



PUBLIC LECTURE

PROMOTING DIGITALISATION FOR REVIVAL OF THE SADC
INDUSTRIALISATION AGENDA IN THE COVID 19 ERA

DELIVERED BY

RIGHT HONOURABLE DR SAULOS KLAUS CHILIMA,
VICE PRESIDENT AND MINISTER OF ECONOMIC PLANNING
AND DEVELOPMENT AND PUBLIC SECTOR REFORMS
OF THE REPUBLIC OF MALAWI

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1. INTRODUCTION

Moderator, Distinguished participants,

I am pleased to deliver a Public Lecture on the topic “**Promoting digitalization for revival of the SADC industrialization agenda in the COVID-19 era**”. At the outset, let me indicate that I find this title very timely and engaging given the times that the SADC region and indeed the whole world is going through. The topic, of necessity, demands that I address three inter-related issues: first, Industrialisation, Second, Digitalisation and last how the COVID has affected either or both.

To that end, I will also use the opportunity of this Lecture to outline some of the factors that can make Regional Integration work better for our industrialisation drive as a region and how we can tap on digital technology, by drawing lessons from other countries especially within Africa.

Beyond these introductory remarks, I will address four areas: first, I will discuss some emerging stylised facts about Industrialisation in Southern Africa; Second, I will highlight the historical antecedents of those Stylised facts and industrialisation policy in the SADC region; Third, I argue that digitalisation can help African countries surmount some of their structural bottlenecks and leapfrog into the modern industrial economies. Fourth, I discuss tips and strategies about how SADC can revive its industrial sector. In that discussion I will highlight how SADC countries can leverage emerging digital platforms for industrial revival as well promotion of industries for new goods and services.

2. THE STATE OF INDUSTRIALISATION IN SOUTHERN AFRICA

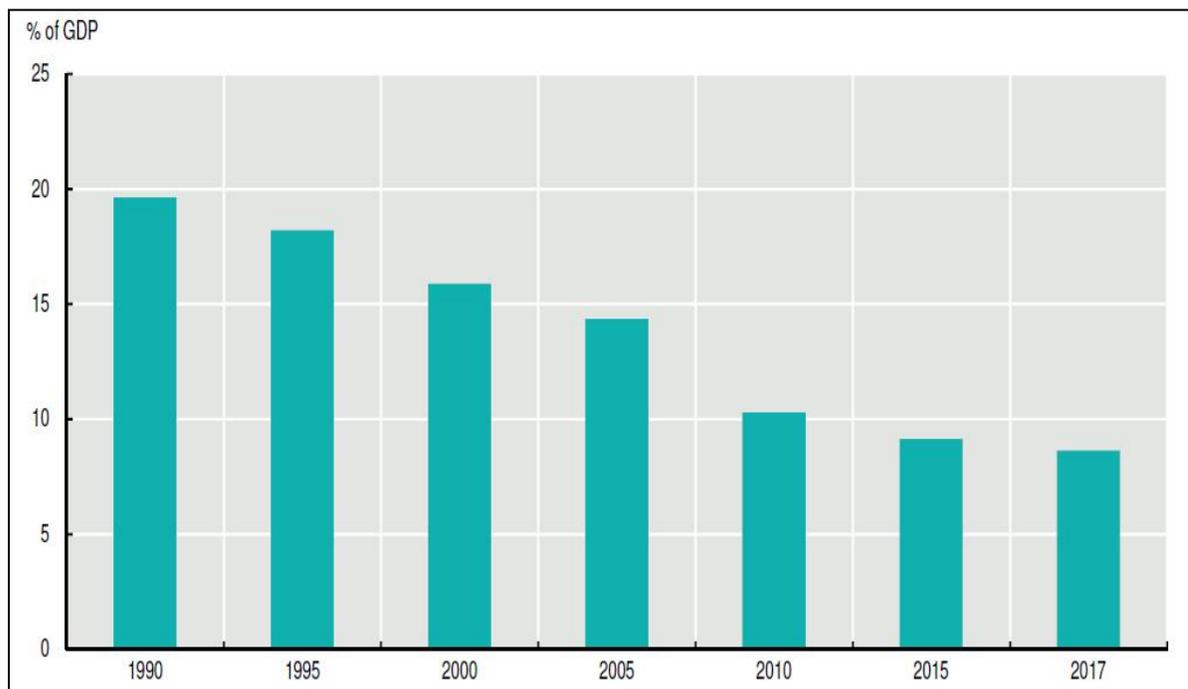
2.1 Stylised Facts about Industrialisation in Southern Africa

Over the past six decades, the nature and economic importance industry in Southern Africa has evolved. Although each country has had differential and specific experiences, there are five Stylised Facts that have emerged.



1. **In the past three decades, Southern Africa has witnessed pre-mature de-industrialisation.** The liberalisation of the 1990s and globalisation in general have resulted in shut down of industries that were still in infancy and other that had matured. While an argument can be made against that **Infant Industry and import substitution** industrial policies of the 60s and 70s did not incentivise the infant industries to grow or mature, a different explanation is needed to explain the de-industrialisation that swept the Vaal region of South Africa
2. **Across Southern Africa, Industry has lost its relative importance in national output.** In absolute terms, the level of industrial output in Southern Africa has increased fivefold since 1990. However, other sectors have grown faster. For instance, in the post-global crisis period (that is since 2008), the region's average GDP growth rate has averaged 3% while the average growth of industrial output was 1.71%. That's why, in the past three decades, Southern Africa's average share of manufacturing output in GDP has declined, from about 20% to below 10% presently (AU-Development Dynamics, 2020) as depicted in the figure 1 below;

Figure 1: Manufacturing Value Added in GDP in Southern Africa, 1990-2017



Source: AU(2021) African's Development Dynamics; Achieving Productive transformation.

However, in relative terms, manufacturing has lost its relative importance in Southern African GDP.

3. **The region's industry is increasingly becoming less competitive globally.** Since 2000, the region's capacity to produce and export has increased, as evidenced by growth in Manufacturing Value Added and manufacturing exports average about 40% of the region's export bundle (UNCTAD, 2018). But the share of Southern Africa's industrial exports in global trade has declined implying that industrial output and exports of other regions grew faster.
4. **Due to lack of regional complementarity, Southern Africa is increasingly becoming a consuming and importing region.** With the exception of South Africa, countries in SADC do not manufacture goods demanded by others in the region leading to little regional complementarity. In fact, while South Africa accounts for over 80% of SADC's intra-African trade, imports from other SADC countries represents a minor share of South Africa's foreign trade (11%). In the past decade, Asia has overtaken Europe and North America both as the major source of imports and destination of exports for the region. China has recently emerged as the leading destination for exports from Angola (66%) and Zambia (72%) and accounts for upwards of 35% of imports for Angola, Malawi, Mozambique and Zimbabwe (AU, African Development Dynamics, 2020).
5. **As the industrial sector has retreated in relative importance, services have been the noticeable beneficiary, rising in terms of both share in output and employment.** This regional trend mostly mirrors trends in South Africa, which has witnessed a declining reliance on natural resources in both agricultural and extractive sectors. Since the 1960s, South Africa's share of mining value added in GDP decreased from 28% to 6%, while the share of business and financial services value added and employment grew five-fold



(UNCTAD, 2016). Unfortunately as services have grown, the primary sector remains a major source of employment leading to inequality.

The next question then is how did we get here? How did Southern Africa find itself in premature de-industrialisation and its industry lose its importance? To answer that question, allow me to brief sketch the evolution of industrial and trade policy and locate Southern Africa's de-industrialisation in the context of the evolution of global industrial policy.

2.2 Historical Antecedents of Industrial Policy in Southern Africa

Like many parts of the world, In the early post-independence period, industrial policies for countries in Southern Africa mostly followed tenets of the Structuralist School of thought, anchored on the virtues of government leadership and stewardship of the economy. The Structuralist industrial policies, which drew inspiration from the Prebisch-Singer hypothesis, were complimented by trade policies that promoted import-substitution industrialisation to stimulate domestic industry based on the infant industry argument. It was argued that the market could hardly be trusted to direct or allocate resources in the interest of national development. As such, the State was very interventionist and directly participated in the economy as a producer through ownership of enterprises in key sectors or activities (for example through nationalisation of copper mining in Zambia and Steel manufacturing in Zimbabwe).

With the advent of structural adjustment programmes in the 1980s, the role of the state in industrial development changed. Structuralist Industrial Policy gave way to policies founded on Neo-liberal orthodoxy which espoused the virtues of freeing markets and getting prices right. Unfortunately Neo-Classicalism's emphasis on market liberalisation precipitated a spate of premature de-industrialisation across the region, as local industry could hardly compete with the influx of cheap imports.

Since the mid-1990s, countries in Southern Africa have approached industrial policy in the context of regional integration. A number of protocols and instruments intimate the need for regional integration and industrialisation in Southern Africa, including the Southern



African Development Community (SADC) Treaty, the Regional Indicative Strategic Development Plan (RISDP) and the SADC Protocol on Trade. In fact, the RISDP also calls for deliberate policies for industrialisation with a focus on promoting industrial linkages and utilising regional resources efficiently through increased value addition.

The recent adoption of the SADC Industrialization Strategy and Roadmap (2015-63) has repositioned industrialisation as the fulcrum of the region's development efforts. The Strategy "is anchored on three interdependent and mutually supportive strategic pillars – industrialization as champion of economic transformation; enhancing competitiveness; and deeper regional integration. The Strategy sets out three potential growth paths – agro-processing; mineral beneficiation and downstream processing and industry, and service-driven value chains" (Tralac, 2017).

Achieving these pillars and strategies and reviving industrialisation would help our region to achieve a number of objectives including

- Lifting the regional growth rate of real GDP from 4 percent (since 2000) to a minimum of 7 percent annually;
- Doubling the share of manufacturing in GDP to 30 percent by 2030; and to 40 percent by 2050, including the share of industry-related services;
- Increasing the share of medium-and-high-technology production in total manufacturing value added from less than 15 percent to 30 percent by 2030; and 50 percent by 2050;
- Increasing manufactured exports to at least 50 percent of total exports by 2030 from less than 20 percent;
- Building market share in the global market for the export of intermediate products to East Asian levels of around 60 percent of total manufactured exports; and
- Increasing the share of industrial employment to 40 percent of total employment by 2030.



3 INDUSTRIALISATION IN THE FACE OF COVID-19: CHALLENGES AND OPPORTUNITIES

Disruptions on demand and supply

Moderator, Distinguished participants,

As if the structural bottlenecks to industrialization were not crippling enough, the world now has to deal with the COVID-19 pandemic which has aggravated problems that industries already faced. COVID-19's impact on the regional and global economy arises not so much from the disease itself but from the global and domestic responses to it. Full and partial lock-downs that characterised the international COVID response have exacerbated trade and fiscal deficits, depressed the real sector into recession and potentially fuel inflation. COVID-19 is also devastating both private and state-owned enterprises especially those that operate on a pay-as-you-collect basis. The longer the economies remain partially closed, the greater the impact on private sector and the higher the likelihood of mass bankruptcy.

Yet there is a silver lining. COVID-19 has provided impetus for innovation and development of technologies and platforms. Following the realisation that prevailing production methods and work organization required high rates of interpersonal contact both at work, in community and on public transport, innovation became a necessity. Virtual meeting platforms like Zoom; online food ordering and delivery platforms like Uber Eat and Mr. D, have experienced tremendous growth during the pandemic. Adoption of digital technologies has helped banks to quickly adapt and make profits by embracing digital financial services – at least we can bear such testimony for Malawi's financial sector that has continued to post huge profits despite COVID-19.

As can be summarized by the table 1 below COVID-19 has disrupted national, regional and global supply chains and lowered demand in global markets for a wide range of SADC's exports.



Table 1; African Economies’ dependence on Global Markets during COVID-19 crisis; Stylised Facts

Main external channels	Observed shocks	Africa's vulnerabilities	Most dependent countries
Trade in goods and services	Weakened demand for exports	China, European Union (EU) countries and the United States accounted for 56% of Africa's export in 2017.	In 11 countries , exports to China, EU countries and the United States exceeded 70% of total exports in 2017: Algeria, Angola, Cabo Verde, Chad, Congo, Libya, Morocco, São Tomé and Príncipe, Sierra Leone, South Sudan and Tunisia.
	Collapse of oil prices	Oil and oil products accounted for 38% of Africa's export in 2017.	In 6 countries , exports of crude oil and oil products represented over 70% of total exports in 2017: Algeria, Angola, Chad, Equatorial Guinea, Libya and Nigeria.
	Disruptions on imports of food and pharmaceuticals	African countries import around 90% of their pharmaceutical products from outside the continent (mostly from China, the EU and India). Nearly two-thirds of African countries are net importers of basic foods.	In 12 countries , more than 60% of the population is considered food insecure: Angola, Botswana, Cameroon, Guinea, Lesotho, Liberia, Malawi, Namibia, Niger, Sierra Leone, Tanzania and Togo.
	Halt on tourism activities	The tourism industry accounts for 8.5% of Africa's GDP and employs 24.3 million people on the continent.	In 14 countries , tourism revenues were over 10% of GDP in 2019: Botswana, Cabo Verde, Comoros, Egypt, Gambia, Lesotho, Madagascar, Mauritius, Namibia, Rwanda, Senegal, Seychelles, Tanzania and Tunisia.
External financial flows	Drop in remittance flows	Remittance flows accounted for 3.2% of Africa's GDP in 2018.	In 7 countries , remittance flows were more than 10% of GDP in 2019: Cabo Verde, Comoros, Gambia, Lesotho, Senegal, South Sudan and Zimbabwe.
	Drop in FDI flows	FDI flows accounted for 2% of Africa's GDP in 2018.	In 15 countries , FDI flows exceeded 5% of GDP in 2016-18: Cabo Verde, Congo, Djibouti, Gabon, Ghana, Guinea, Lesotho, Liberia, Niger, Mauritania, Mozambique, São Tomé and Príncipe, Seychelles, Sierra Leone and Somalia.
	Uncertainty on ODA flows	ODA flows accounted for 2.4% of Africa's GDP in 2018.	In 12 countries , ODA flows accounted for over 10% of gross national income in 2018: Burundi, Central African Republic, Gambia, Guinea-Bissau, Liberia, Malawi, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone and Somalia.

Source: AU(2021), Africa’s Development Dynamics; Digital transformation for quality jobs.

The small-scale manufacturing and informal sector have been hit most. The supply chain disruption stemming primarily from the lockdown of factories across China, United States and the European Union (EU) pose the most immediate and prominent risk for manufacturers in the SADC region. **Is this not the right time to establish an off-taker big value-adding anchor industry for these minerals within the region that even provides a link to the small and medium scale enterprises? Important food for thought.**

Disruption to supply chains for food production have also led to a rise in food prices. The drive to ensure food self-sufficiency during the pandemic led to many countries closing exports of food, raw materials or inputs for manufacturing of food. **Is this not time to begin producing diversified food crops en-masse depending on agro-ecological zones of the region and feed the region as a block of countries? Another food for thought.**



Another reality is that the economic impact of COVID-19 will outlive pandemic itself, creating a new reality with challenges that demand new policy approaches, including industrial policy interventions. **There is hence urgent need for the budgets of governments in the SADC region to have a strong component of fiscal support to ICT, including innovation-enabling infrastructure, such as better internet.** This will enable our economies to transition to digital economies; and increase connected purchases that will enable our citizens and beyond to purchase merchandise without necessarily travelling to countries of origin of such merchandise.

Moderator, Distinguished participants,

4 THE ROLE OF THE DIGITALISATION IN SPURRING REGIONAL INTEGRATION AND INDUSTRIALISATION

Moderator, Distinguished participants,

At this point, let us be on the same page on what we mean by the digital economy. **In simple terms, Digitalisation refers to the use of ICT such as the internet, mobile and Internet of Things (IoT) technologies to facilitate connection between people, businesses and government.** Networks of devices, exchanges of data, and linked business processes enable the transformation of the economy, making new digital business models and services possible.

The digital eco-systems are made up of many parts that cut across the economy and society in different ways. This has resulted in a number of conceptions and models of the digital economy. Focus is often on the highly technical digital elements such as networks, devices and data. However, the underlying structures of the economy, including physical elements such as infrastructure, and the availability of the skills required to interact with the digital economy are equally relevant. Rather than supplanting existing areas of the economy, digital technologies augment and streamline existing processes to enhance efficiency across economic activities. Moreover, digital technologies have unique properties to connect sectors and markets that may not be interlinked traditionally. The diversity of the digital



economy and differences in maturity across different markets require a framework that best reflects the needs and objectives of individual Member States and SADC as a collective.

Drawing on the 2021 Africa's Development Dynamics publication which focused on 'digital transformation for quality jobs', a summary of three major benefits of digital technologies in an economy emerges:

First, the internet **promotes the inclusion of firms at the local and global economy level** which, in turn, leads to the expansion of trade. The internet also intensifies competition in the market place, which in turn induces innovation.

Second, digital technologies bring opportunities to the household level by **creating jobs**, leveraging human capital, and producing consumer surplus. On job creation the 2021 Africa's Development Dynamics publication successfully articulates the transmission mechanism through the typical example of how mobile money technologies have created jobs in east Africa as illustrated in the figure 2 below;

Figure 2: The Impact of Mobile money on employment in East Africa

The story of fintech in East Africa illustrates the dynamic links between digitalisation and jobs, through several spillover effects.

First, in Kenya, the number of mobile money agents – i.e. own-account workers sub-contracted to facilitate the service – grew from 307 in March 2007 to over 240 000 in March 2020 (Central Bank of Kenya, 2020).

Second, competitive pressure from the mobile payment system forced traditional commercial banks to adopt digital financial services and introduced agency banking for the underserved population. The number of agents employed by agency banking reached 60 000 in 2017. In 2015, the volume of transactions using M-PESA, a mobile domestic money transfer and financing service, reached 45% of Kenya's GDP. The percentage of the population having a formal banking account in Kenya grew from 26% in 2006 to 75% in 2016 (Central Bank of Kenya, 2016).

Third, access to mobile money services has triggered very positive spillover effects on households and businesses. In Kenya, it helped raise at least 194 000 households out of extreme poverty between 2008 and 2014. It also enabled 185 000 women to switch their main occupations from subsistence agriculture to small businesses or retail over the same period (Suri and Jack, 2016).

Fourth, mobile financial services are now enabling new business models such as pay-as-you-go financing. Benefiting from the M-PESA services since 2011, M-KOPA provides affordable electricity from solar power, which has reached 750 000 homes and businesses across East Africa. Many studies have shown a positive impact of mobile money on the performance and growth of micro, small and medium-sized enterprises (MSMEs) in terms of productivity, sales and market shares.

Source: AU(2021), Africa's Development Dynamics; Digital transformation for quality jobs

However, going by most of the “core indicators of digitalisation for job creation” as presented in the table 2 below the African region lags behind the Asian as well as the Latin American regions.

Table 2; Selected indicators on Digital Transformation in Africa; Core indicators on digitilisation for job creation in Africa, Asia and Latin America

			Southern Africa (5 years ago)	Southern Africa (latest year)	Source	Latest year
<i>Digital sector</i>	Communications infrastructure	Percentage of the population with a cell phone	24.3	52.7	ITU	2018
		Percentage of the population with 4G coverage	32.8	80.4	GSMA	2020
	Telecommunication sector	International Internet bandwidth per Internet user (kilobits/second)	5 571.3	14 746.0	ITU	2018
		Total capital expenditure (as a percentage of total revenue)	21.7	16.3	GSMA	2018-20
		Earnings before interest, taxes, depreciation and amortisation (as a percentage of total revenue)	41.7	44.5	GSMA	2018-20
		Total employed headcount within the telecom companies (head account full-time equivalent)	14 676	27 531	GSMA	2016-17
<i>Digital economy</i>	Start-up development	Number of active start-ups that raised at least USD 100 000	50	130	Crunchbase	2011-20
	Digital services	E-commerce sales (in USD million)	93.7	155.3	UNCTAD	2014-18
		Export of professional and IT services delivered electronically (in USD million)	3 231.3	4 637.8	UNCTAD	2014-18
<i>Digitalised economy</i>	Internet use among people	Percentage of the population that use mobile phones regularly	75.4	70.8	Gallup	2018
		Percentage of women with Internet access	26.7	33.1	Gallup	2018
		Percentage of the poorest 40% with Internet access	18.7	23.3	Gallup	2018
		Percentage of rural inhabitants with Internet access	24.3	27.1	Gallup	2018
	Digital-enabled businesses	Percentage of firms having their own website	23.6	37.3	World Bank	2018*
		Percentage of firms using e-mail to interact with clients/suppliers	51.8	67.3	World Bank	2018*
		Percentage of goods vulnerable to automation that are exported to OECD countries	n.a.	13.0	World Bank	2020
	Access to finance	Percentage of the population with a mobile money account	14.0	86.0	Demirgüç-Kunt et al.	2017

Source: AU (2021), Africa’s Development Dynamics; Digital transformation for quality jobs(2021)

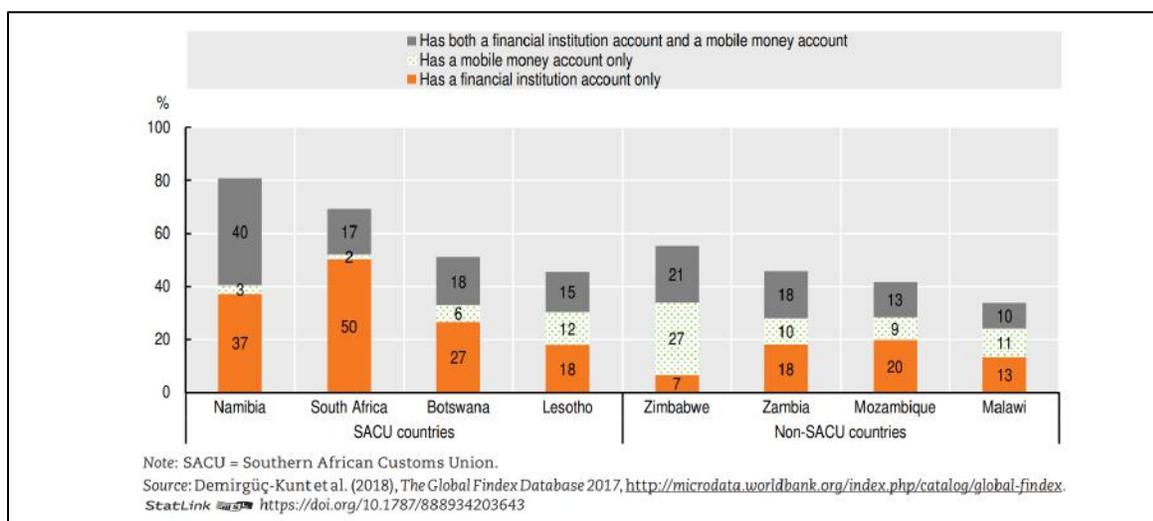
This signals the need for SADC region to consider channelling more energy and resources in digitilisation to improve these indicators. The indicators include Telecommunications infrastructure, telecommunication industries, start-up development, digital services, internet use among people, digital enabled businesses and access to finance.

Third, digital technologies enable citizens to access public services; strengthen government capability; and serve as a platform for citizens to take collective action, for instance through social media such as Facebook, twitter and WhatsApp.



Fourth, Digital technologies also provide innovative payment systems such as mobile money, digital currencies and online payments such as PayPal that operate to enhance financial inclusion in economies. As can be demonstrated by the figure 3 below Digitalisation has also facilitated some success stories in improved financial inclusion in some countries in the region;

Figure 3; Financial Inclusion in Selected Southern Countries,2017(as a percentage of the population aged 15 and Over)



Source; AU(2021) African’s Development Dynamics; Digital transformation for quality jobs (2021)

This has been made possible by a rise in the use of mobile money platforms.

Moderator, Distinguished participants,

Digitalisation will be a game changer for the SADC region’s accelerated industrialisation and integration especially given the socio-economic vulnerabilities revealed by COVID-19.

monitoring systems with access to reliable information for effective strategic decision making in a variety of sectors, such as water management, eHealth and industrial automation. Further, traditional corporations such as Standard Bank increasingly contribute to the digital economy by setting up incubators in several countries, including Angola and Mozambique. Large telecommunications companies are also stepping up – Liquid Telecom partnered with BongoHive in Zambia to offer high-speed Internet access and cloud-based services to entrepreneurs.

5. Fifth, in Malawi, the tourism sector, like many SADC countries, has been hard hit by the COVID pandemic and yet some firms have adapted quickly by piggybacking on digitalization of their services. One example is the Dedza pottery which has remained afloat despite COVID-19 effects by going online/digital in marketing and selling its tourism services and merchandise.
6. Sixth, is the successful integration into global value chains – a case of Nollywood. Nigeria’s Nollywood has overcome the obstacles it faced in its early days to become a fully-fledged film industry, largely due to the internet and smartphones. With 89.6% of its revenues coming from its online presence, it ranks second in the world behind Bollywood (India) in terms of the number of films produced and third after Hollywood and Bollywood in terms of revenues.

Moderator, Distinguished participants,

The examples for what a digital economy can offer from within and beyond SADC region, are endless.

Largely drawing on the 2021 Africa’s Development Dynamics, a number of important facts are emerging for serious reflection by the SADC leadership. Currently, internet speed in the region, especially in landlinked countries, is slow, though marginally increasing, and calls for regional policies on cross-border connectivity. In addition to unequal access to communications infrastructure, most Southern African countries have to deal with issues of Internet speed. It takes more than seven hours to download a 5 GB movie in Angola,



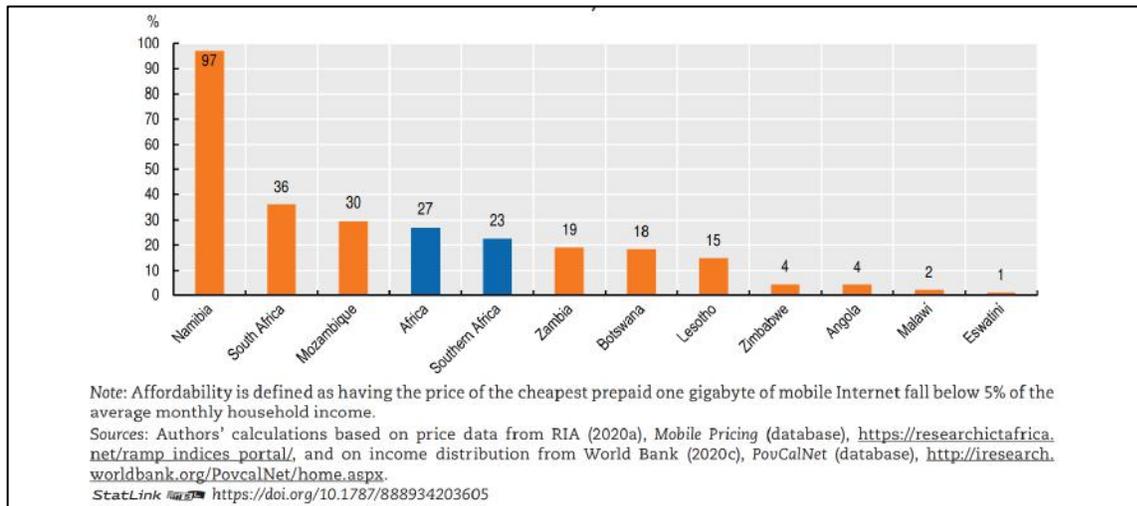
Eswatini and Malawi. Additionally, landlinked countries, like Malawi, Zambia or Zimbabwe, face costs in expanding their telecommunications networks to an undersea Internet cable. A regional approach to facilitating cross-border connectivity will thus be essential to improve speed, affordability and overall digital inclusion in landlinked countries.

Further, attracting investment from the private sector and finding external sources of financing are vital to meeting this challenge. In the short to medium term, public resources in Southern Africa will be highly limited due to the COVID-19 pandemic and ensuing economic crisis and to governments' structural weakness in raising domestic revenues. Several SADC countries already faced debt distress before the COVID-19 crisis. The private sector has played a key role in providing technical expertise and financing communications infrastructure, investing approximately USD 2.5 billion a year over the 2015-19 period. Development partners' assistance will also be crucial to finance infrastructure and support the implementation of digital policies. In Malawi, the World Bank invested USD 74.2 million in the Digital Malawi Program to improve access to digital technologies through four pillars: policy and legislation, digitalisation of public sector institutions, improved digital capacity, and project management.

Importantly, universal access to communication technologies and Internet services partially depends on affordable prices. As can be illustrated by the figure 4 below another key constraint in advancing digitalisation in the region is the unaffordability of internet. The affordability of the internet according to the African Development Dynamics publication is defined as having the price of the cheapest prepaid one gigabyte of mobile internet below 5% of the average monthly household income. Based on this metric the figure 4 below southern countries demonstrates that on average about 23% of the population of the countries can afford one gigabyte of data and this is far below the average of 27% of Africa. However, within the southern Africa block Namibia has the highest proportion of the population (97%) that can afford one gigabyte of data while most of the SADC countries fall below 20%.



Figure 4 ; Affordability of one gigabyte of mobile data monthly in Southern African Countries, 2018



Source: AU(2021) African’s Development Dynamics; Digital transformation for quality jobs(2021);

The African Development Dynamics publication demonstrates that on average 27% of the entire Africa’s population can afford one gigabyte of data, compared to 37% in Latin America and the Caribbean and 47% in Asia.

Key to all this is the fact that promoting regional co-ordination on infrastructure and regulations could accelerate digital development in the SADC region. Developing communications infrastructure will contribute to ensuring access across SADC countries. Co-ordinating infrastructure projects at the regional level, with the support of private partners, would improve access to new technology. In this regard, the Programme for Infrastructure Development in Africa (PIDA), led by the African Development Bank (AfDB), the African Union Commission and the New Partnership for Africa’s Development (NEPAD), would benefit from being strengthened and accelerated. Pooling resources from the public and private sectors is critical. Estimate show that Africa will need to invest USD 2.9 billion to achieve full 4G coverage by 2025. However, between 2014 and 2018, only 7% of regional and national government infrastructure financing budgets were allocated



to ICT development, i.e. USD 162 million. Setting up of sovereign wealth fund for financing digitalization start-ups is worthy considering. Angola offers good example in its move towards strategic use of its wealth with 9% being targeted towards digitalization.

Therefore, by drawing on successful experiences in other countries, SADC Member States should strive to be leading manufacturers and distribution hubs. **Jointly with the private sector, governments should increase funding for research and development (R&D) in electronic goods** in order to support the SADC ICT goods market and support policies that enable the countries in the region to access international and global markets.

5 DIGITALIZATION FOR INDUSTRIALIZATION

Moderator, Distinguished participants,

As explained earlier, the digital economy is an important catalyst for achieving national, regional as well as global development objectives. It transforms the way businesses operate; supports industry competitiveness through the adoption of e-commerce; and creates new sources of employment in digitally traded services. It is for this reason that, under the Industrialisation Strategy & Roadmap, SADC aims to fully operationalize its Digital SADC 2027 framework and the ICT component of the Regional Infrastructure Development Master Plan (RIDMP) to catalyse industrialization. From the perspective of globalization, the digital economy plays a critical role in the enhancement of global integration in industrialization by providing the platform for strengthening inter-industrial links. Serious investments must, therefore, be made in ensuring that a conducive environment is created for full embracing of digitalized industrialization. This will require the swift introduction at the national levels, of the requisite policies and legislation to guide the adoption and operation of relevant, effective and efficient digital economy platforms that are purpose-fit to reap from the benefits of digitalised industrialization.

Coming home, Malawi has just launched the Malawi 2063 (MW2063) Vision as its blueprint for development. MW2063 is anchored on three pillars among which is



industrialization, thus essentially domesticating the SADC industrialization agenda at the country-level. Malawi has, therefore, deliberately chosen to pursue an industrial revolution that is driven by a strong digital economy, among other focus things; hence the development of the Malawi Digital Economy Strategy. The industrialization shall also be leveraged with Science Technology and Innovations to ensure that the economy becomes and remains productive, innovative and highly competitive at the regional and global level.

Additionally, Malawi has established a separate Ministry responsible for industry with the aim of nurturing a focused and strong industrialization drive; and setting up effective mechanisms that encourage value-addition, including the branding and packaging of our export products and services. This is aimed at increasing our regional and global competitiveness. The pursuit of industrialization will, therefore, require intensive digitalization as an important enabler for acceleration and optimal functioning and returns.

5.1 Why the Region should Digitalize its Industrialization

Moderator, Distinguished participants,

The reasons that compel a person or entity to unreservedly do something are the perceived and known benefits that such an act will bring to the one engaging in it. I will single-out four reasons why digitalization will be key in building the region's industrial competitiveness:

- I. In this everchanging world, analogue ways of doing things continue to prove costly and outdated as they take a long time for one to complete a task; correctional measures in case of error are expensive and difficult to effect and generally require a lot of effort to accomplish the same level of activity than it would take if the processes were digitalized. Digitalization flips all these disadvantages into advantages. There is speed and enhanced effectiveness and efficiency that is achieved at a less or reasonable cost within the context of the gain or advantage that comes with digitalization.



- II. Digitalization can provide new opportunities for industrialization in region if we can leverage data on market demand to inform decisions on design and production. The greater weight of developing countries in the global economy makes global demand patterns increasingly heterogenous and increases the value of data on countries.
- III. While industrialization placed machine power at the centre of the economy, digitalization makes digital intelligence its new fulcrum. The factory as the site of mechanized production was the central economic institution of the industrial age. For the digital age, it is sectoral platforms that re-organize entire economic activities in any sector based on digital intelligence arising from data.
- IV. Digitalization should not just be seen as an event, but rather, an essential mode of doing things on a sustained basis. Karel Dörner and David Edelman¹ postulate that digitalization should be seen as using digital technologies for:
 - a) creating value at the new frontiers of the business world;
 - b) creating value in the processes that execute a vision of customer experiences; and
 - c) building foundational capabilities that support the entire (economic and business) structure.

Digitalization, therefore, may contribute to a change in business models, as new technologies provide access to ways of doing business that were previously unavailable or unimaginable. It is clear, therefore, that digitalization adds and brings new value to businesses as it transforms the way things are done by opening up and reaching out to new unexplored avenues and frontiers. A good example is the Dubai Space Tourism. Tourists in Dubai may get the best of both the worlds within “a working lifetime” since the desert city is not just building the world's first underwater hotel, but is also opening up for space tourism. High-tech tourist flights into outer space could be departing from Dubai by the

¹ Karel Dörner and David Edelman. (July 2015) ‘What digital really means’, McKinsey & Company High Tech



end of 2023. This is an industry built around digital technology and gives Dubai a sustained edge in tourism.

5.2 Tips on Accelerating Digitalization

Moderator, Distinguished participants,

Having come this far in my public lecture, I wish to share a few tips on how as the region we can accelerate digitalization which will be key for building a globally competitive industry:

I. Investing in the digital core as solid foundations for a digital economy

Our industrialization aspirations can be realized by leveraging digital technologies that improve trade efficiency and domestic competitiveness. The first step towards achieving this is ensuring that the foundations of the digital economy are sound and inclusive, as a strong digital core and well-developed digital services will enable critical processes such as industrialization to generate maximum impact. We must, therefore, encourage big investments in the availability and accessibility of inclusive basic digital foundational services that support industrialization while paying special and particular attention to women, children, persons with disabilities and other traditionally marginalized persons as active participants in the SADC industrialisation drive.

Investment in a digital economy will essentially require:

- a) the expansion of broadband coverage to areas that are not covered, allowing more people to access the internet affordably. This will be achieved through regulation; the stimulation of investment into necessary ICT infrastructure; and the correction of market conditions to ensure that service providers are able to offer more affordable data;
- b) the reduction of the purchase costs of devices, along with energy availability and access, lower barriers to entry and promoting high value participation in the digital economy; and

- c) an increase in the availability and accessibility of the relevant skills needed to participate in a modern and digital world.

II. Investing in the development of digital services that support industrialization

Digital services such as e-commerce, digital financial services and e-government services will play a critical role in supporting industrialization. Firstly, digital services will improve the efficiency of cross border trade processes and promote the emergence of a rich domestic e-commerce ecosystem. E-commerce can grow businesses' networks of customers quickly and cost-effectively. These outcomes are critical to supporting the competitiveness of domestic industries and offering new sources of income opportunity. Secondly, the digital services will increase uptake of digital financial services and increase the sophistication of the financial services sector. This will be achieved by improving the range, availability and accessibility of the digital financial services offered on the market and significantly increasing the adoption of and confidence in reliable digital payments.

III. Investing in Research and Development for technology - creating regional centres of excellence

Research for Development (R4D) plays a critical role in innovation and technological development. The evolution of national development challenges necessitates that the region should invest in continuous research to find new solutions to emerging issues. ICT Research for Development should be a crucial focus area to support industrialization and enhance linkages between R4D institutions and the industry. For example, the COVID-19 pandemic has just awakened us to immediately invest in critical centres of excellence such as pharmaceuticals and vaccine development and production.

SADC should also establish a center or centers of excellence on digital technology to revitalize regional industrial development. The SADC region is a predominantly



resource-based economy which depends mainly on natural and agricultural resources for production and livelihood. Meanwhile, the world is experiencing the dawn of the fourth industrial revolution characterized by the fusion of digital, biological, and physical worlds; and the growing utilization of new technologies such as artificial intelligence, cloud computing, robotics, 3D printing, Internet of Things and advanced wireless technologies in different sectors of the economy, including manufacturing.

The SADC heads of state and government should hence consider setting up of this center of excellence on digital technology and establish a special fund that will advance the development of digital technologies and strengthening the necessary human capacity in use of digital technologies in stimulating the growth of national economies. Matter of fact, we have many billionaire sons and daughters in the SADC region that can be approached and would be willing to support this noble cause.

Let us not bury our heads in the sand as a region. It is imperative for the SADC region to begin to position itself for transition to a knowledge-based economy. In particular, Member States must build and harness knowledge-based economies that are equipped to productively participate in domestic and foreign markets. The use of knowledge, as expressed in areas such as research and development, entrepreneurship, and innovation at the level of education and skills of individuals, is now recognized as one of the core drivers of growth, productivity and competition in the global economy.

IV. Invest in Skills Development

Moderator, Distinguished participants,

Education, be it pre-university, technical, vocational and higher, is critically important and SADC Member States must urgently assess their curriculums to ensure that it is tailor-made to allow our countries to bridge the skills, knowledge and technology gap with our continental and international competitors. In order for us to achieve the digital edge and knowledge-based economies, we need to invest in science, technology, engineering and mathematics (STEM) training, fully embracing women, persons with disabilities and other traditionally marginalised persons. Member States must, therefore, increase spending on



technical and vocational skills that are appropriate for modern, digital and knowledge-based economies.

V. Implement Regional Integration Reforms for Digitalization and Industrialisation

Reforms are necessary in order for SADC Member States to make regional integration work in creating digital economies. Such reforms must focus on reinforcing the harmonization of trade regulatory instruments by domesticating the SADC Protocol on Trade. We need to identify those countries with more advanced digital capacities and economies; and facilitate knowledge transfer, through training and intra-regional trade. Training in countries with stronger digital capacities should provide incentives for universities, while trade provides economic benefits for the trading countries. The SADC region can draw lessons from north-south relationships between the EU and countries in Central and Eastern Europe. Experience from other parts of the world has shown that when regional integration is successful in promoting trade, it also tends to lead to deeper integration, particularly financial integration. However, key to the success of such initiatives will be the assurance of a win-win situation among Member States as feelings of loss, exploitation or disadvantage breed unilateralism and protectionism. Another success factor is digital and industrialization policy coordination among Member States, which calls for trade integration and some form of ease of mobility of the factors of production (human capital and finances).

VI. Use of Digital Skills for Spatial Planning

In Malawi, the National Planning Commission has mapped out key development areas on varying scale, pointing out potential areas for creation of secondary cities based on existing potential investments that can form industrial hubs. Such spatial mapping is critical in guiding the participation of domestic and foreign investors in rural and urban development. The digitalised maps will form a vehicle through which longer-term phased industrial investments will take place. This is harnessing the power of digitalisation.



6. CONCLUSION

Moderator, Distinguished participants,

In conclusion, let me reiterate that industrialization is a critical element in our transformation agenda of inclusive wealth creation and self-reliance as a region. Industrialization will transform our economies from being predominantly consuming and importing to predominantly producing and exporting. Digitalisation will fast track industrialization, especially in the face of phenomena such as the COVID-19 pandemic.

The following are key interventions that the SADC region **must** prioritise:

- **Implement sustainable digital solutions as part industrial development policies.** It's been 18 months into the pandemic and many countries are poised to implement recovery programmes after administering vaccines. During the recovery period, industrial policy that builds on digitalization must play an important role in the overall policy and support package to complement fiscal, monetary, trade and other policy interventions. Industrial policy should, therefore, be designed to leverage linkages across sectors and borders;
- **Digitalize as a matter of extreme urgency.** COVID-19 has accelerated the necessary and inevitable push towards digitalization. The restrictions we currently operate under have provided an opportunity to consider and leverage the benefits of digital solutions. Digitally enabled government services related to basic business processes, including the registration of companies and application for services and payments can make a significant contribution to support industrial and cross-border regional economic development. Such improvements will significantly reduce transactions costs for micro, small and medium enterprises. Delays and time spent in queues are unnecessary and costly, disproportionately eroding confidence, efficiency and competitiveness, especially for micro, small and medium enterprises. Currently, global business and economic trends call for enhanced and efficient means of performance. Digitalization provides an economic and efficient way of keeping with the new-fast development trajectory;



- **Focus of trade facilitation measures.** Trade policy with a special focus on trade facilitation measures is a necessary complement to industrial policies. The discussion of the trade-industrial policy interface takes on special significance in the light of the pandemic; and for post-crisis recovery and reconstruction. Concerns about access to ‘essential goods’, such as medical equipment, pharmaceutical products and food prompted governments to introduce restrictions on exports. Trade facilitation, including improving customs and border management and eliminating non-tariff barriers deserves particular attention. It is here that digital trade solutions which can reduce the time and transaction costs of trade are important. Digitalization of border management processes, electronic payments, the use of digital certificates of origin and standards, as well as other measures should become standard not only during the pandemic, but even post-COVID-19;
- **Increase investments in education, digital skills, R&D, ICT and innovation as a pathway towards sustainable development.** While the digitalization and overall GKI among SADC Member States is low, SADC Member States must urgently address the knowledge gaps in the digital economy in order to effectively and efficiently accelerate our collective industrialization drive. Public and private education training institutions must explore collaborative initiatives to respond to the needs of business in these areas, extending to cross-border efforts and initiatives;
- **Ensure the availability and accessibility of secure energy and relevant digital skills.** While digital solutions can bring efficiency gains and improve competitiveness, experiences during the pandemic highlight the challenges of the digital divide, including the lack of energy security and relevant digital skills in many SADC countries. These deficits are a clog in the smooth and efficient realization of the promises of an industrial development that is underpinned by a functioning digital economy and must be addressed as a matter of urgency
- **Creating regional centre of excellence on digital technology**

SADC should establish a center or centers of excellence on digital technology to revitalize regional industrial development. A special fund should be set up to



support the initiative that will advance the development of digital technologies and strengthening the necessary human capacity in use of digital technologies in stimulating the growth of national economies.

Finally, let me thank the Government of Malawi, through the National Planning Commission and the Ministry of Foreign Affairs as well as the SADC Secretariat for organizing this High-level panel Public Lecture – and showing us digitalization in practical terms, as others are following the lecture online.

In a special way, let me join the Director General of the National Planning Commission in expressing Malawi Government's sincere vote of thanks and appreciation to the German Government through you, Your Excellency, the German Ambassador, for providing technical and financial resources. I extend similar gratitude to the European Union. This a great display of admirable partnership.

Moderator, Distinguished participants,

I hope this lecture will stimulate your thoughts on how digitalization can be part of bolstering productive capacities for the region's inclusive and sustainable industrial transformation in the face of COVID-19 pandemic.

I THANK YOU FOR YOUR ATTENTION!