E-commerce for Rural Development: Global Trends

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Overview

- Global Landscape
- Broad challenges in rural areas
- How can e-commerce be fostered for rural development?
- E-commerce-specific challenges in rural areas
- E-commerce opportunities in rural areas
- Opportunities for industry development through e-commerce
- Case study 1: Dongfeng village in Jiangsu Province, China
- Case Study 2: Information Network Village in Korea
- ICTPR E-commerce Assessment and Enabler Framework
Global landscape

- Three billion people in developing countries live in rural areas.
- They include the majority of the world’s poor.
- It appears their numbers will continue to grow until 2030.

Source: OECD 2016
Broad challenges for rural areas

- Rural areas tend to be remote areas. Far from urban centers and difficult to access. Achieving standard urban-rural connectivity more expensive (i.e. through roads, power lines, etc.)
- Rural areas are sparsely populated. Difficult to achieve economies of scale for production of goods and services. Underdeveloped commercial markets.
- Rural infrastructure is lacking or poorly developed.
- Human capacities and institutional capacities are limited.
- Rural services are poorly developed (i.e. health, education, water, electricity, sanitation, etc)
- Labour drain, low skilled, low paying jobs.
- Issues of migration and its related social dimensions,

Source: GIZ, Kloekner 2014; OECD 2010
How Can E-commerce be Fostered for Rural Development?

- Building capacity of rural producers to use e-commerce to market and sell their products, or purchase intermediary products for their businesses, i.e., agricultural producers, smallholder farms, village factories, producers of local crafts.

- Building capacity of rural people to become online consumers.
E-commerce-Specific Challenges

- Logistics: High delivery costs or delivery not feasible.
- ICT infrastructure: Weak ICT access and low internet penetration
- Payment infrastructure: No or weak electronic payment infrastructure and networks. Especially need to be able to make and receive payments when distances involved.
- Literacy and ICT skills: In some countries, even educated people in rural areas cannot handle computers
- Limited purchasing power: widespread poverty, low income, and unemployment in rural areas.
- Lack of resources for building businesses: exacerbated by lack of access to business financing
Rural E-commerce Opportunities

- Rural areas constitute a large potential consumer market.
- Rural communities increasing purchasing power. In many countries, rural markets growing faster than urban markets.
- No or few options to shop in local retail shops makes rural communities good candidates for e-commerce. Greater product selection.
- Potential time savings, ease and transportation costs. No longer a need to travel into urban areas to purchase products.
- Can help rural producers overcome geographical reach constraints. No longer limited to selling to immediate local market.
- Local products and agricultural surpluses from rural areas offer rich potential to bring to market. Tap into urban and overseas consumer demand.
Rural opportunities for industry development through e-commerce

- Create supporting ecosystem for local industry development.
- Clustering phenomena where support service and supporting industries grow in conjunction as e-commerce grows i.e. logistics, manufacturing, processing and packaging industries.
- Contribute to the build up and improvement of roads, broadband infrastructure and product certification processes.
- Globalization trend. Makes possible entry of small villages and small producers into global supply chains.
- Creation of large numbers of rural jobs. Wealth generation in rural villages.
- Example: In 2009, this began to occur in China with the emergence of clustering of rural online entrepreneurs who opened shops on Taobao Marketplace and supporting industries. Referred to as “Taobao Villages”.

8 Rural opportunities for industry development through e-commerce
Case study 1: Dongfeng village in Jiangsu Province, China

- Traditional livelihood by farming and migrant labour.
- 2006, young man sets up first online shop to sell simple assembled furniture in Ikea style.
- Furniture assembly and manufacturing industry started to emerge from the development of online retailing.
- Other supporting industries emerged including wood processing, logistics, hardware accessories and packaging (clustering effect).
- 2010: the village had three hardware accessory factories, 15 logistics and express delivery companies and 7 computer stories.
- Now more than 400 online shops and combined annual revenue of over $50 million.
- Named the top “Taobao village”.

Source: UNCTAD IER 2015
Case study 2: Information Network Village in Korea

- Information network village (INVIL) platform launched in 2001 by the government.
- Designed to “reduce the digital divide between rural and urban regions and to increase the income level of local residents”
- Villages submit application and must be approved to gain entry to the INVIL platform.
- All INVILs appear on central portal with descriptions of their agricultural specialities and tourist attractions.
- Orders can be made online and products can be sent anywhere in country within 3 days.
- Villages are supported by government in identifying potentially best selling products and how to brand them.
- 2013: INVIL platform facilitated about 39 million in online sales and 17 million visitors.

Source: UNCTAD IER 2015
ICTPR Multi-Pillar E-commerce Assessment and Enabler Framework

Key intervention areas for fostering e-commerce growth:
- ICT infrastructure & telecom services
- Logistics and trade facilitation
- Legal & regulatory environment
- E-payments
- E-commerce platforms
- Awareness raising
- Skills development
- E-procurement
UNCTAD ICT Policy Review (ICTPR) Programme

- Provides technical assistance at the request of member states in areas of e-commerce and ICT national planning.
- Conducts diagnostics and national assessments, develop a national e-commerce strategy and other e-commerce strategies, and provides research, analysis and policy advice to countries requesting assistance in building and maintaining a dynamic and responsive policy environment in e-commerce, ICTs and related areas.
- Currently supporting the Government of Egypt in developing its National E-commerce Strategy.
- The ICTPR Programme works in collaboration with UN and Bretton Woods partners. ie. Partnered with the World Bank, UPU and ILO to develop National E-commerce Strategy of Egypt.
- Programme webpage: unctad.org/ictpr
Thank you for your attention!

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