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# Digital Government

## ECONOMIC GROWTH AND TRADE

Photo by KC Nwakalor for USAID / Digital Development Communications

## Introduction to Digital Government in Economic Growth and Trade

Digital technology has transformed most aspects of people’s public and private lives, and it’s also driving immense change for governments. Governments are using digital technologies to set measurable administrative goals, improve public service delivery, make data-driven decisions, enact evidence-based policies, ensure greater accountability and transparency, and engage with the public.

### What does Digital Government look like in the Economic Growth and Trade Sector?

Digital government looks different across sectors. Broadly, it is how governments use digital technology to **manage** internal systems and processes, **deliver** services, and **engage** with stakeholders. In economic growth and trade, digital tools and technologies can enable the provision of financial services between governments, civil society organizations (CSOs), businesses, and individuals.<sup>1</sup> They improve financial inclusion for marginalized and underserved populations by bridging the gap between financial regulatory authorities and micro, small, and medium-sized enterprises (MSMEs). These technologies can also ease the implementation of participatory and inclusive economic and trade policies and support compliance with rules and regulations such as collection of border fees and standards enforcement. Further, they improve efficiency of cross-border transactions for border and customs authorities and enable time and cost savings for traders to improve trade volumes, which advances the provisions within the World Trade Organization’s (WTO) [Trade Facilitation Agreement](#).

**“Digital government” is the use of digital technologies as an integrated part of government strategies.**

USAID developed the [Digital Government Model](#) to help USAID staff and partners understand and engage with the goals and components of digital government.

<sup>1</sup> According to the [DECA Framework](#), Digital Financial Services is defined as “Using money online, through digital payments, savings, and other tools. DFS are financial services enabled by or delivered through digital technology (e.g., mobile phones, cards, the internet). These services (e.g., payments, credit, insurance, savings, advisory) can be offered by a range of providers, from banks to a host of non-bank financial institutions, such as microfinance institutions, digital credit providers, payment providers, technology vendors, and electronic money issuers.”

USAID's Digital Government model can be applied to the economic growth and trade sector:



**MANAGE: Systems and processes related to managing the daily work of government.** In 2022, the Philippines Bureau of Customs (BOC) launched its National Customs Intelligence System (NCIS).<sup>2</sup> The NCIS is a web portal that provides secure data from BOC's various units to break down silos and improve information exchange across the agency and generates reports for data-driven decision-making and formulation of responsive BOC policies. This enhances Bureau capacity for trade facilitation, revenue collection, and border protection.



**DELIVER: Platforms to allow stakeholders access to government services.** Through its Trade Monitoring System (TRMS), the Central Bank of Nigeria operates online portals for traders, shipping line and airline representatives, authorized dealer banks (ADB), shipment inspection agents, relevant regulatory agencies, and Nigeria Customs Service agents to access trade forms and exchange data with other trade chain stakeholders.<sup>3,4</sup>

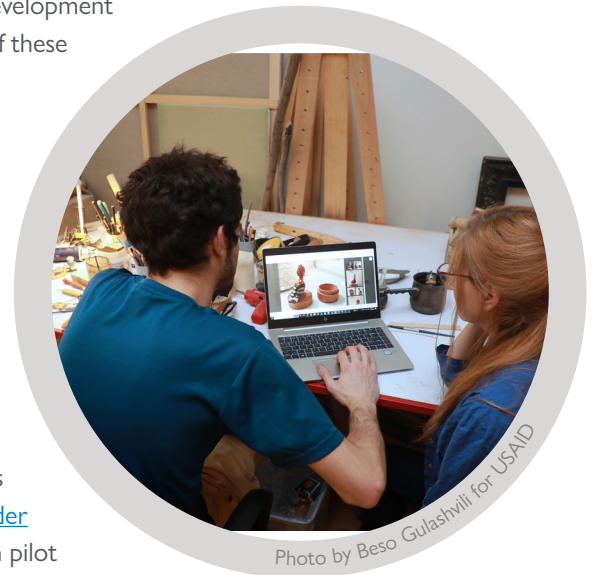


**ENGAGE: Platforms for stakeholders to contribute to policies and processes.** In 2018, Kenya's Ministry of Information, Communications and Technology launched the Whitebox initiative, an online "one-stop-shop" to provide business support and access to markets, investors, and government programs for local entrepreneurs. Whitebox has created a channel for entrepreneurs to pitch products and services and receive government inputs on prospective innovative solutions that address national priorities and challenges.<sup>5</sup>

## Digital Government Trends in the Economic Growth and Trade Sector

As digital technologies evolve, the following key trends can contribute to positive development outcomes in economic growth and trade sectors; the application or prevalence of these trends may vary based on the maturity of local digital ecosystems:

**Digital innovations in regulatory technology (RegTech).** RegTech refers to the use of emerging technology to process and manage regulatory compliance and streamline compliance reporting within financial institutions. Meanwhile, supervisory technology (SupTech) allows supervisory authorities, such as central banks, to automate and optimize supervisory tasks. From 2017 to 2018, the [USAID RegTech for Regulators Accelerator \(R2A\)](#) piloted digital tools such as chatbots and application programming interfaces (API) in the Philippines to support central banks to improve data reporting and streamline customer complaints while advancing consumer protection.<sup>6</sup> Regulators also use RegTech and sex-disaggregated data to enhance financial inclusion for women's economic empowerment. In 2021, the USAID [Digital Finance](#) team and [Gender Equality & Women's Empowerment Hub](#) worked with supervisory authorities in pilot countries in Africa and South America to collect and utilize sex-disaggregated data to set their own equal representation targets as a step to expanding financial inclusion and gender equality, and created similar expectations of management and service provision in regulated firms in those countries.<sup>7</sup>



**Electronic tax-filing.** Governments in lower-income countries on average collect less tax as a percentage of GDP per capita than higher-income countries.<sup>8</sup> Accordingly, digital tools and technology can assist governments to expand their tax base, increase compliance, and reduce corruption. Between 2015 and 2021, the [USAID E-PESO program](#) in the Philippines supported the digitization of Bureau of Internal Revenue (BIR) systems and 11 local government units to increase efficiency by launching online and mobile payment platforms for property taxes, increasing electronic tax payments to where they comprise over 80 percent of total tax revenues.<sup>9</sup>

<sup>4</sup> This is one among many examples of government operated trade information portals that align with a key provision with the [WTO Trade Facilitation Agreement](#) to increase transparency on trade matters.

**Digital technologies in trade and customs.** Digitalization of customs and clearance processes from paper-based and inefficient legacy systems allows customs and border authorities to reduce bottlenecks and improve their volume of national trade. These technologies include the adoption of digital payments and currencies to expedite cross-border transfers, e-signatures that verify suppliers, shippers, and customers, and single-window online portals to simplify application processes for cross-border traders. In 2021, the [USAID Customs Reform Project](#) supported Timor-Leste’s Customs Authority to launch a Customs Trade Portal that provides free and simple online access to electronic trade-related publications and information on procedures, policies, laws.<sup>10</sup>

## PROJECT SPOTLIGHT

### RegTech for Regulators Accelerator (R2A)

[R2A](#) was a USAID, Bill & Melinda Gates Foundation, Omidyar Network, and Rockefeller Philanthropy Advisors-funded program between 2016 and 2020 to pioneer and accelerate SupTech applications and the digital transformation of financial supervision. R2A partnered with standard-setting bodies, financial authorities, and technology firms to demonstrate the impact of public-private collaboration to address challenges related to regulation, supervision, and policy analysis. The program deployed innovative pilots across various geographies, including an AI-enabled machine learning solution to combat financial crime for the Mexican Comisión Nacional Bancaria y de Valores (CNBV). Since the end of the program, R2A has been integrated into the [Cambridge Centre for Alternative Finance](#).

## Key Barriers in the Economic Growth and Trade Sector

The following barriers inhibit opportunities and innovation for digital government, impacting the management of systems and processes, delivery of services, and engagement of stakeholders in the economic growth and trade sector:

**Lack of inter-agency cooperation and collaboration.** Platforms for trade finance, transportation, or national single windows (NSWs) are often developed in isolation, creating incompatible systems.<sup>11</sup> Meanwhile, the prevalence of non-web based legacy systems and non-standardized or unaligned data processes and models produce inefficiencies in areas such as the cross-border exchange of trade documents and information. This creates barriers for the trading community to work effectively with the government. In response to these challenges, in 2020, the International Chamber of Commerce launched the [Digital Standards Initiative](#) to enhance the standardization and exchange of data across the supply chain.

**Evolving cybersecurity threats and vulnerabilities.**<sup>12</sup> Digitization within lucrative industries such as digital financial services, e-commerce, or eTrade makes them a natural target for cyberattacks by malicious state and non-state actors. Cyberattacks pose serious financial and reputational risks for digital finance and commercial organizations. While larger financial institutions such as national central banks traditionally invest more in maintaining cybersecurity to safeguard sensitive data, limited resources produce inherent vulnerabilities among MSMEs, threatening digitally integrated supply chains and economies in low and middle-income countries.

**Insufficient and inequitable internet connectivity and device access.** Demand for broadband services in underserved rural communities has increased in recent years, particularly since the onset of COVID-19. A lack of basic power and internet connectivity and subsequent unavailability of affordable internet-enabled devices poses a challenge for governments and development partners to deploy, manage, and maximize the adoption of

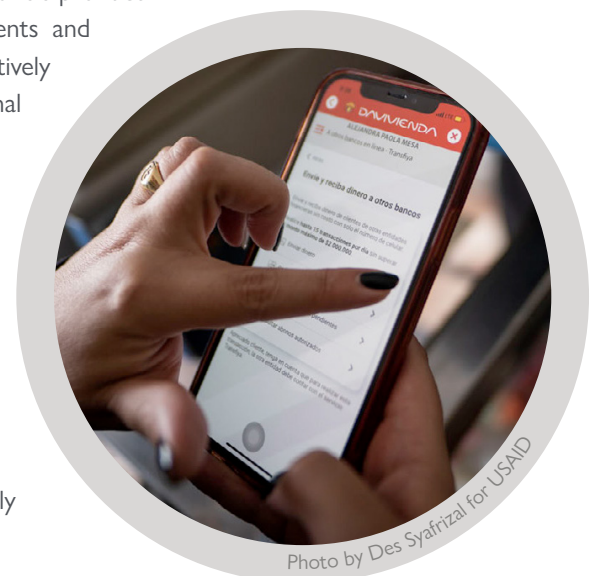


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digital tools and services. This challenge may be particularly acute, for example, in landlocked countries such as Burkina Faso, Afghanistan, or Kyrgyzstan, where remote border crossing stations are attempting to digitize their customs systems. Meanwhile, connectivity issues negatively impact financial inclusion because unequal access to connected devices can hinder the adoption of digital tools and technologies by users, particularly for marginalized groups such as women or persons with disabilities.



### Other Digital Government in Economic Growth and Trade Resources:

- » [USAID's Economic Growth Policy.](#)
- » [USAID Primer on Blockchain.](#)
- » [USAID's Digital Invest program.](#)
- » [USAID FinTech Partnerships Playbook: How donors can pursue private sector engagement to strengthen digital finance ecosystems.](#)
- » [RegTech for Regulators Accelerator.](#)
- » [Principles for Digital Development.](#)

**FOR MORE INFORMATION** please contact the IPI/ITR Digital Societies and Governments team ([digitalsocieties@usaid.gov](mailto:digitalsocieties@usaid.gov)) and the IPI/ITR Digital Finance team ([dfs@usaid.gov](mailto:dfs@usaid.gov)).

- 2 [BOC Implements The National Customs Intelligence System | Bureau of Customs.](#)
- 3 [Trade Monitoring System \(tradesystem.gov.ng\).](#)
- 5 [Home | Huduma WhiteBox.](#)
- 6 [FinTech Partnerships Playbook \(usaid.gov\).](#)
- 7 [How Regulators Use Sex-Disaggregated Data and RegTech to Enhance Financial Inclusion | U.S. Agency for International Development \(usaid.gov\).](#)
- 8 [Filling the Gap by Filing Taxes: How Technology Can Aid Governments in Tax Collection \(worldbank.org\).](#)
- 9 [USAID/Philippines E-PESO Project.](#)
- 10 [Timor-Leste Launches Customs Trade Portal and Customs Authority Strategic Plan with U.S. Support | Press Release | Timor-Leste | U.S. Agency for International Development \(usaid.gov\).](#)
- 11 [Global Interoperability of Data Models for Trade Documents and Platforms.](#)
- 12 For conceptual definitions, opportunities to incorporate cybersecurity into future programming, and cybersecurity trends in economic growth and trade, you may review the [Cybersecurity Primer | U.S. Agency for International Development \(usaid.gov\).](#)

### USAID'S DIGITAL STRATEGY

USAID's [Digital Strategy](#) was launched in April 2020 with the goal of supporting USAID partner countries through their digital transformations. It aims to improve measurable development and humanitarian assistance outcomes through the responsible use of digital technology and to strengthen the openness, inclusiveness, and security of partner country digital ecosystems.