What do developing countries need to build competitive advantages through e-commerce and the digital economy?

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First Intergovernmental Group of Experts on E-Commerce and the Digital Economy

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LIRNE*asia*

Pro-poor. Pro-market.

IDRC ✳ CRDI

Canada

UKaid
from the British people

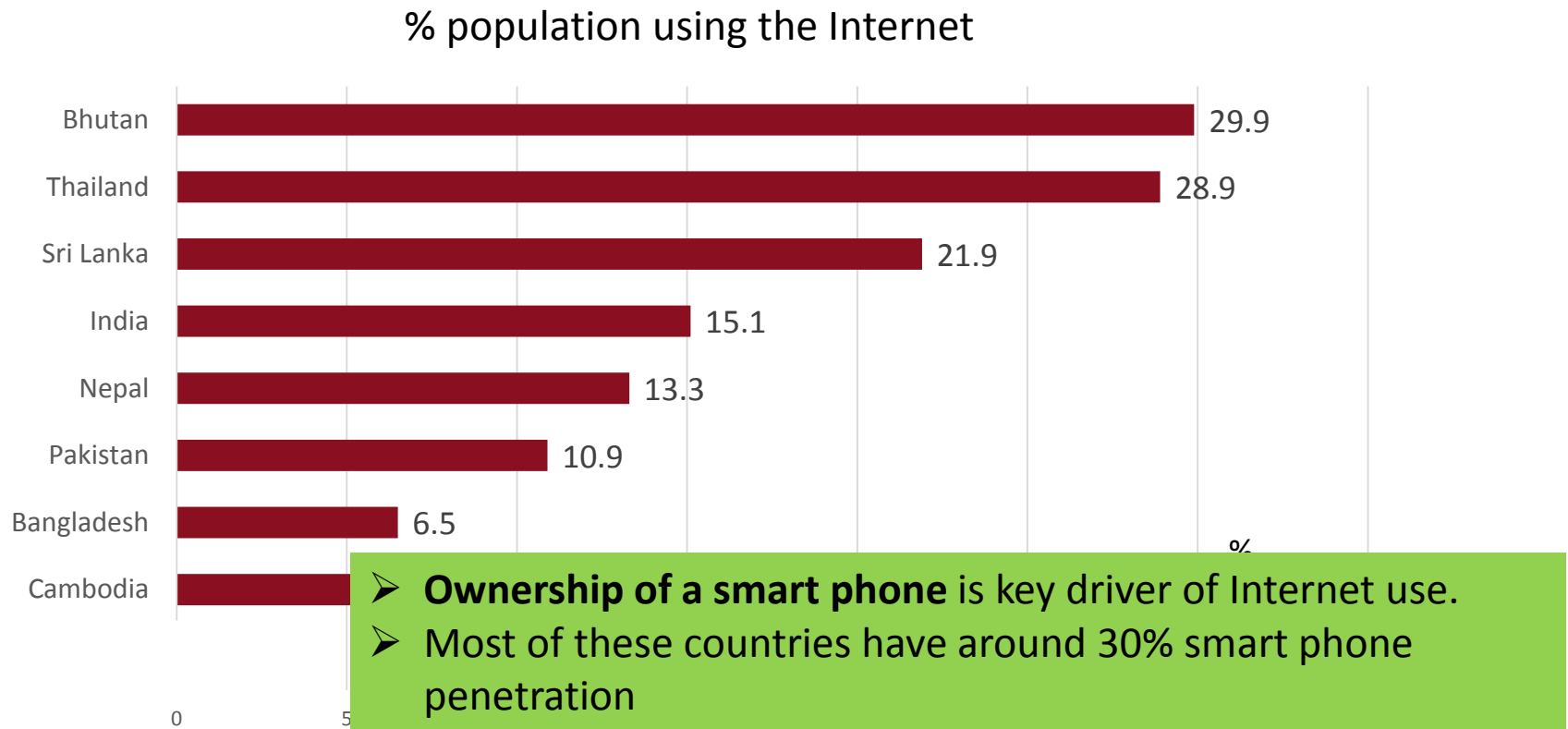# Basic building blocks for citizens to engage in e-Commerce transactions

- Connectivity
  - affordable ICTs
- Use
  - users and producers comfortable using ICTs
  - both able to use safely/securely
- Payment mechanisms
  - minimally, mobile wallet based payments (bCash, mPesa etc.) or Cash-on-Delivery
  - optimally, multiple modes of payment including credit/debit cards, digital wallets (such as PayPal), direct bank transfer
  - trust mechanism to build confidence in payment systems (consumer redressal mechanisms, customer service numbers to call, etc.
- Delivery mechanism and geo-mapping/addresses
  - minimally: easily accessible locations for goods pickup (e.g. mobile top-up shops)
  - optimally: multiple modes of delivery, with all all locations geo-mapped and "addressable"
- Legal and regulatory tools
  - consumer protection laws, electronic transaction laws, etc.

A range of e-Commerce activity takes place in emerging economies

| Type of market-enabling activity	Value to Economy	Requirements for Basic e-Commerce	Requirements for Frictionless e-Commerce
Listing + Searching	Low	ICT access + ICT use + basic digital skill	+ higher digital skill + some trust mechanism
Listing + searching + paying	Medium	Above + mobile payment OR Cash on Delivery	+ multiple payment options + insurance or "trust"
List & Search + Pay + Deliver	High	Delivery points	+ geo mapped addresses + low non-tariff barriers (customs)

ACCESS & USE

Many S Asian countries had less than 20-30 % of their population online. But newer data is essential

% population using the Internet

Country	%
Bhutan	29.9
Thailand	28.9
Sri Lanka	21.9
India	15.1
Nepal	13.3
Pakistan	10.9
Bangladesh	6.5
Cambodia	

> ➢ **Ownership of a smart phone** is key driver of Internet use.
> ➢ Most of these countries have around 30% smart phone penetration

Nationally representative data from Africa countries was even worse. But 2012 data outdated

Those answering YES to "Do you ever use the Internet?" (% of population aged 15 and above)
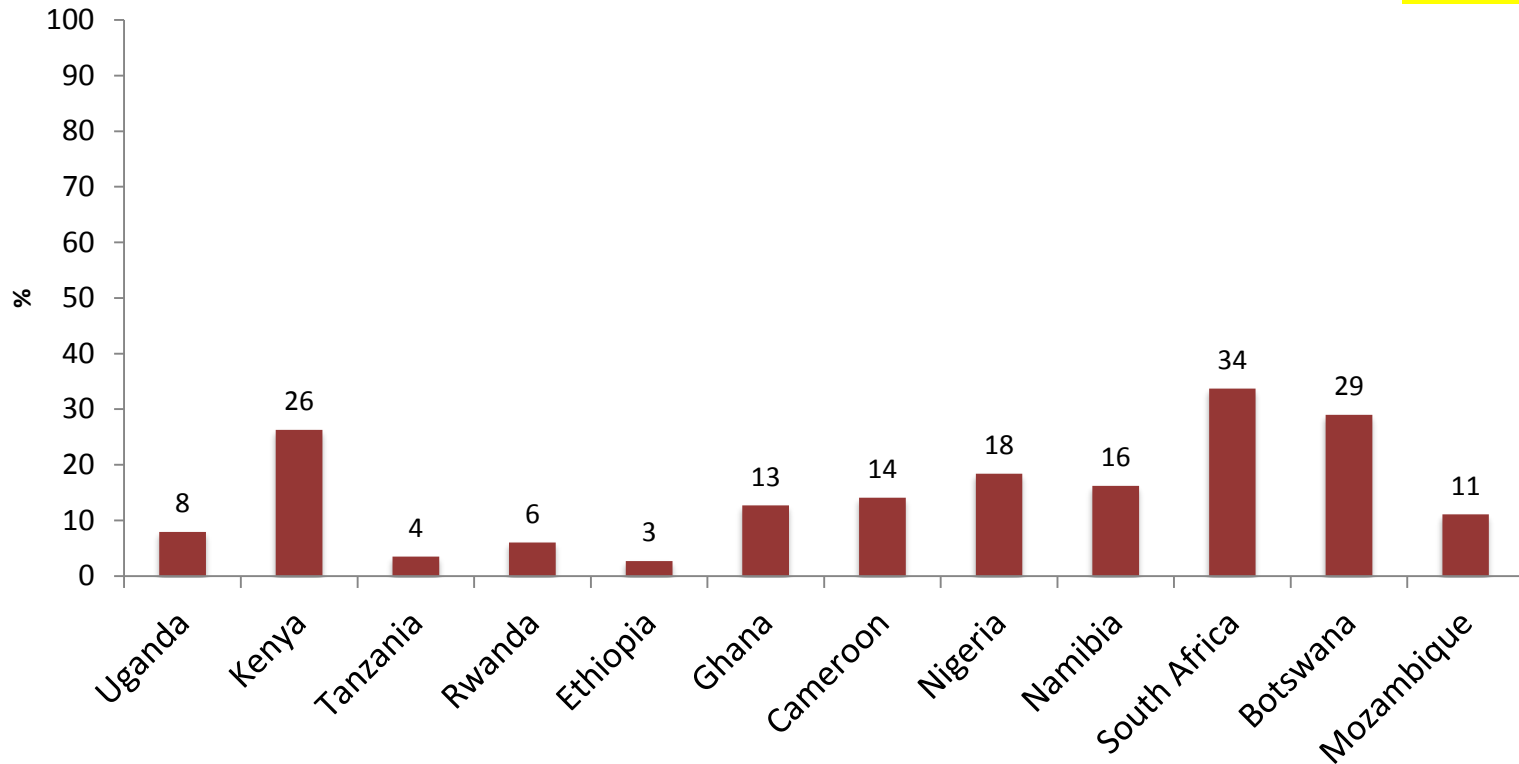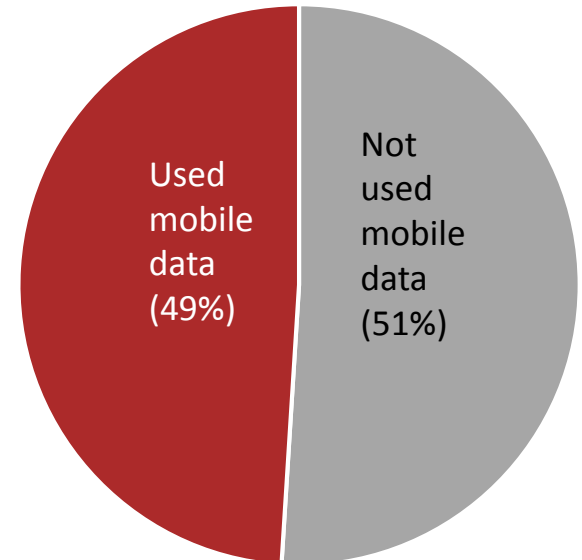
Compare with the exception in Asia – Myanmar. 48% of population own a smart phone. 49% of mobile owners online (in 2016)

Mobile handset type (% of mobile owners)
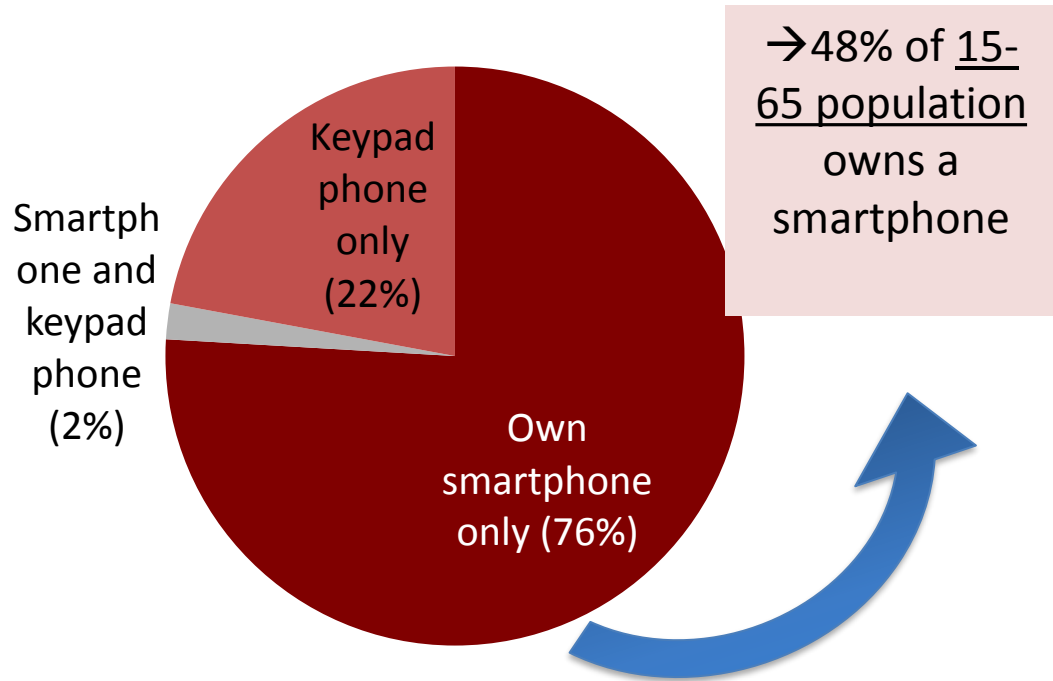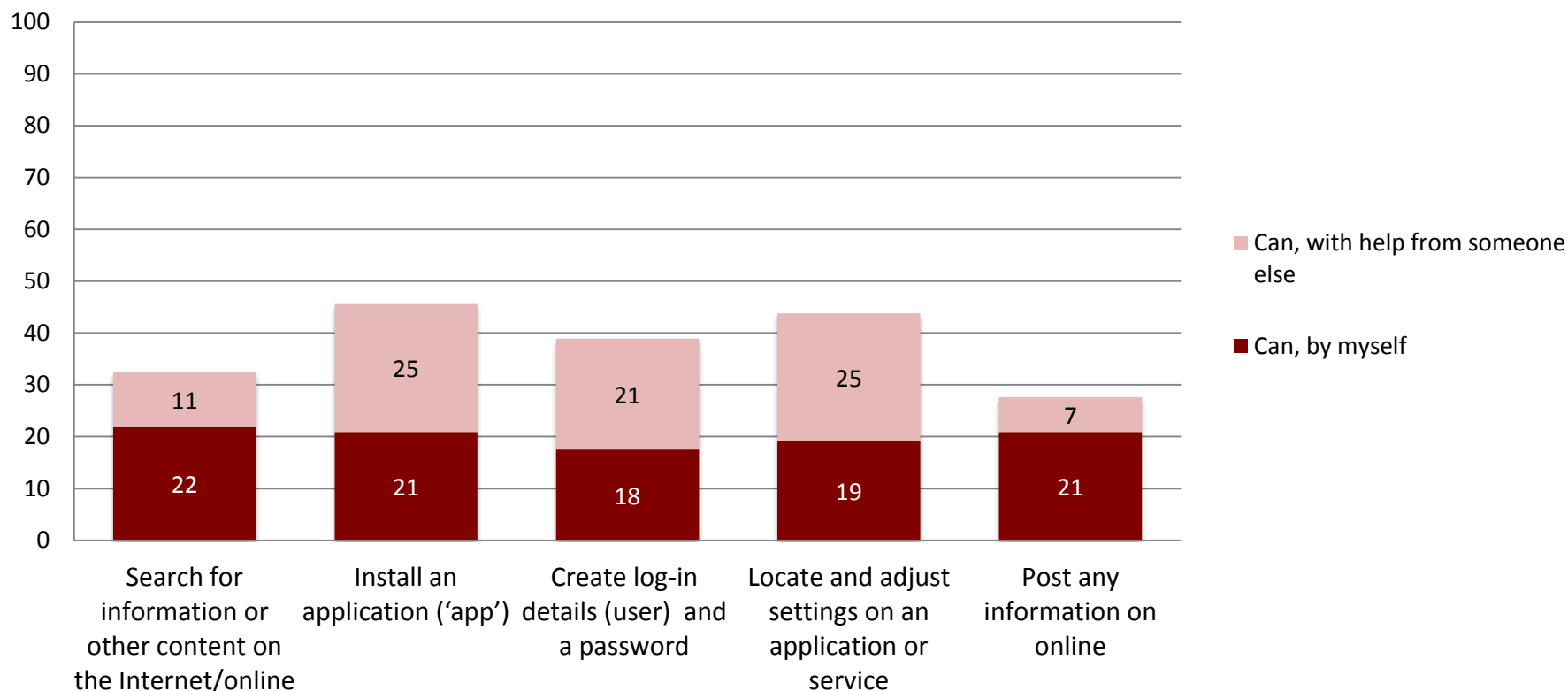
Use of mobile data for Internet (% of mobile owners)

Keypad phone only (22%)

Smartphone and keypad phone (2%)

Own smartphone only (76%)

→48% of 15-65 population owns a smartphone

Used mobile data (49%)

Not used mobile data (51%)

In the context of low digital skills. Many in Myanmar manage with someone's help

Digital skills (% of mobile handset owners who can perform the tasks by themselves or with help)

Legend:
- Can, with help from someone else
- Can, by myself

| Task	Can, by myself	Can, with help from someone else
Search for information or other content on the Internet/online	22	11
Install an application ('app')	21	25
Create log-in details (user) and a password	18	21
Locate and adjust settings on an application or service	19	25
Post any information on online	21	7

Q: Can you please tell me, which of the following activities you have ever done on your mobile or on the Internet/online, and for each one, whether you have done it by your self, or with someone else's help.

Base: Mobile owners aged 15-65
Source: Nationally representative survey in Myanmar (Jun-Aug 2016)

Nationally representative data from Latin America shows huge progress in Internet use by 2017

Internet and Social Media use by population aged 15 years or above, July 2017
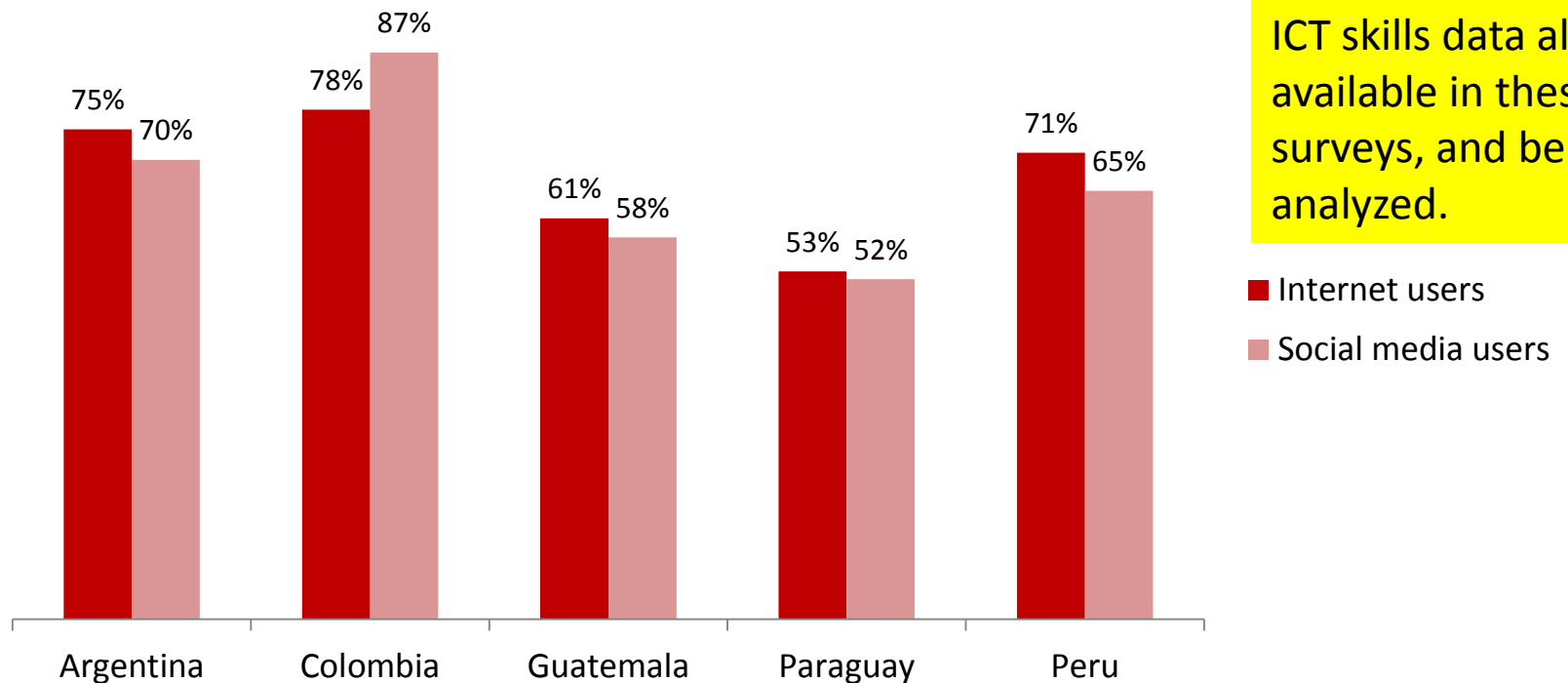
ICT skills data also available in these surveys, and being analyzed.

- ■ Internet users
- ■ Social media users

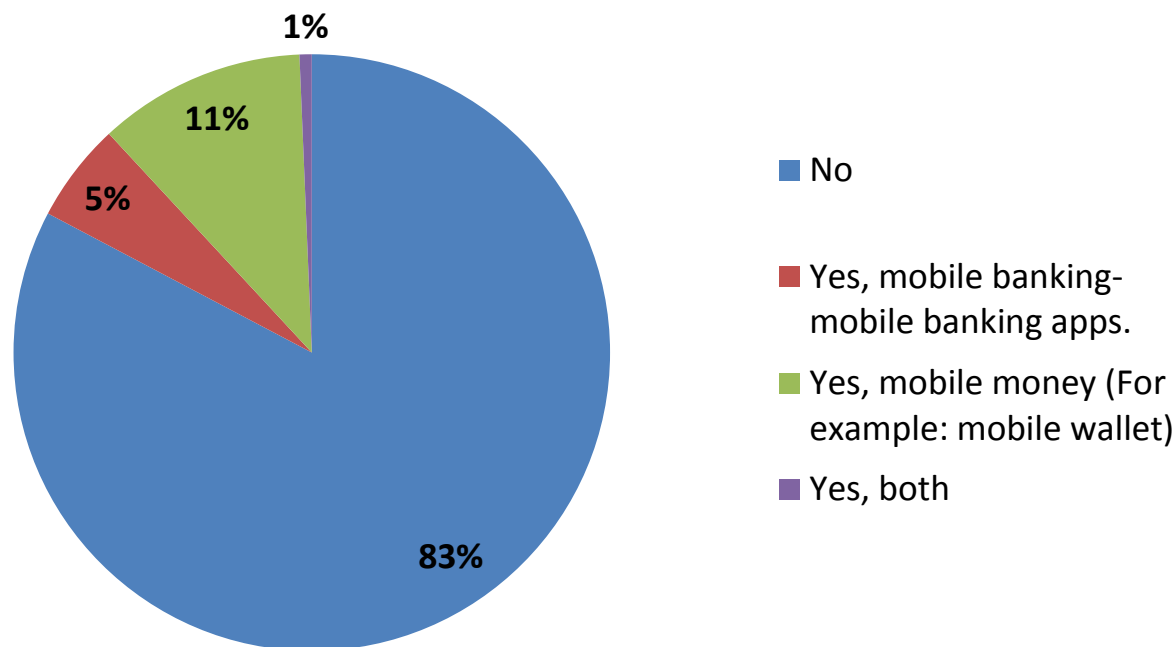|	Argentina	Colombia	Guatemala	Paraguay	Peru
Internet users	75%	78%	61%	53%	71%
Social media users	70%	87%	58%	52%	65%

Question 1: Have you ever used the internet in your mobile phone, computer or any other device? (explain and give examples: Facebook, WhatsApp, mail, google, YouTube, Hotmail, etc.)
Question 2: Do you use social media like Facebook, WhatsApp, twitter, etc.?

Source: Nationally representative surveys in each country carried out between April- July 2017 by DIRSI (www.dirsi.net)

PAYMENTS

Use of mobile money or mobile banking is low in 5 LATAM countries surveyed (Argentina, Colombia, Guatemala, Paraguay, Peru)

Use of mobile money/wallet/banking by those aged 15 years or above, July 2017

Legend:
- **No**
- **Yes, mobile banking-mobile banking apps.**
- **Yes, mobile money (For example: mobile wallet)**
- **Yes, both**

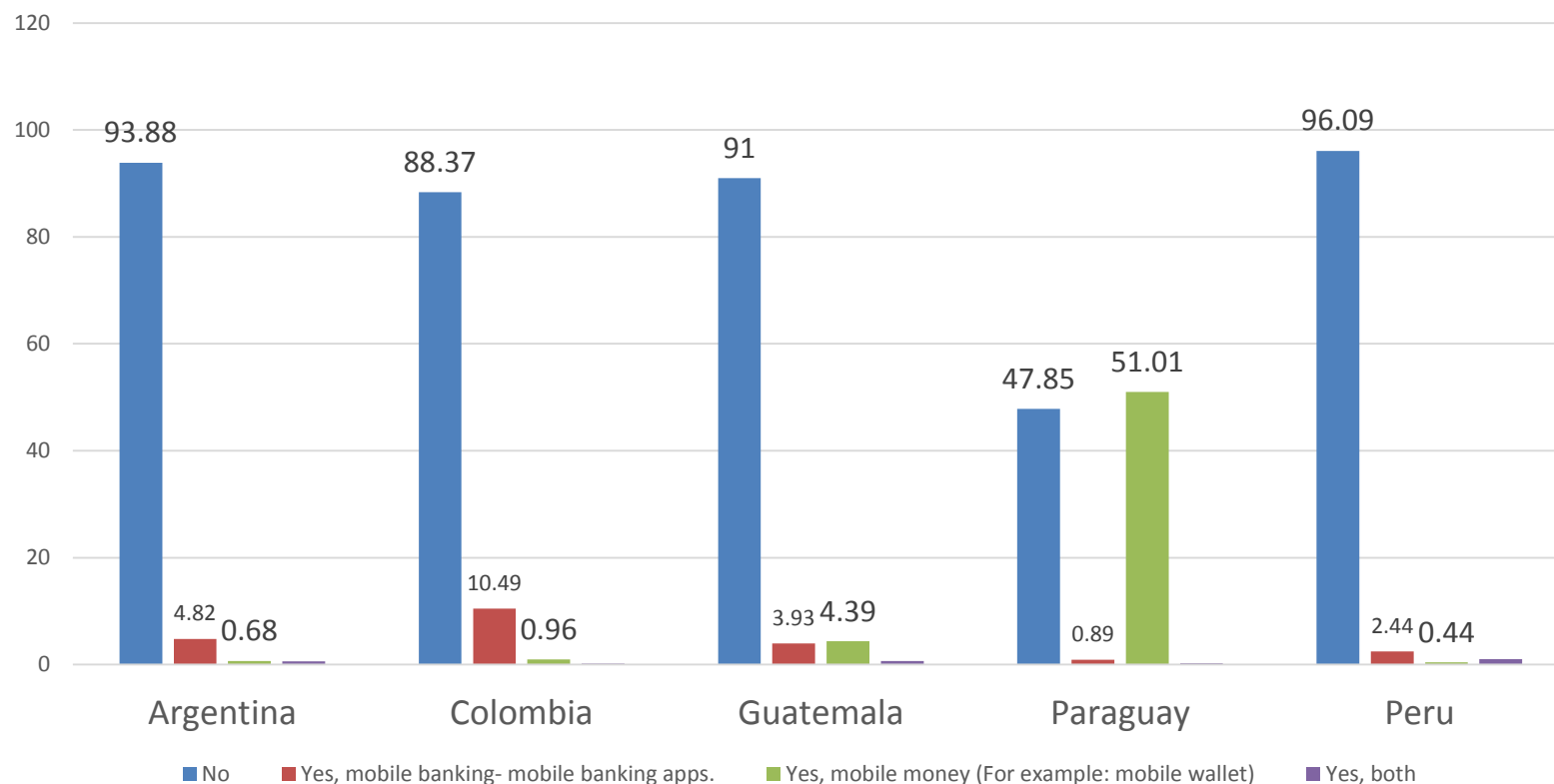Pie chart values: 83%, 5%, 11%, 1%

Question 1: Question: Do you ever use mobile money services (mobile phone for financial transactions) to send or receive money?

Source: "The Next Billion", Nationally representative surveys conducted by DIRSI in Latin America between April- July 2017
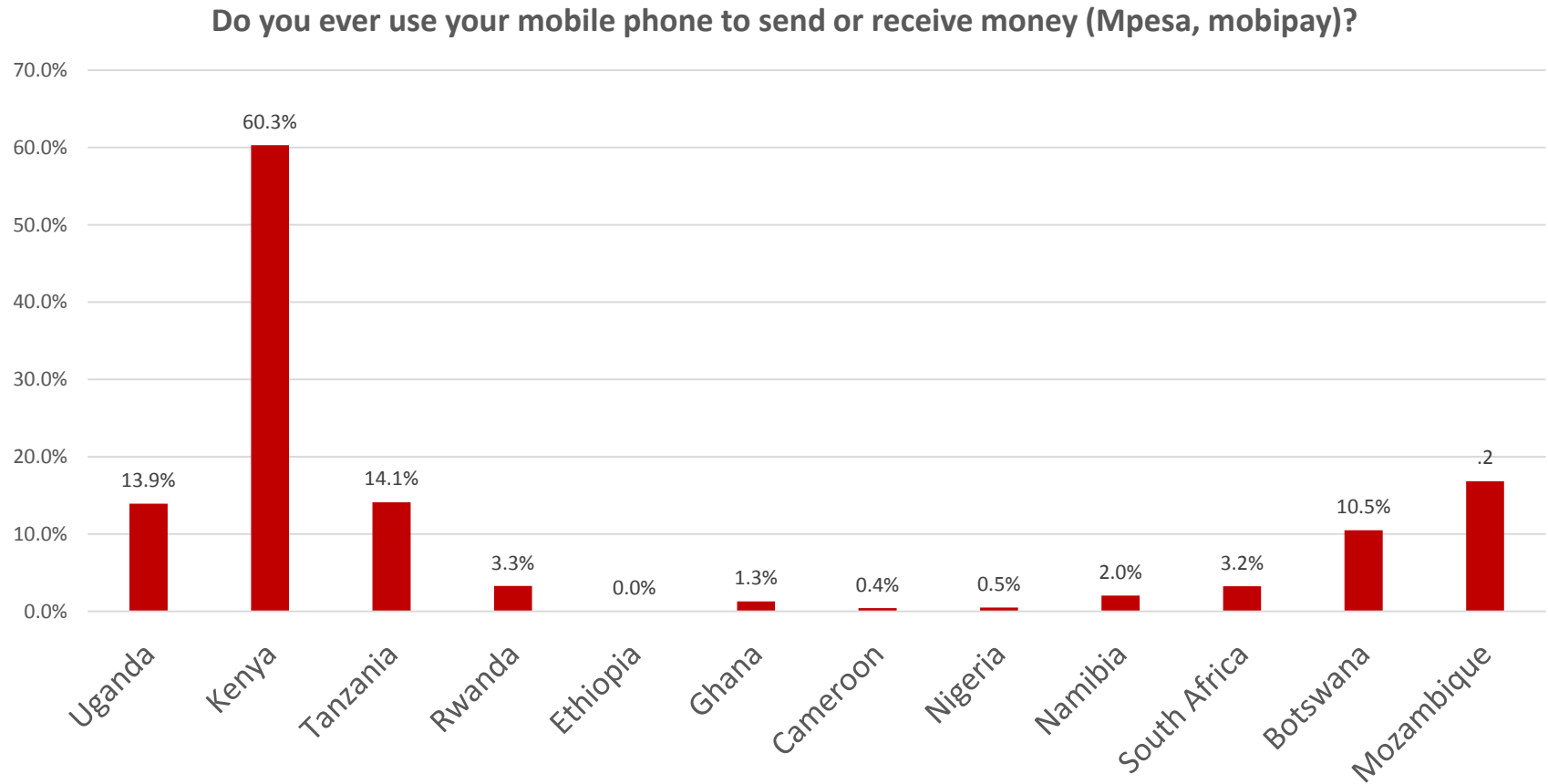
Total use driven by Paraguay

Use of mobile money/wallet/banking by those aged 15 years or above, July 2017

Question 1: Question: Do you ever use mobile money services (mobile phone for financial transactions) to send or receive money?

Source: "The Next Billion", Nationally representative surveys conducted by DIRSI in Latin America between April- July 2017

Older (2012) data from Africa shows East Africa leading in the use of mobile money

Do you ever use your mobile phone to send or receive money (Mpesa, mobipay)?

Country	Value
Uganda	13.9%
Kenya	60.3%
Tanzania	14.1%
Rwanda	3.3%
Ethiopia	0.0%
Ghana	1.3%
Cameroon	0.4%
Nigeria	0.5%
Namibia	2.0%
South Africa	3.2%
Botswana	10.5%
Mozambique	.2

INCIDENCE OF E-COMMERCE

Very low use of online buying/selling in the 5 Latin American countries surveyed (Argentina, Colombia, Guatemala, Paraguay, Peru)

Frequency of using e-Commerce apps (that enable buying and selling of goods and services) by those aged 15 or above in 5 Latin American countries. July 2017
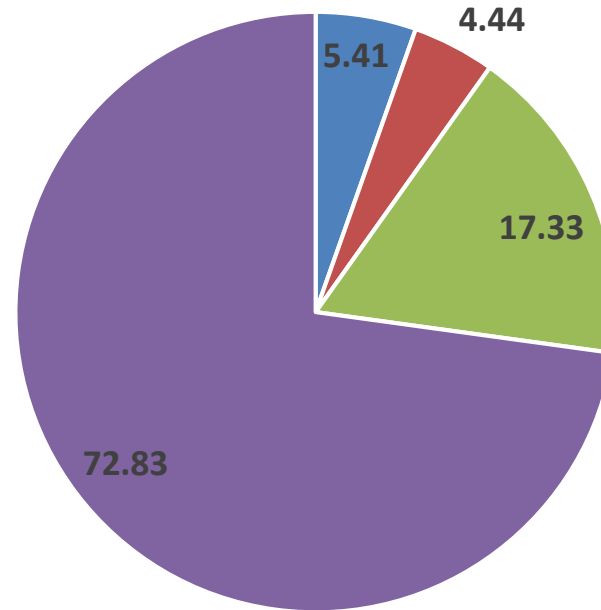
- Yes, daily
- Yes, weekly
- Yes, occasionally
- Never

5.41

4.44

17.33

72.83

Question: Please, using this scale, tell me about the frequency with which you use the following mobile apps, (from "never" to "daily". Are you using these types of mobile apps on your phone? Trading apps- buying and selling online

POLICES & REGULATION

17,000 – 22,00 people engaged in online freelancing/microwork in Sri Lanka. Selling their skills on platforms

- National survey and calculations show **17,000 – 22,000 people in Sri Lanka do online freelancing**
- Many work part time (e.g. 2-3 hours per week) to supplement income
- Most have 3 – 6 months of education (diplomas in computer science) after completing high school
  - Computer literacy and internet connections as basic needs
- Average income per person nationally: Approx. 180/month (Dept. of Census and Statistics)
- Average earnings from online freelancing USD 140 per month
- Most not willing to do full-time
  - Inability to prove income when asking for a loan
  - "*I need to go into an office*"
  - "*I can't explain what I do to my parents*"

Sri Lankan workers do range of work, requiring varying skill and yielding varying income. But only a few reach the high ends

Low earning, low skill

Higher earning, higher skill

Micro-tasks: low skill, low earning
- Ad-clicking (E.g. ClicxSense, Gigabucks), image tagging
- Low earning (USD 0.1 per job)
- Buyer specifies price (worker is price taker)
- Low skill needed
- No payment if buyer not satisfied

Task based, but higher earning and higher skill
- Logo design: Content writing, review writing
- Avg. US% 5 -10 per job
- Avg. USD 8 – 15 per month (work 2-5 hours)
- Ratings on platform important
- Potential to develop repeat relationship w/ buyer

Project-based, high skill, higher earning
- E.g. Software/website dev
- Direct relationship with client (off-platform)
- Ability to negotiate price
- Up to USD 300 per project; Up to USD 1000 per month
- "Right place to use our skills"
- No issues getting paid

Getting paid is the biggest challenge

- PayPal: Default payment mechanism on most platforms.
- Sri Lanka doesn't allow PayPal to operate
  - Couldn't show that it would meet the KYC (Know Your Customer) requirements imposed on financial institutions by the Central Bank.
- Some platforms offer alternatives: high-fee charging "debit" cards
  - "Payoneer" card
- Others rely on goodwill of friends who have overseas bank accounts
- Other freelancers go to great lengths to "cheat" the system
  - Hack the IP address, pretend they live in Malaysia/other country where PayPal is legal
- Others only realize they can't get paid after working for a year
  - For low-value jobs like ad-clicking, minimum USD 1000 has to be earned before cashing out on some platforms
- Negative consequence: Income loss to workers + foreign revenue loss to the nation

WHERE'S THE DATA TO MEASURE MEANINGFUL PROGRESS?

Old data was shown. Not the basis for decision-making or diagnosis

- Supply-side data only tells so much
  - E.g. Operator SIM penetration numbers don't tell how many people own more than one SIM. So penetration always looks better than it is
  - Only demand-side data (surveys) will tell
- Demand-side data of the type that was shown (national surveys) are expensive
  - LIRNEasia, RIA, DIRSI: research organizations filling a vacuum.
  - The data should be collected by national statistical organizations (frequently, as part of other surveys)
- Then, researchers can do more in-depth research through qualitative (ethnographies, focus groups, etc.) methods
  - E.g. gender differences in e-Commerce participation

Until then, nationally representative surveys being done by LIRNEasia, RIA, DIRSI

- Field-work underway or completed. Results will start coming out December 2017
- 6 countries in Asia
  - India, Bangladesh, Pakistan, Cambodia, Indonesia, Nepal.
- 6 countries in Africa
  - South Africa, Nigeria, Ghana, Tanzania, Kenya, Rwanda, Mozambique
  - Includes Informal Business survey too (nationally representative)
- 5 countries in Latin America
  - Argentina, Columbia, Guatemala, Paraguay, Peru
- Questions on ICT access, ICT use, financial transactions, online buying/selling, digital labour, online privacy/security/harassment

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Listing + searching + paying	Medium	payment OR Cash on Delivery	+ multiple payment options + insurance or "trust"
List & Search + Pay + Deliver	High	Delivery points	+ geo mapped addresses + low non-tariff barriers (customs)

Developing countries need:
All this + Data!!!

OUR SURVEY DATA AVAILABLE AFTER DECEMBER 2017 AT:

- www.lirneasia.net and helani[at]lirneasia.net (for Asia survey data)

- www.researchictafrica.net (for Africa survey data)

- www.dirsi.net (for Latin America survey data)