Enhancing Cross-Border Digital Trust in Africa: Challenges and Opportunities

Regional Workshop on Digital ID and Interoperability in Africa

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Digital ID in Africa | Current Status

- Nearly 500 Million people in Africa
  - Lack any form of legal Identification (National ID)
- Provision for legal ID for all by 2030
  - Critical & important goal in UN SDG 2030 (16.9)
- AUC developing digital ID interoperability policy framework
  - Mandate from Digital Transformation Strategy (DTS) for Africa (2020-2030)
- COVID-19 effects & Mobile remain key driver
  - Mobile penetration to rise from 50-64% by 2025

Source: World Bank & African Union
Digital ID in Africa | Key **Enabler** and **Driver**

- Social-economic growth, spurs innovation & supports entrepreneurship

Source: UNECA
Why is *Cross Border Digital Trust* still a challenge?

**Cross-Border Digital Trust:**

- Involves establishing a *reliable and secure* environment for conducting *digital transactions* and *interactions* across different countries.

- This environment can be far *more complex* due to existing *interdependency, interoperability* and the need for *reliable and resilient* digital infrastructure.
Cross Border Digital Trust | Addressing Challenges

1) Development & Implementation of International Stds & Regulations
   o Govern data protection, privacy, cybersecurity & cross-border data flows
   o Enables establishment of a common framework for trust and security

2) Robust data protection and privacy measures (Ref Malabo Treaty)
   o Adopting strong encryption methods and compliance (GDPR) across borders
   o Implementing secure data storage and transfer mechanisms
   o Transparent data governance to build trust with consumers and partners
   o Facilitate secure and efficient cross-border data flows
3) Strengthen National Cybersecurity Strategy (NCS) measures
   o Conducting country/regional assessments, development & reviews of NCS
   o Enhancing both national and regional CERTs/CSIRTs to protect CNI
   o Enforce compliance and implementation of best/good Cybersecurity practice

4) Foster continental and International cooperation and collaboration
   o Among governments, regulatory bodies, and industry stakeholders
   o Sharing best practices and exchanging threat intelligence
   o Working together to address global cybersecurity challenges
Cross Border Digital Trust | Addressing Challenges

5) Develop reliable and interoperable digital ID solutions
   o Implement digital ID solutions that work seamlessly across borders
   o Enhance authenticity and trustworthiness of individuals and organizations
   o Enabler for AfCFTA in terms of cross border transaction data flow

6) Promote digital literacy, outreach and awareness
   o Within individuals and businesses on digital ID risks and best practices
   o Helps to make informed decisions and adopt secure behaviours
Cross Border Digital Trust | Addressing Challenges

7) Establish effective mechanisms for resolving cross-border disputes
   - In relation to digital transactions and data protection
   - Arbitration or mediation frameworks for fair and efficient conflict resolution

8) Regularly review and update policies, technologies, and practices
   - In order to adapt to evolving threats and challenges
   - Stay informed on emerging technologies, regulations, and best practices
   - To ensure ongoing enhancement of *cross-border digital trust*
Question 2

How can we develop and implement Cross Border Digital Services in a Regulated & Trusted manner?

Think “Inside the BOX”

Think “Outside the BOX”

Think “Without the BOX”
Regulatory Sandbox:

It is a *regulatory approach* that allows live, time-bound testing of innovations *under a regulator’s oversight*. Novel financial products, technologies, and business models can be tested under *a set of rules*, *supervision requirements*, and *appropriate safeguards*.
Regulatory Sandbox:

- A sandbox creates a **conducive** and **contained space** where incumbents and challengers experiment with innovations at the edge or even **outside of the existing regulatory framework**.

- A regulatory sandbox brings the cost of innovation down, reduces barriers to entry, and **allows regulators to collect important insights** before deciding if further regulatory action is necessary before **going to the market**.
Rise & Evolution of Regulatory Sandboxes

- Rise & Evolution of Regulatory Sandboxes
Cross Border Digital Services | Regulatory Sandbox

Rise & Evolution of Regulatory Sandboxes

• Timeline for Fintech Sandboxes creation since 2016

Source: WBG Research
# Benefits & Risks of Regulatory Sandboxes

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<th>Benefits</th>
<th>Risks</th>
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<td>Lowers cost of innovation in some cases</td>
<td>Competition issues (regulators pick winners, create uneven playing field)</td>
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<td>Opens access to regulator</td>
<td>Limited capacity of regulator to run sandbox</td>
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<td>Creates formal framework for safe, live testing</td>
<td>Liability issues in case of failed testing</td>
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<td>Allows for market monitoring</td>
<td>Unclear pathways for successful exit</td>
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<td>Signals openness to innovation</td>
<td>Intra- &amp; inter-agency coordination issues</td>
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<td>Limited regulatory tools to implement sandbox</td>
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Regulatory Sandboxes | Africa Status

- Development & Implementation in Africa
  - Mainly in Fintech, Finance, Insurance and related sectors

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<th>Regulatory Sandboxes</th>
<th>Fintech, Finance or Insurance Sector</th>
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<td>Kenya</td>
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Regulatory Sandboxes | Africa Status

- **Africa Telecom Regulators** have expressed great interest
  - Proposed Telecom Sector - *Regulatory Sandbox Framework*
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Q&A Session:

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