Africa (SSA) totaled around 4 854. Internet Of Things IoT) and device uptake globally are at 12 billion connections and 72% smartphone penetration. For Sub-Saharan Africa, mobile connectivity is sitting at 49%. Furthermore, data centers in SSA are at a total of 79 and 169 thousand towers. Lastly, IoT and device uptake in SSA sits at 24 million connections and a 52% smartphone penetration.

In the last year, when more people started working from home at the onset of the pandemic, there has been a 60% increase in demand for broadband services. At the national government level, the South African government has just announced the establishment of a broadband access fund aimed at connecting low-income areas in South Africa as a pilot project.

In conclusion, an immense digital transformation and adoption can be expected over the next five years. First, however, companies in all sectors must understand that the digital economy is here, touching on every aspect of business activity. Therefore, companies need to review their digital transformation strategies and adopt new strategies to help them digitalize and allow working from home opportunities.

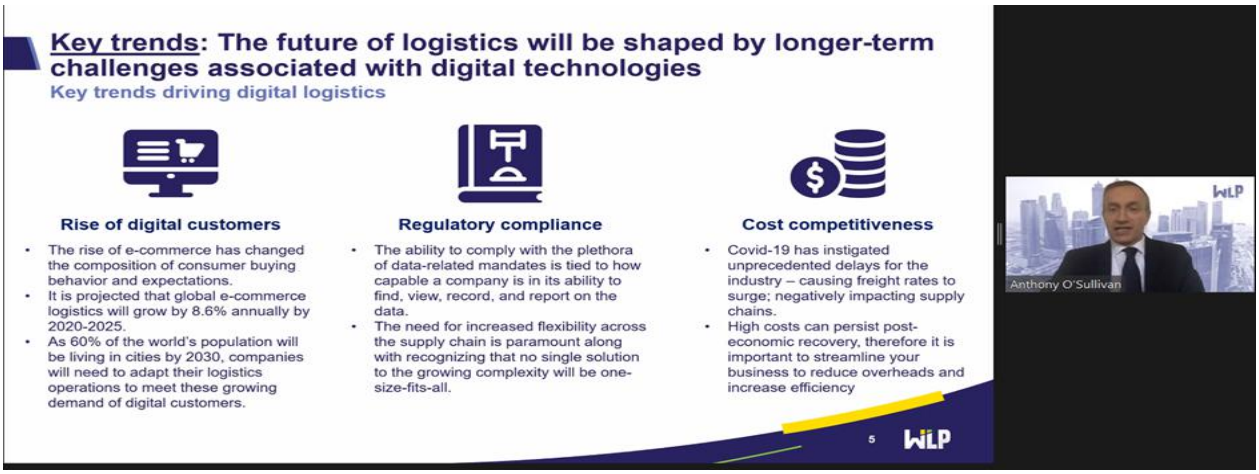
3. Closing remarks

In conclusion, all the panelists were thanked for their participation, noting their valuable contribution to building capacity and sharing information. As there were no questions asked in the chat box, the webinar was closed by Mr. Larry Liza, Director of WCO-ESA-ROCB.

Dr Juanita Maree – Chair of SAAFF and the WCO-ESA-RPSG

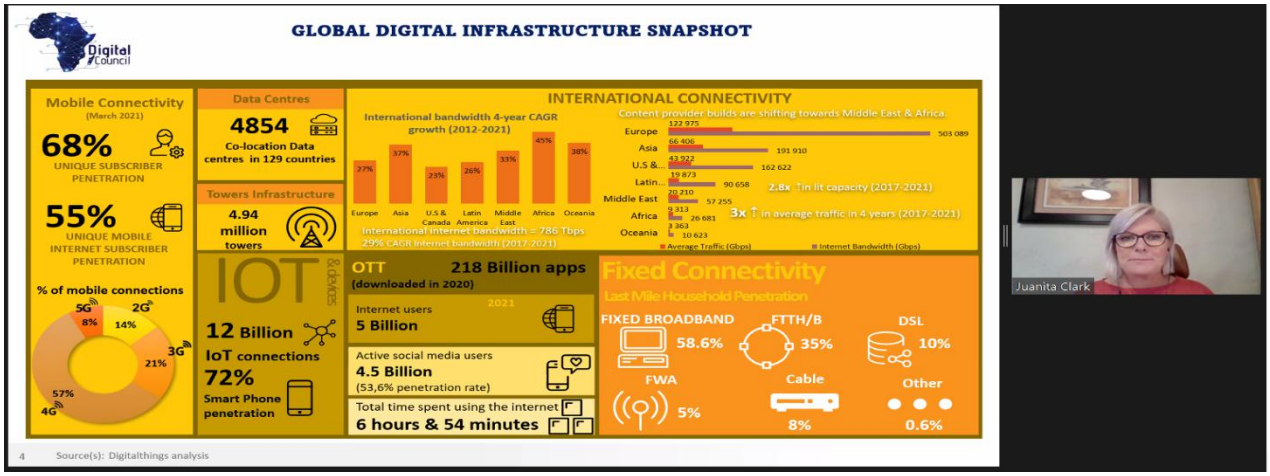
Dr Martin Cameron - Managing Director, Trade Advisory

Jason Backman – Senior Director, Customs-Trade Compliance and Regulatory Affairs, DHL Express SSA



Anthony O'Sullivan – Director, World Logistics Passport

Juanita Clark – Chief Executive Officer, Digital Council Africa



Larry Liza, Director of WCO-ESA-ROCB