



The Commonwealth

CONCEPT NOTE: COMMONWEALTH CONNECTIVITY AGENDA CLUSTER WEEK 3

November 23, 2020- December 08, 2020

DAY 5: MEETING OF THE DIGITAL CONNECTIVITY CLUSTER

Enablers for Inclusive Digital Trade to Support Economic Recovery

December 08, 2020 (11h00 – 13h00)

1.0 BACKGROUND

Commonwealth Leaders adopted the Commonwealth Connectivity Agenda (**CCA**) at the Commonwealth Heads of Government Meeting (**CHOGM**) in April 2018, with a view to boosting trade and investment links across the Commonwealth and raising intra-Commonwealth trade to US\$2 trillion by 2030. The CCA is structured around five (5) clusters/working groups, each of which is chaired by a member state and in which members participate on a voluntary, opt-in basis. The topics of focus of the various working groups have originated in members themselves from their domestic consultations which were held in July – December 2018, and are as follows: -

- **Physical Connectivity** focusing on digital infrastructure and led by the Gambia;
- **Digital Connectivity** focusing on digital transformation and the digital economy and co-led by South Africa and the United Kingdom;
- **Regulatory Connectivity** focusing on the regulatory environment for MSMEs and led by Barbados;
- **Business-to-Business Connectivity** focusing on improving Commonwealth business links and led by Bangladesh; and
- **Supply Side Connectivity** focusing on participation and upgrading of MSMEs in agribusiness value chains, and led by Vanuatu.

Each working group serves as a platform for knowledge sharing among member states of the Commonwealth so that Commonwealth countries can effectively learn from the policy successes and failures of other members.

This year's cluster week is being convened virtually for the first time, with some clusters opening up to the public for the first time, and sessions being shown live and, for colleagues where the time zone does not allow attendance, being available on-demand until the end of December 2020. The sessions are as follows: -

- **23rd November 2020:** Business to Business Connectivity Cluster to convene a public-private high level dialogue on private sector priorities focussing on a digital and green recovery.
- **26th November 2020:** Physical Connectivity Cluster to meet in a public format on Addressing Digital Divides.

- **1st December 2020:** Regulatory cluster to meet in their regular format on an Enabling Environment to Support MSMEs.
- **2nd December 2020:** Supply-Side cluster to meet in a public format on Leveraging Technology for Food Security.
- **8th December 2020:** Digital Connectivity Cluster to meet in their regular format on Enablers for Inclusive Digital Trade to Support Economic Recovery.

The expected outcome of the 3rd Cluster Week is a Covid-19 reprioritised forward-looking agenda for Commonwealth trade and investment for mutual support through the Covid-19 recovery phase, which can form the basis for continued technical exchanges among policymakers and regulators, tools to support this, institutional capacity-building and joint action where there is agreement on a shared response. Further to this, the work of each cluster will feed into the discussions to be held at the Commonwealth Heads of Government Meeting to be held in Kigali, Rwanda in June 2021.

2.0 SESSION I: EXPLORATORY DISCUSSIONS ON ELEMENTS OF INCLUSIVE DIGITAL TRADE POLICIES

2.1 Objective of the session

The session will identify different elements of digital trade policy across the Commonwealth and, engage in a discussion of the role of digital technology transfer as well as the enabling environment which involves, *inter alia*, the digitization of trade-related documents. In addition to which, this session is intended to cover three (3) main areas, which will be presented: -

- **Presentation I: *Inclusive National Digital Trade Policies: An Overview*** by Vashti Maharaj, Adviser, Digital Trade Policy Commonwealth Secretariat
- **Presentation II: *Enabling Environment- Digitising Trade-related Documents*** by Vashti Maharaj, Adviser, Digital Trade Policy Commonwealth Secretariat
- **Presentation III: *Digital technology transfer and Digital skills*** by Jörg Mayer, Senior Economic Affairs Officer, UNCTAD

2.2 Issues

The world is ever changing, and the advent of the Fourth Industrial Revolution has certainly precipitated a paradigm shift in global trade dynamics. Advances in digital technologies are changing what and how we trade, lowering barriers to internationalisation and fuelling the rise of e-commerce and borderless digital trade, diversifying the content of traded goods and services, and enabling new players to engage in international trade.

However, in order to appropriately harness these gains within the Commonwealth, it is essential to establish the requisite foundational policies and regulatory approaches that will allow individuals, entrepreneurs and businesses to capitalise fully on the opportunities provided by new digital technologies.

It is therefore important that Commonwealth governments aim to design national strategies which are geared towards fostering the creation of an enabling environment for advancing the digital economy. Such strategies should appropriately aim at developing the e-commerce sector by providing the required infrastructure, developing complementary skills and putting in place rules and regulations governing e-commerce.

To this end, the digitization of trade related processes, serves as a critical enabler in the ease of doing business. The development of digital infrastructure and foundational digital systems (such as digital identities or systems and platforms for facilitating online filing and processing digital payments) as

well as building digital skills are key enablers in creating a facilitative and enabling environment to adopt and absorb digital technologies and engage effectively in digital trade.

In so doing, this brings into sharp focus, the importance of technology transfer and digital skills development.¹ The Commonwealth is a major contributor to science and innovation: it is home to 12 per cent of the world's researchers and accounts for around 10 per cent of global research and development expenditure². At the national level, developing Commonwealth countries need to put in place proactive innovation policies with the aim of facilitating technology transfer and foreign direct investment for positive long terms benefits³. Technology transfer and skills development in the use of such technology should therefore be prioritised in Commonwealth countries.

The digital gap within the Commonwealth is particularly poignant in the case of ICT skills for innovation or commerce⁴. More than 70 per cent of the population in the UK and Australia is using the internet for purchasing goods and services compared to less than 12 per cent in Bangladesh, Botswana and Jamaica. Closing the digital skills gap can significantly enable Commonwealth member states to fully realise the benefits of the digital economy. In this vein, it is integral to note that a 1 per cent increase in the human capital index, a proxy for skills, increases the impact of internet penetration on manufacturing labour productivity in the Commonwealth by roughly 7.4 per cent, on average⁵. Skills development can therefore increase the productivity gains from digitalisation for Commonwealth countries.

In this context, it is integral to take cognizance of the practical reality that only those that are connected and that have the required capabilities will be able to take advantage of the development opportunities offered by current changes in technology. Therefore, in addition to investing in capacity-building, it is essential to reduce the digital divide⁶. As such for a well-functioning digital infrastructure ecosystem, basic infrastructure (such as IT infrastructure and digital enabling infrastructure) are key infrastructure components that are required in the Commonwealth.

Bringing the pieces together, the COVID-19 pandemic has shown the need for deeper digitalisation and increased connectivity, as such, digital infrastructure development is integral for recovery of economies and adaptation to the new business environment.

The on-going Covid-19 pandemic has fundamentally changed the global trade environment and calls for urgent action to focus on areas of mutual support, institutional capacity building and joint action to support Covid-19 recovery.

¹ See E Hargittai, 2003, 'How wide a Web? Inequalities in accessing information online'; E Hargittai and A Hinnant, 2008, Digital inequality differences in young adults' use of the Internet, *Communication Research*, 35(5):602–621.

² Hogben, E (2018), 'The Commonwealth effect: boosting the impact of science and technology through international networks', The Royal Society, available at: <https://blogs.royalsociety.org/in-verba/2018/04/27/the-commonwealth-effect-boosting-the-impact-of-science-and-technology-through-international-networks/>.

³ Mayer, J (2018), 'Digitalization and industrialization: friends or foes?', UNCTAD Research Paper No. 25, available at: https://unctad.org/en/PublicationsLibrary/ser-rp-2018d7_en.pdf

⁴ ITU (International Telecommunication Union) (2019), 'Country ICT data', available at: <https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>.

⁵ See 'The State of the Digital Economy in the Commonwealth', published 24 February 2020, available at: https://thecommonwealth.org/sites/default/files/inline/Digital%20Connectivity%20Report_low%20res_.pdf

⁶ See, Report of the Secretary General 'Building digital competencies to benefit from existing and emerging technologies, with a special focus on gender and youth dimensions', Commission on Science and Technology for Development, Twenty-first session, Geneva, 14–18 May 2018, available at: https://unctad.org/system/files/official-document/ecn162018d3_en.pdf

3.0 SESSION II: POLICY TOOLS TO BUILD AN INCLUSIVE DIGITAL ECONOMY

3.1 This session will provide an update in relation to initiatives taking place across the Commonwealth system that promote inclusion, which are relevant to the work of the Digital Connectivity Cluster. There will be two (2) Presentations, viz.: -

- **Presentation I: *Payment Systems- The Commonwealth FinTech Toolkit*** by Commonwealth Secretariat
- **Presentation II: *Innovation & Access to Technology- The Commonwealth Innovation Hub*** by Commonwealth Secretariat

3.2 Overview

The Commonwealth FinTech Toolkit

With the emergence of technology-enabled financial services (**FinTech**) and the profound changes to the production and delivery of financial services it has enabled, Commonwealth Central Bank Governors expressed a desire for improved technical guidance on FinTech implementation.

The Commonwealth FinTech Toolkit a response to that call. The Toolkit aims to build the capabilities of senior leaders and their teams, helping them to understand the building blocks of FinTech, identify which policy interventions may make sense in a given context, and how to implement that decision.

The Commonwealth Innovation Hub

The Commonwealth Innovation Hub is a digital platform dedicated to creating shared value for the Commonwealth by connecting, harnessing and unleashing the innovative potential of its 54 member countries and 2.4 billion citizens to overcome the most critical challenges on the path to sustainable development.

This platform is a knowledge-sharing exchange, a networking forum and an interactive repository of news, data, expertise and digital resources that have been created by Commonwealth organisations and their partners to catalyse innovation in Commonwealth countries.

4.0 EXPECTED OUTCOMES

The expected outcome of the meeting of the Digital Connectivity cluster is to encourage broad discussions surrounding the enablers for inclusive digital trade to support economic recovery. At the conclusion of which, member states will not only be able to identify the matters of crucial importance for increased focus in order to successfully navigate the roadmap for post-Covid recovery, but also identify effective ways to establish resilient foundations for future development.

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