UNCTAD
Rapid eTrade Readiness Assessments of African Least Developed Countries
(eT Ready)

KEY STATISTICS, FINDINGS AND RECOMMENDATIONS

CONTEXT

As of December 2018, UNCTAD carried out 7 Rapid eTrade Readiness Assessments in Africa: Burkina Faso, Liberia, Senegal, Togo, Madagascar, Uganda and Zambia. Each assessment was carried out along the seven policy areas of the **eTrade for all initiative**:

Although each assessment identifies country-specific barriers and opportunities related to strengthening e-commerce, and provides corresponding policy recommendations, some common themes are emerging. This document compiles the main findings and recommendations common to all assessed African LDCs.

Funding for the Rapid eTrade Readiness Assessments has been provided by the Governments of Germany and Sweden and the Enhanced Integrated Framework. The assessments have also benefitted from inputs by eTrade for all partners.
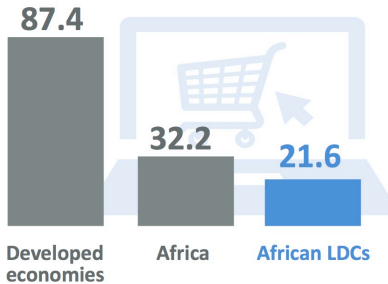
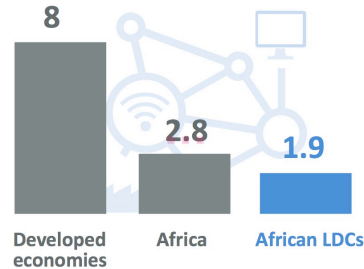# E-COMMERCE READINESS ASSESSMENT AND STRATEGY FORMULATION

eTrade for all — Connecting the dots

UNITED NATIONS UNCTAD

KEY STATISTICS

Country rank and value in the
UNCTAD B2C E-commerce Index

87.4 — Developed economies
32.2 — Africa
21.6 — African LDCs

Country rank and value in the
ITU ICT Development Index

8 — Developed economies
2.8 — Africa
1.9 — African LDCs

Source: UNCTAD B2C E-commerce Index, 2017 ; ITU ICT Development Index 2017

KEY FINDINGS

1. Countries lack a unifying vision on e-commerce

Although policymakers in Africa recognize the potential benefits of e-commerce, the overall understanding of the sector is uneven and often very low. Most of national development plans do not include e-commerce. The e-commerce agenda tends to be diluted within the broader ICT policy discussions and increasingly in nascent "digital economy" strategies. Findings of the assessments in African LDCs showed that the increasing digitalization of public services helps the Governments spread the use of ICTs more widely.

2. Development of e-commerce policies, initiatives and activities is fragmented

Different ministries and institutions have to deal with e-commerce and often operate in parallel without effective coordination mechanism in place. Working groups dealing with e-commerce, when they exist, tend to operate in silos, on specific issues. African LDCs are challenged by the need to produce timely and comparable statistics on the digital economy and trade to measure progress. Data about the ICT sector is generally available, although the information almost always comes from telecom operators. Data specific to e-commerce is very limited constituting a key barrier to policy development.

3. Public-private dialogue is underutilized

Government engagement with key e-commerce stakeholders can help dismantling some of the barriers to e-commerce. Currently, the dialogue between private sector operators and government entities is often limited in African LDCs, in many cases due to public and private sector fragmentation, as well as to the cross-cutting nature of e-commerce. This can lead to gaps in information and missed partnership opportunities. The voice of women entrepreneurs in policy processes influencing e-commerce and the digital economy is often inqdequate.

WHY IS THIS IMPORTANT?

Countries need to have a clear idea of their e-commerce readiness to develop strategies for increasing the benefits from e-commerce. National e-commerce strategies can help accelerate, mobilize and strengthen the effectiveness of available resources and efforts among stakeholders to harness the power of e-commerce for economic growth and socioeconomic development. They should be developed through a participatory consultation process that promotes multi-stakeholder involvement. They should be coherent with national development and trade strategies, and aim to maximize the benefits of e-commerce accruing to all.

1. Develop a national e-commerce strategy.

This is important to help create a unifying 'whole of government' approach on e-commerce within the broader digital economy agenda and to provide a common set of definitions, policy objectives and activities. It can empower policymakers to take adequate action and to prioritize resources and make it easier to integrate e-commerce into national development plans and sectoral plans in education, health, agriculture, tourism and financial services. The role of digital technologies in empowering women entrepreneurs should be recognized in national e-commerce strategies and measures to promote digital skills and advocacy for women entrepreneurs should be defined. The eTrade Readiness Assessments have identified recommendations in specific areas and development partners. Assistance to develop project proposals is needed to advance the roll out of e-commerce.

2. Improve inter-ministerial coordination and appoint an e-commerce 'champion'.

Elevating the e-commerce agenda to inter-ministerial committees, with one ministry or agency acting as overall 'champion', can create synergies across government institutions working on e-commerce, and in turn streamline the policy development process. This approach takes into account the reality that e-commerce is cross-cutting, while also recognizing the importance of strategic leadership. Financial and human resources should be dedicated to the functioning of such committees. The designed entity will mobilize public and private sector through sector-focused consultations and advocacy.

3. Establish monitoring tools for e-commerce development.

Countries would benefit from having a comprehensive view of sector trends through updated stakeholders mapping and better data collection. This would require monitoring tools capturing e-commerce activities and volumes of transactions, as well as gender disaggregated data, such as share of women entrepreneurs involved in digital economy activities. Countries might consider setting-up an e-commerce observatory.

4. Strengthen overall stakeholders' perception of e-commerce.

Awareness-raising programmes through social media and traditional channels could be useful to facilitate the development of e-commerce by increasing trust among users. These programmes should be tailored to different stakeholder groups, sensitise them about the benefits of e-commerce and explain the basic elements of a safe and consumer-friendly e-commerce transaction.

5. Enhance private sector coordination.

Private sector views on e-commerce are usually fragmented, with varying levels of experience in the industry and different views of the role of government. Unifying these voices to engage the government on e-commerce and digital innovation can help create the enabling environment that the private sector seeks. The establishment of national e-commerce associations, where they do not already exist, should be considered.
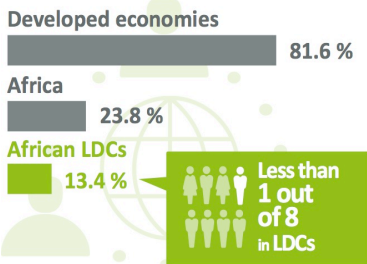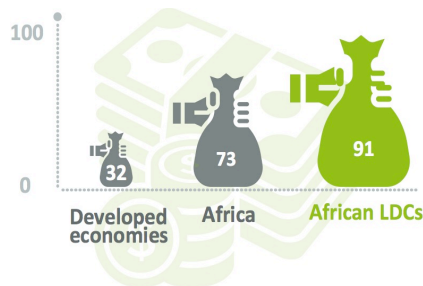
ICT INFRASTRUCTURE AND SERVICES

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UNITED NATIONS
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KEY STATISTICS

Internet users 2016
Per 100 people

Developed economies
81.6 %

Africa
23.8 %

African LDCs
13.4 %

Less than 1 out of 8 in LDCs

Fixed broadband Internet price
PPP $/month

100

0

32 Developed economies
73 Africa
91 African LDCs

Active mobile broadband subscriptions per 100 people

Developed economies
103.4 %

Africa
27.2 %

African LDCs
15.8 %

Source: ITU Database
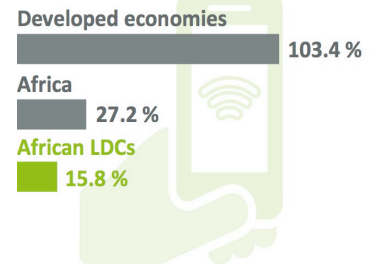
KEY FINDINGS

1. ICT investments are increasing, but broadband connectivity remains limited and expensive.

While investments in building national backbone infrastructures are being mobilised, fixed broadband infrastructure in many parts of Africa remain inadequate. Mobile broadband coverage (3G and 4G) is gradually improving but remains prohibitively expensive.

In general, national telecom regulatory agencies have integrated QoS in their mandates, but customers remain largely exposed to unstable connections, bandwidth underperformance and weak customer service.

With less than 30% of Africans in LDCs having access to electricity, the use of ICT equipment and infrastructures is still challenging and the gap in connectivity between urban and rural areas remains significant. The digital divide is exacerbated by low literacy level and marginalization of vulnerable groups.

2. Mobile connectivity is fuelling a mobile-driven e-commerce.

Large segments of the population in Africa access the Internet primarily through their mobile phones, particularly in urban and densely-populated areas, and consumers are increasingly "mobile only". This has opened new opportunities for e-commerce and ICT-enabled services, however the potential is largely untapped with some countries still using basic telephone technology such as Unstructured Supplementary Service Data (USSD).

3. Informal e-commerce proliferates, in a context of growing demand for business diversification.

E-commerce expansion is taking place mainly in the informal economy, through private classifieds sites and social networks, in a weakly regulated environment. A growing number of professional operators have developed platforms covering sectors such as agribusiness, clothing, IT and household appliances, and are eager to upgrade their business model. A few businesses have been successful in setting up platforms operating in different countries and projecting themselves at regional and continental levels.

WHY IS THIS IMPORTANT?
Affordable and reliable ICT infrastructure is of key importance to e-commerce. Ideally, there should be universal coverage of high-speed broadband, with regular upgrading of infrastructure, and reduced or eliminated barriers to service providers wishing to access the network or other services.

MAIN POLICY RECOMMENDATIONS

1. Increase access to fast, affordable and reliable Internet, as well as last-mile connectivity in rural and less-populated areas.

This would reduce disparities in Internet access and open e-commerce opportunities for more segments of the population. Infrastructure-sharing among operators and competitive licensing processes with private operators should be encouraged to cover less-populated areas, and incentives could be offered by governments to attract private capital. Furthermore, better mobilisation of Universal Access Funds and enforcing coverage obligations of telecom operators is advised. Community networks initiatives and village WiFi Hotspots should also be further encouraged to improve last-mile connectivity.

2. Support public-private partnerships (PPPs) to strengthen backbone infrastructure.

Deploying fibre-optic cables, both for national backbone infrastructures and international connections, requires significant capital investment, and PPP models could be used to leverage the capital and expertise of the private sector. Risk-sharing through PPPs can also increase the viability of new projects and help ensure that public funds are used effectively and efficiently.

3. Invest in ICT infrastructure to meet growing demand for international bandwidth.

With expanding populations and more people accessing the Internet, countries need to continue to invest in fibre-optic networks, submarine cables and satellite links. The appropriate mix will depend on the geographic location and topography of each country, as well as the current structure of the telecommunications industry.

## 4. Enforce targets of telecom quality of service (QoS) and network performance obligations.

Updated QoS measurement techniques, transparency of results and enforcing plans to address customer complaints should be prioritized. At the same time, improving power supply will also result in better performance of IT equipment and network installations, such as data centres.

PAYMENT SOLUTIONS

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UNCTAD

KEY STATISTICS

Percentage of people who used a credit card in the past year (age 15+)

Developed economies
45.9%
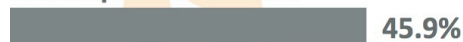
Africa
1.8 %

African LDCs
0.7 %

Percentage of people who used an account to make a transaction through a mobile phone (age 15+)

Developed economies
19.9%

Africa
4.9 %

African LDCs
2.8 %

Source: World Bank - Global Findex, 2014

KEY FINDINGS

1. Cash transactions remain prevalent

A strong 'cash culture' in many African countries has made it difficult for mobile payments and other cashless solutions to take root. Most consumers prefer to purchase goods in physical stores and to carry out transactions in cash. For e-commerce transactions, cash-on-delivery is the most common method of payment. Many consumers remain unaware of the benefits of mobile payments and other cashless solutions, including enhanced security in comparison to cash transactions.

2. Lack of trust is a critical barrier for e-payments uptake

Mistrust and uncertainties over e-commerce transactions, make customers reluctant to pay before they receive the item/service and are ensured about its quality. This contributes to a trust deficit that prevents consumers from 'taking the leap' and moving from cash-on-delivery to e-payments.

3. Financial inclusion is improving but e-payments development faces challenges

Despite the innovation available in African countries in terms of mobile payments, which have contributed to improved financial inclusion throughout the continent, online payments are scarce and mobile payments are mostly money transfers rather than merchant payments. There are limited interoperability frameworks across different digital financial services and challenges encountered in cross-border payments.

WHY IS THIS IMPORTANT?

For all forms of e-commerce, access to competitive payment solutions is a critical facilitator. Payment systems are rapidly evolving, but in many developing countries, cash-on-delivery remains the preferred option for B2C and C2C e-commerce. E-commerce and its users benefit from an environment where payments can be made easily and confidently, using effective solutions involving both bank and non-bank players that are applicable to all regions and countries, and universal connectivity and interoperability. By adopting reliable payment systems, least developed countries can open up new possibilities for consumers and companies.

1. Promote mobile payments and other cashless solutions.

As a first step, awareness-raising programmes should highlight the benefits of mobile payments and other cashless solutions, and the hidden costs and risks associated with handling cash. Medium-term, digital financial literacy among MSMEs will need to be improved. Visible early adopters, among consumers and businesses alike, can be highlighted to instil trust in cashless transactions. Governments can play a greater role in promoting e-payments schemes (e.g. salaries, grants and subsidies, tax and revenues collection, e-government services) and e-money operators could increase agent networks and payment outlets.

2. Encourage e-banking innovations and enable inter-bank money transfers and payments.

In areas where Internet-based digital financial services are difficult to exploit, access to USSD through regulatory interventions and/or partnerships between financial institutions and telecom operators should be facilitated to spur financial innovation in e-commerce. Seamless transfers and payments between banks, at both the national and international levels, would make it easier to conduct e- commerce. Advocacy to remove barriers and comply with standards for use of African credit cards and PayPal-type services should also be strengthened.

3.Increase interoperability among e-payment platforms.

To increase the adoption among consumers and businesses, mobile payments and cashless solutions must be easy-to-use. For businesses, the payment solutions should also reduce operating costs. Enhanced interoperability will enable customers to no longer have to open accounts at several establishments for extra network operations. This will reduce friction in e-commerce transactions, increase ease-of-use for consumers and reduce costs for platform operators.

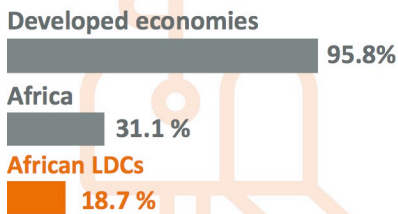## 4. Create an enabling regulatory environment.

Financial service providers and payment service providers should be encouraged to develop solutions that are relevant to local consumers and businesses. This will require appropriate regulations that encourage investment and ensure security. Competition in the marketplace will foster innovation and the development of tailored e-payment solutions, such as API e-payment platforms. At the same time, regulatory frameworks should pave the way for cooperation agreements with visible performance obligations for all parties intervening in the platforms..
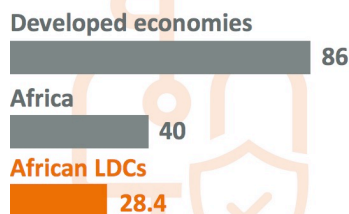
TRADE LOGISTICS AND TRADE FACILITATION

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KEY STATISTICS

Percentage of population having mail delivered at home, 2016

Developed economies — **95.8%**

Africa — **31.1 %**

African LDCs — **18.7 %**

Postal reliability index

Developed economies — **86**

Africa — **40**

African LDCs — **28.4**

Days to clear direct exports through customs

Developed economies — **4.5**

Africa — **8.4**

African LDCs — **9.2**

Source: UPU Database

KEY FINDINGS

1. Last-mile delivery continues to pose a challenge

Physical address systems remain underdeveloped, particularly outside main urban areas. This makes it difficult to efficiently deliver packages resulting from domestic and cross-border e-commerce. Despite gradual uptake of technology-based solutions by the postal system and private logistics operators, time and cost of deliveries in remote areas remain unattractive to sustain e-commerce growth.

2. Local entrepreneurs are developing innovative logistics solutions

From the use of motorcycles and bicycles to deliver small parcels, to leveraging technology to support route optimization, local entrepreneurs are developing new solutions, such as the introduction of drones in some East African countries. While meeting some of the current needs of the market, these solutions do not address the underlying barriers to last mile delivery, and some regulatory concerns also need to be properly addressed.

3. Transport, logistics and regulatory bottlenecks hamper e-commerce growth

Cumbersome customs clearance procedures are a bottleneck to the growth of e-commerce, especially for small parcels widely used for e-commerce. Unpredictable customs duties application create further uncertainties. Nonetheless, in some contexts the transport cost of cross-border e-commerce might be more attractive, compared to domestic deliveries, because of inaccessible or deteriorated transport infrastructure, particularly in rural and remote areas.

WHY IS THIS IMPORTANT?

An effective, competitive national and international trade logistics environment is vital for achieving e-commerce success, domestically as well as internationally. Most traders would like to have access to a single window, a global standardized de minimis regime, full tracking of all shipments, predictable delivery times, fully transparent procedures and duties via websites and enquiry points, warehouse consolidation for MSMEs in the export market and the possibility to make electronic payments to customs.

MAIN POLICY RECOMMENDATIONS

1. Develop a physical address and postal code system.

A multi-pronged approach is needed, including improving transport infrastructure, developing forward-looking postal service strategies and increasing the capacity of national postal service and private sector couriers. The introduction of innovative geospatial applications can offer promising alternatives to the lack of physical address systems.

2. Streamline customs clearance, particularly for cross-border shipment of small parcels.

Modernizing customs clearance through automation of procedures, digitalization of documents and payments, would make it easier to ship small parcels across borders. Strengthening existing single window systems and laying the groundwork for cross-border paperless trade would also help increase efficiency. In addition, countries may consider the introduction of *de minimis* duty exemptions for low-value shipments and the implementation of expedited shipment measures based on the WTO Trade Facilitation Agreement (art. 7.8).

3. Support the development of e-commerce delivery solutions.

Governments have an important role to play in supporting new solutions across the packaging-shipping-delivery chain of e-commerce. This could be achieved through public-private partnerships between private couriers, logistics providers and national postal services. On top of that, Governments should put in place incentives to bring informal operators in e-commerce logistics within a formal framework and establish a fair competitive environment for all market operators.

4. Continue the rehabilitation of physical infrastructures, as well as the modernisation of the transport and supply chain sector.
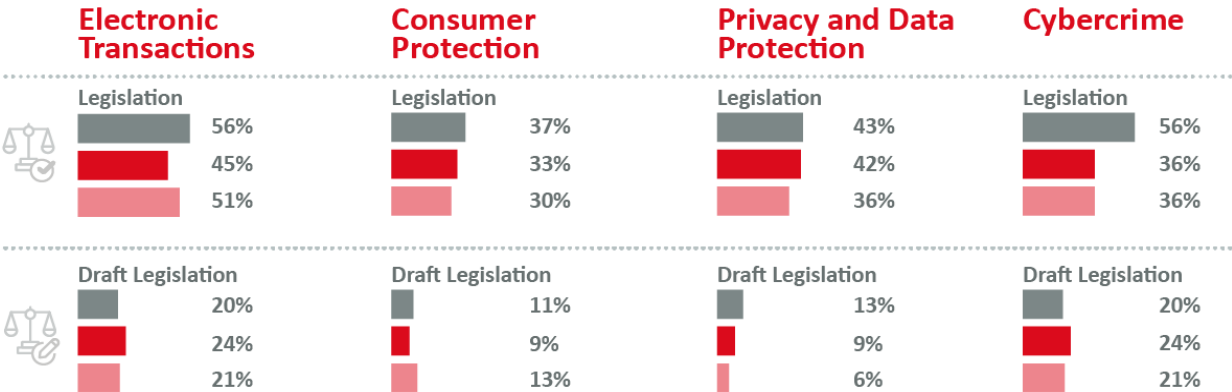
Africa's persistent infrastructure gap hampers the movement of people and goods. Addressing this constraint through ports and airports/railways/roads rehabilitation should remain a priority, and when thinking and designing new transport infrastructures or logistics hubs, these should take into account the emerging needs of ICT infrastructure developments and e-commerce operations. Furthermore, the uptake of automation and ICT-based solutions for logistics management operations should be encouraged.

LEGAL AND REGULATORY FRAMEWORKS

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KEY STATISTICS

Percentage of countries having legislation in place or draft laws on e-commerce

Legend: Africa · African LDCs · LDCs

	Electronic Transactions	Consumer Protection	Privacy and Data Protection	Cybercrime
Legislation				
Africa	56%	37%	43%	56%
African LDCs	45%	33%	42%	36%
LDCs	51%	30%	36%	36%
Draft Legislation				
Africa	20%	11%	13%	20%
African LDCs	24%	9%	9%	24%
LDCs	21%	13%	6%	21%

Source: UNCTAD, 2018

KEY FINDINGS

1. Lack of adapted legal frameworks on e-commerce

African Regional Economic Communities (RECs) have been instrumental in providing an overarching legal framework, but countries are still lagging in transposing and adapting provisions and many of those also need revision. Most African LDCs do not have comprehensive legal frameworks on e-commerce and suffer from the lack of enforcement agencies. Others are in various stages of development, yet they are not typically inter-linked or sufficiently innovative to cope with latest international sector trends and global legal developments

2. Implementation and compliance with the existing legal framework remain flawed

Although the main bottleneck is the limited understanding of the complex issues around e-commerce and the lack of capacity in this area, the provision of a comprehensive legal framework will not, in itself, guarantee its success or promote its adoption. Many ministries, departments and agencies have a role to play, but coordination remains a challenge. Limited knowledge from the private sector and consumers on existing legal frameworks hampers the development of a trustworthy environment of e-commerce transactions.

3. Cross-border provisions are missing

Existing e-commerce legislation rarely addresses the cross-border aspect of e-commerce. The creation of a conducive legal framework for cross-border e-commerce should be regarded as part of the larger picture, comprising multiple regional initiatives and agreements.

WHY IS THIS IMPORTANT?

Security and trust are fundamental to e-commerce because they reassure both consumers and businesses. It essential for countries to establish laws and regulations related to electronic transactions, consumer protection, data protection and cybercrime.

MAIN POLICY RECOMMENDATIONS

1. Carry out a regulatory gap analysis on e-commerce.

New technological evolutions in the digital economy, issues arising in the governance of digital platforms, such as the GDPR in the EU, greater consumer awareness and intellectual property considerations in e-commerce are yet to be captured in African countries' regulatory environments. A regulatory review and gap analysis can provide the basis for developing a more holistic approach to e- commerce laws and regulations and make it more consistent with current practises and innovations.

2. Adopt baseline e-commerce legislation or update relevant laws and regulations.

To boost the confidence of e-commerce operators and consumers, drafting of baseline legislation in line with international best practices is instrumental. Relevant international/regional legal instruments include the UNCITRAL Convention on E-Communications in International Contracts, the Convention 108 of the Council of Europe on Protection of Individuals with regard to Automatic Processing of Personal Data, the African Union "Malabo Convention" on Cybersecurity and Personal Data Protection.

3. Build capacities of lawmakers and judiciary to prepare and enforce e-commerce laws.

This would help governments formulate informed policies and laws in the area of e- commerce and strengthen enforcement of such laws. Capacity-building will need to be rolled out for lawmakers and the judiciary, including for Members of Parliament who adopt relevant laws. Raising public awareness of existing laws among the private sector and civil society at large, would increase confidence among consumers and businesses participating in e-commerce. To make enforcement more effective, establishing dispute resolution mechanisms specifically for e-commerce complaints could be useful.

4. Strengthen business and civil society engagement to foster an e-commerce business enabling environment.

Multi-stakeholder consultations would help policymakers identify and address constraints encountered in e-commerce businesses. To actively engage different stakeholders, it will be important to strengthen the advocacy capacities of consumer associations and private sector umbrella organisations working in this area. Dialogue may also include reforms in areas such as: sound competition policies and institutions, management of IPRs, MSMEs development policies, gender/youth empowerment and environmental aspects related to e-commerce and the digital economy.

5. Consider the establishment of quality labels.

To boost confidence in an environment where the market is not able to provide adequate information on operator trustworthiness, countries may develop quality labels based on internationally recognised standards and programs and put in place certification trustmark schemes for trusted e-commerce operators, in collaboration with National Standards Bodies and private sector organisations.
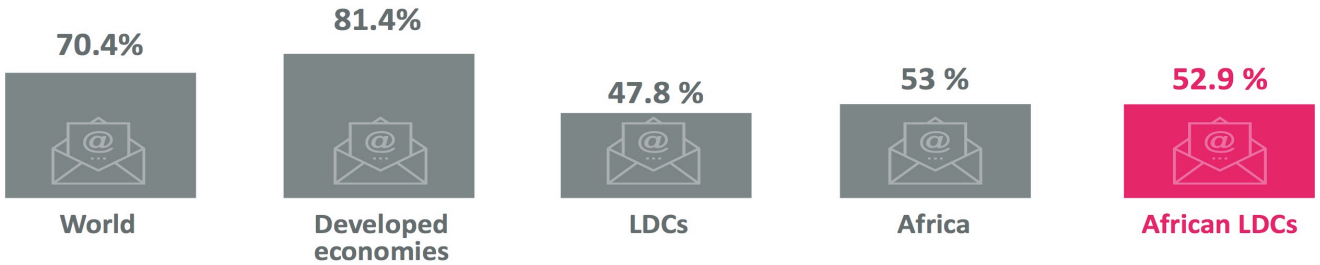
E-COMMERCE SKILLS DEVELOPMENT

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KEY STATISTICS

Percentage of firms using e-mail to interact with clients/suppliers

70.4%	**81.4%**	**47.8 %**	**53 %**	**52.9 %**
World	Developed economies	LDCs	Africa	African LDCs

Source: World Bank, 2013-17

KEY FINDINGS

1. E-commerce awareness is low but growing

Although awareness among the general population remains low, young consumers are beginning to shop online and often look to the Internet for information about products. Young consumers are more likely to look for information on regional trends, products and entertainment. The diaspora is also an active consumer group with growing potential to fuel African e-commerce. Awareness of e-commerce among civil servants and business support organisations (BSOs), such as Chambers of Commerce and Foreign Trade Development Agencies, is generally low.

2. Professional workforce lacks adequate e-commerce skills as education is unsuited for the digital economy

Information technology courses are available in most colleges and universities and vocational training courses. However, there is a lack of curriculum dedicated to e-commerce and the digital economy, combined with limited opportunities for practical hands-on training. Courses in important areas such as application development, search engine optimization, data analytics and web- based marketing, digital business skills and development of relevant online content (including in local languages) are uncommon. As a result, most new graduates have some ICT skills, but specific knowledge and skills related to e-commerce remain limited.

3. A dynamic start-up environment but growth of tech-based SMEs remain a challenge

Start-ups have been flourishing across African LDCs facilitated by incubators, co-working spaces, fablabs, with a number of them having gained regional and international recognition. However, many promising start-ups fail, partly due to limited e-commerce business development services (BDSs) provided by BSOs and limited funding capacity. More support is needed to support the emergence of a digital economy ecosystem.

WHY IS THIS IMPORTANT?

E-commerce can only be effective if the people managing and engaging with it have the right skills. In many countries, there is a need to enhance the awareness and understanding of e-commerce and its implications. This may apply to the general public as well as to enterprises, organizations and the government itself. Addressing existing skills gaps typically requires effective collaboration between public sector organizations and the private sector. Training may need to be offered to government workers, entrepreneurs and SMEs to help them capitalize on e-commerce opportunities.

1. Include e-commerce courses in tertiary education and vocational training.

There is a need to build digital capabilities for inclusive digital trade. Courses dedicated to e-commerce would help to close the gap between the knowledge and skills of current graduates and the needs of the burgeoning e-commerce industry. New e-commerce courses should be practical and tailored to the local job market, with opportunities for hands-on training and closer interaction between the education/training system and innovative businesses. As a starting point, policymakers should assess the current e-commerce skills gap in their countries and education establishments, and in turn, remove obstacles and provide incentives to training institutions in order to establish e-commerce relevant programs with qualified human resources.

2. Refocus BSO strategies to develop relevant BDSs for e-commerce development.

BSO staff are not yet fully equipped to understand digital economy ecosystem and to readapt their services to support the growth of e-commerce SMEs. Therefore, retraining BSO staff to acquire new skills is necessary. BSOs could also establish partnerships with incubators, business schools and tech hubs. This would contribute to the design of capacity development programs and targeting of BDS to enhance e-commerce SMEs products, processes and services, market intelligence and networking skills, as well as their ability to connect with regional and global platforms.

3. Encourage the set-up of national e-procurement platforms.

Opening up national e-procurement platforms to local e-commerce vendors and start-up companies would stimulate market learning process and improve the economic sustainability of e-commerce SMEs.
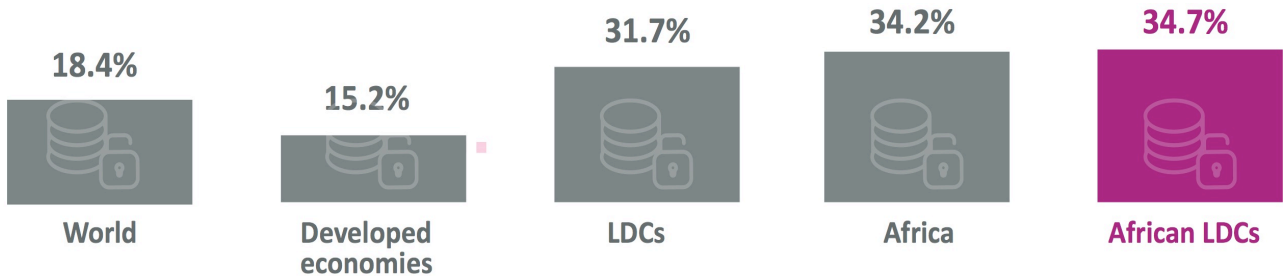
4. Prioritize the skills development of women and girls.

The ICT field is traditionally seen as a male domain, and digital literacy of women in the assessed countries remains low. Prioritizing e-commerce skills development for women and girls would help to bridge the gender divide, bring more working women into the formal sector and provide new opportunities for women entrepreneurs

ACCESS TO FINANCING

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KEY STATISTICS

Percentage of firms identifying access to finance as a major constraint

18.4%	15.2%	31.7%	34.2%	34.7%
World	Developed economies	LDCs	Africa	African LDCs

Source: World Bank, 2014-2015

KEY FINDINGS

1. Access to financing remains limited for MSMEs

Established lending practices that favour large firms, high interest rates, strict eligibility criteria and requirements for land or buildings as collateral are some of the barriers faced by MSMEs when they pursue financing with commercial banks. Although some alternative financing mechanisms and solutions are emerging, developments in this area are very new.

2. Banks typically lend to big firms in traditional industries

Financial systems in the assessed countries are generally dominated by a few commercial banks, which tend to lend to large firms in industries that are already established and profitable. The banks view e-commerce and start-up companies as risky investments. As a result, most MSMEs in the e-commerce industry rely on alternate sources of funding such as savings from family and friends or other informal money lenders.

3. Low financial literacy among MSMEs exacerbates challenges

Most commercial banks require sound business, operational and financial plans that many MSMEs lack the capacity to prepare. With basic accounting systems and informal approaches to tracking inventory and working capital, many MSMEs do not have the sophisticated records commercial banks expect.

WHY IS THIS IMPORTANT?

It is important to facilitate the evolution of a robust financial architecture that funds innovation and entrepreneurship at all points across the e-commerce value-chain. In spite of progress, several economies do not provide reliable financial services or early stage capital/debt to start-ups and growth-oriented businesses in the e-commerce ecosystem. Financial integration is essential to foster greater national and international trade and investment. This means promoting adequate solutions for affordable financing.

1. Provide financial literacy and business training.

Enhancing the capacity of MSMEs to develop bankable business plans, in line with the requirements of commercial banks, would help to improve access to traditional financing. MSMEs could also be supported in upgrading their accounting, financial planning and record management systems.

2. Build capacity of business and women-led associations.

Business and women-led associations can play a key role in helping MSMEs improve the appeal and bankability of their business plans, and the credibility of their loan requests. In addition to providing dedicated training to their members, these association could also partner with commercial banks to develop products, such as tailored credit solutions and micro-insurance products, specifically targeted at MSMEs investing in e-commerce and the digital economy.

4. Increase awareness of incubators, business accelerators and venture capitalists.

Entrepreneurs and MSMEs should also be encouraged to look beyond banks and financial institutions for financing. Alternate funding models such as public-private partnerships, innovation grants, loan guarantees, incubators and venture capital should be explored. It is also important to assess regional and international funding opportunities.

5. Increase financial inclusion, especially for youth and women.

Banks should be encouraged, and incentivized, to provide innovative products for all segments of society, including women and youth. This would improve the financial literacy and credit standing of current and future business owners.

3. Develop tailored lending standards and products.

Commercial banks should be encouraged to adopt broader terms for evaluating the creditworthiness of entrepreneurs and MSMEs, particularly women-owned businesses. For example, banks could loosen the standard collateral requirement of land or buildings by also recognizing the value of receivables, inventory, export capability, technology and experience. Governments could also review requirements of SME credit guarantee schemes and bring them more in line with new business models in the digital economy. Further developing the agency banking model would also contribute to expanding financial services in remote areas and improving overall financial inclusion.

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🌐 **Rapid eTrade Readiness Assessments:**
http://unctad.org/en/Pages/Publications/E-Trade-Readiness-Assessment.aspx

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December 2018