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Fostering Development Gains from Domestic and Cross-border E-commerce in Developing Countries

The digitalisation of the global economy has seen a dramatic growth of communication platforms in recent years and increasing rates of uptake of new technology. While the telephone, launched in 1878, took 75 years to reach 100 million users worldwide, Instagram,¹ launched in 2010, took only 2 years and 4 months to reach the same number of users. Platforms facilitate a wide range of transactions through online payments and transport services, as well as enabling people to contact each other through social media. The range of services that platforms provide is growing, as are their potential social and economic benefits.

E-commerce and technological innovation can work for consumers and businesses across the world, and serve as key drivers for wider economic development. UNCTAD E-Commerce Week provides an opportunity for Members to share examples of good practice across digital development projects, including platforms, and helps lay the groundwork for an inclusive global framework for e-commerce. The UK Department for International Development (DFID)'s recently launched Digital Strategy sets out the Government's approach to development in a digital world and establishes the UK's intention to be a leader in tackling global poverty with digital technology. The strategy highlights the role of platforms in helping to tackle some of the biggest barriers to SME participation in the global – increasingly digital – economy, including: skills and knowledge deficits; lack of enabling regulation and strong institutions; and financial, organisational and logistical hurdles.

With 50% of the global population still lacking internet access, and only 1 in 6 people having access in the world's least-developed countries,² one of the most fundamental prerequisites to strengthening e-commerce in developing and least developed economies is an expansion in connectivity. The barriers to getting online can be a combination of both *inadequate national infrastructure as well as high costs* for individual businesses. One way in which these dual challenges can be met is through the innovative use of technology. The **Digital Marketplace Mozambique** project, supported by DFID, harnesses ground-breaking wireless mesh network (WMN) technology to improve outcomes for informal female market traders and schools in Maputo. The WMN, easily accessible through Bluetooth or wireless, not only provides all of the functionality of the internet, but increases in reach and bandwidth with every new user that joins. At the same time, it operates without the transfer of mobile phone data and therefore allows users to access it for free – a considerable saving when traders can otherwise spend a significant portion of their income on data.³

Another common hurdle to the expansion of e-commerce in developing countries is *reliance on a cash-based economy and the absence of quick, convenient and secure alternatives*. Reliable digital payment platforms can help meet this challenge, facilitating the transactions of the digital economy and accelerating its growth. **M-Pesa**, initially launched as a partnership between DFID and Safaricom, is an exemplar for how to provide inclusive, high-quality financial services to lower-income groups and SMEs that lack traditional connectivity. M-Pesa allows users to deposit money into an account on a basic mobile phone, send balances using text messages, redeem deposits for regular money and deposit and withdraw funds from banking agents, while a suite of additional services continue to be built on top of the existing platform. Since its 2007 launch in Kenya it has been taken up by two-thirds of the country's adult population and has contributed to a 90% fall in the cost of sending remittances.⁴ The platform continues to expand into other markets and is now the most successful mobile phone-based payments system in the developing world.

¹ http://media-publications.bcg.com/BCG_Technology_Advantage_April_2015.pdf

² UNCTAD, *Information Economy Report 2017*

³ See <https://medium.com/frontier-technology-livestreaming/notes-from-the-field-digital-marketplace-mozambique-5abaf87c8e31> and <https://medium.com/frontier-technology-livestreaming/day-in-the-life-of-a-dfid-frontier-technology-pioneer-976a8685535>

⁴ See <http://www.eiu.com/industry/article/1451806929/m-pesaout-of-africa-into-romania/2014-05-13> and <http://www.bbc.co.uk/news/business-38667475>

However, even with the necessary infrastructure in place, developing country SMEs can struggle to take advantage of digitally-enabled trading opportunities – especially international ones – when doing so involves the navigation of complex, costly or time-consuming processes. Digital trade facilitation initiatives can help to provide a solution to these impediments, easing the entry of products into new markets. In Kenya, DFID helped establish a **National Electronic Single Window System** to improve trade logistics at cargo entry points and so facilitate the faster clearance of imports and exports, which helps to deliver the ‘single window’ commitment in the WTO Trade Facilitation arrangement. Whereas traders had previously needed to acquire permits and licences through numerous government agencies, a website and e-payment system now allows easier completion of most official procedures via a single platform, which should reduce the costs of import and export procedures by 50%.

Digital entrepreneurs in developing countries continue to face *challenging financial and organisational hurdles* in moving their business ideas from concept to reality. In nascent digital economies where financial backing for innovative ventures can be less forthcoming, start-ups can often require dedicated support in order to successfully launch, compete and sustainably grow. The DFID-funded **Ecosystem Accelerator Innovation Fund**, a partnership with GSMA, is a competitive grant fund awarded to applicants who utilise mobile phone technology to provide solutions with a positive socioeconomic impact. The initiative provides selected start-ups in Africa and Asia with grant funding, technical assistance and the opportunity to partner with mobile operators in their markets to help scale their products and services into sustainable businesses. To date 19 businesses have been supported through the fund, including the expansion of mobile money services to customers and SMEs in Eastern Nepal (eSEWA), the building of a mobile-enabled food distribution service in Nairobi (Twiga Foods), and the scaling-up of an app connecting informal-sector workers with customers in Mozambique (UX Biscate).

Finally, a *shortage in digital skills* can be just as inhibiting to the progression of e-commerce across developing economies. Nonetheless, skills development can be a tool for the wider empowerment of disadvantaged groups, especially women. Doubling the number of women online could potentially contribute an estimated USD \$13-18 billion to annual GDP across 144 developing countries.⁵ With this in mind, DFID India’s SITA programme implemented **#SheGoesDigital** – an initiative created to provide training in high-demand skills to young Kenyan female university graduates from marginalized backgrounds. Technical training in social media and digital marketing was complemented by live project experience; mentoring and coaching; and interaction with industry leaders and experts. Around 80% of program graduates have been successfully placed into internship opportunities that can help unlock their future potential and drive forward the digital economy, with some using new digital skills to export products to international markets for the first time.⁶

Development projects such as these can facilitate digital platform access itself, which can in turn help counteract other barriers to market access. Political cooperation is needed to help overcome some of the obstacles to widespread acceptance of the digital agenda, and to develop policies and projects that extend the benefits of e-commerce and the digital economy to people across all echelons of societies around the world. The UK welcomes the efforts of UNCTAD and other international organisations to convene developed and developing countries to share knowledge and best practices for advancing this agenda and to ensure that the benefits of access to digital platforms can be felt by all. We look forward to continuing to engage in this vital work.

⁵ Intel, *Women and the Web*, 2013

⁶ See <http://www.voicesofsita.com/2017/06/19/equipping-young-women-to-drive-kenyas-digital-economy/> and <http://www.voicesofsita.com/2017/10/27/shegoesdigital-with-success/>