

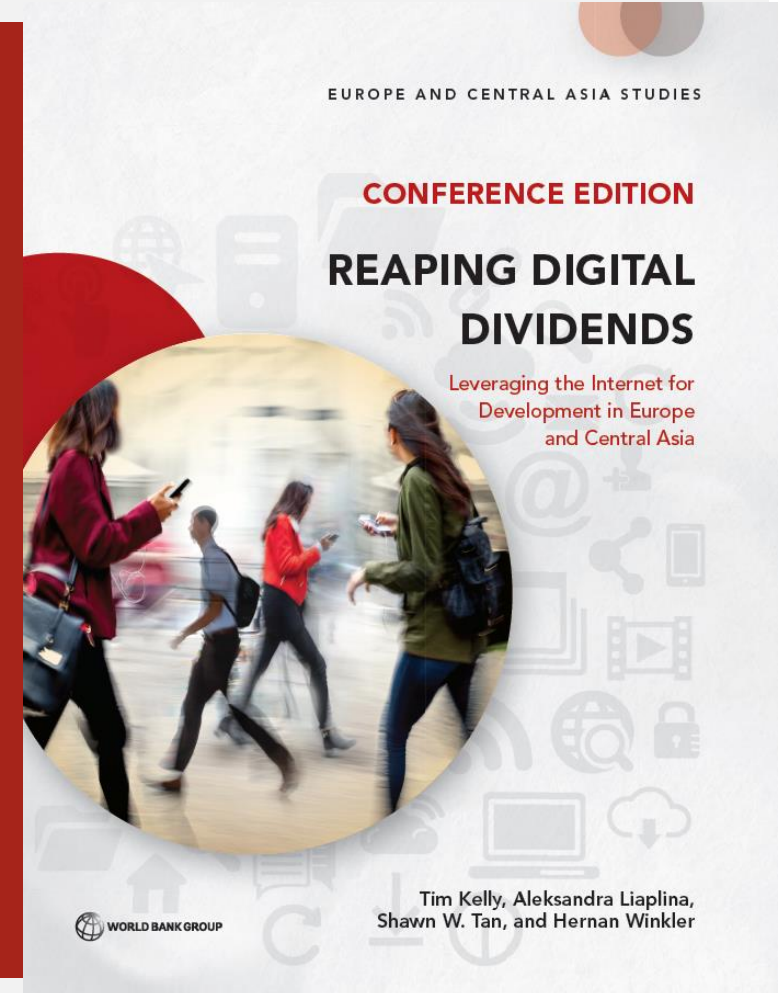
Reaping Digital Dividends

Leveraging the Internet for
development in Europe and Central Asia

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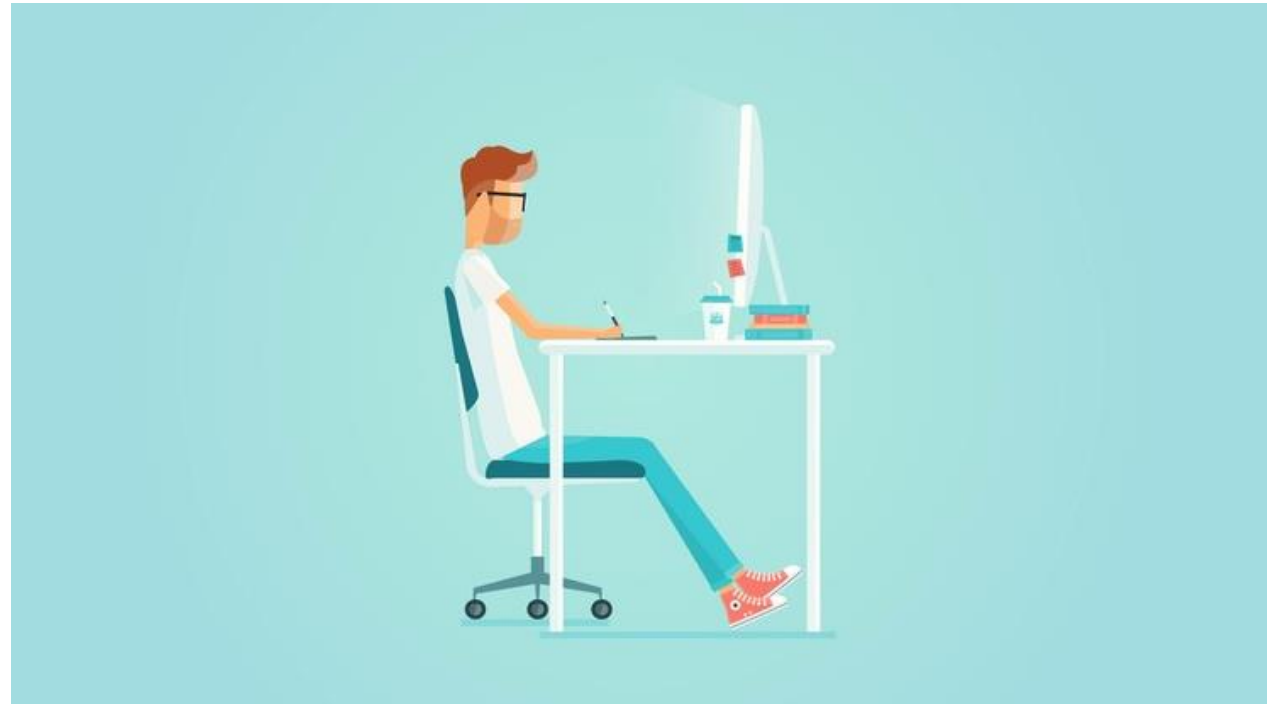
What are the Digital Dividends?



Businesses...



and people ...



can leverage digital technologies for productivity and employment growth.

Main messages



- Universal Internet access is not enough in Europe and Central Asia (ECA) region
- The Internet represents both opportunities and challenges
- Embracing change
- Policy priorities for countries at different stages of digital development:
 - **Emerging countries:** Telecommunications reforms and basic skills
 - **Transitioning countries:** Labor market and competition policies
 - **Transforming countries:** The new Social Contract

This Presentation



- Focus on two chapters in the Report: Digital Trade and Online Work.
- The Internet offers new models to conduct trade, but many firms are not taking advantage of it.
- Online work can bring opportunities to developing countries, but can also generate important disruptions
- Policy recommendations

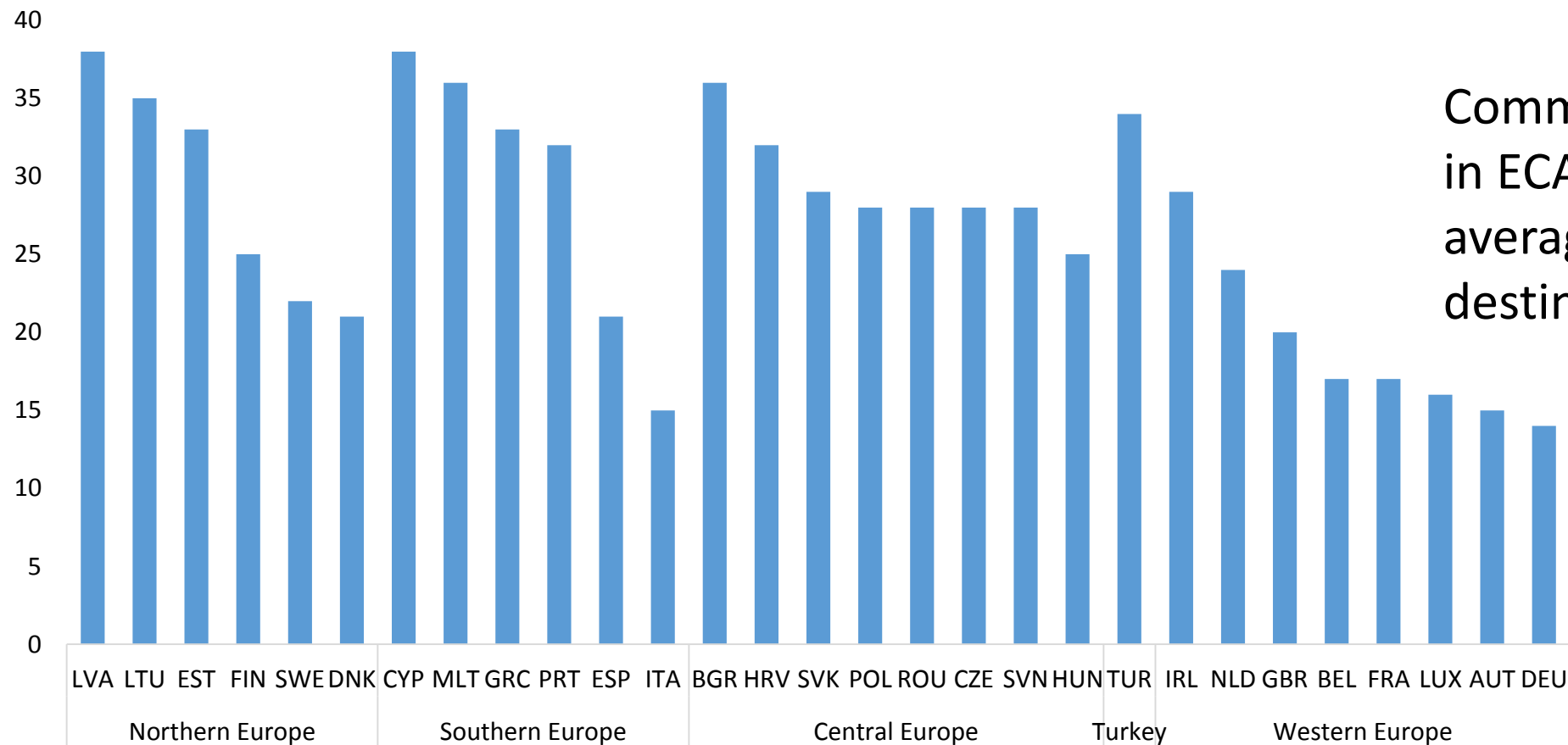


1. The Internet is changing how trade is conducted

Firms selling online can reach more destinations

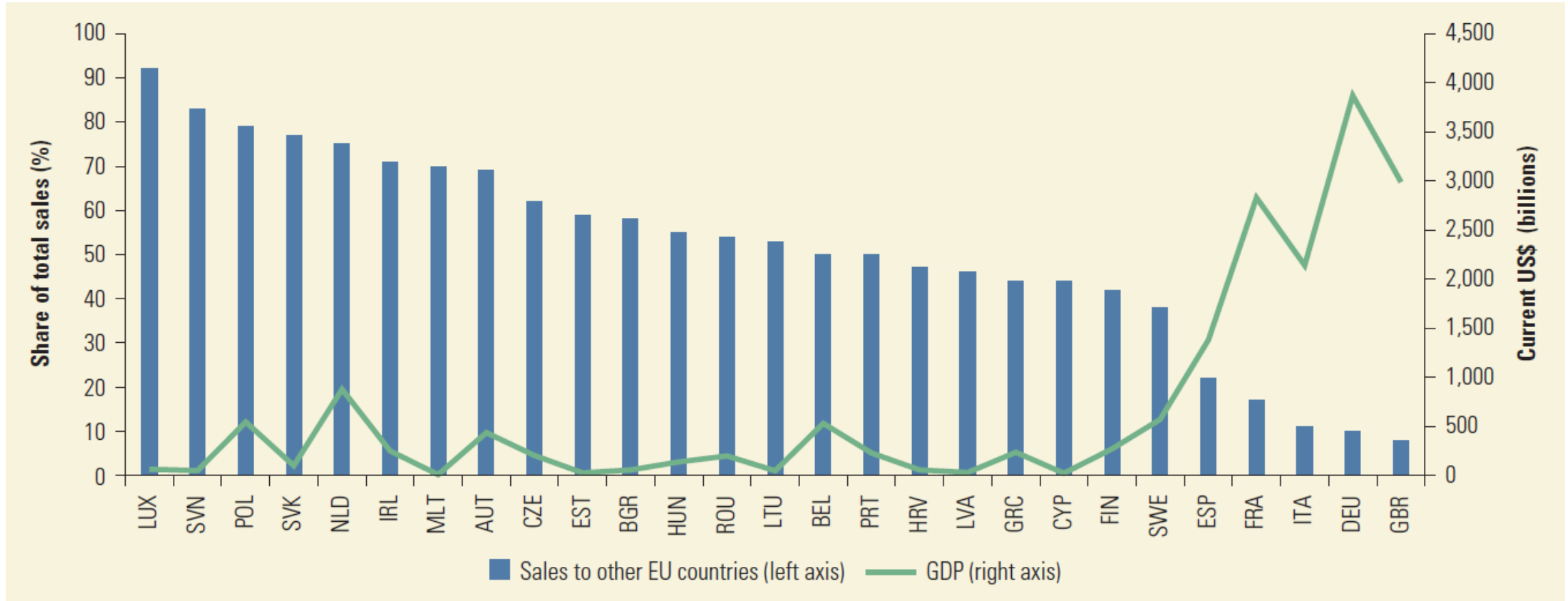


Average number of export destinations by Commercial Sellers on eBay, 2014

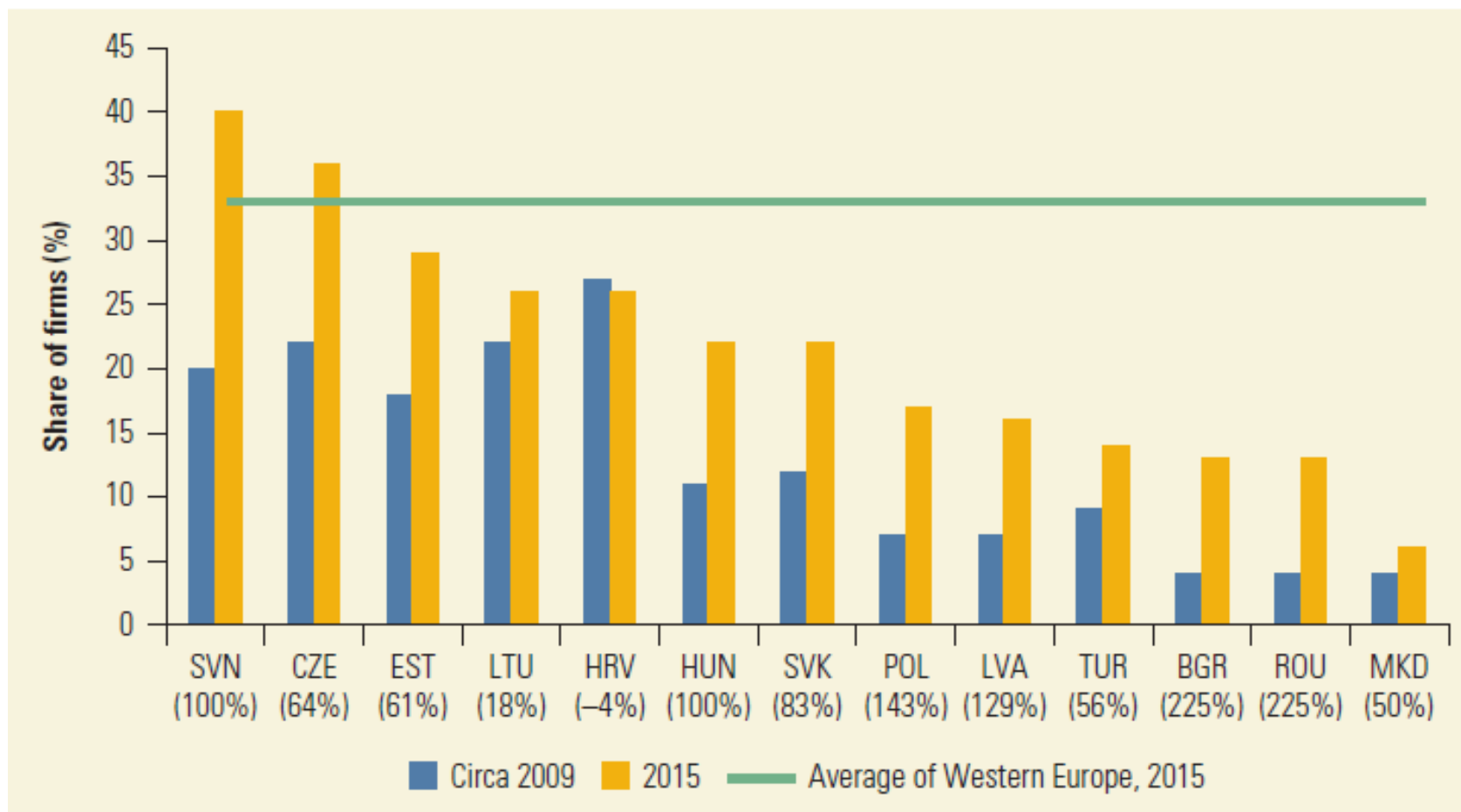


Commercial sellers on eBay in ECA are able to reach an average of 27 export destinations

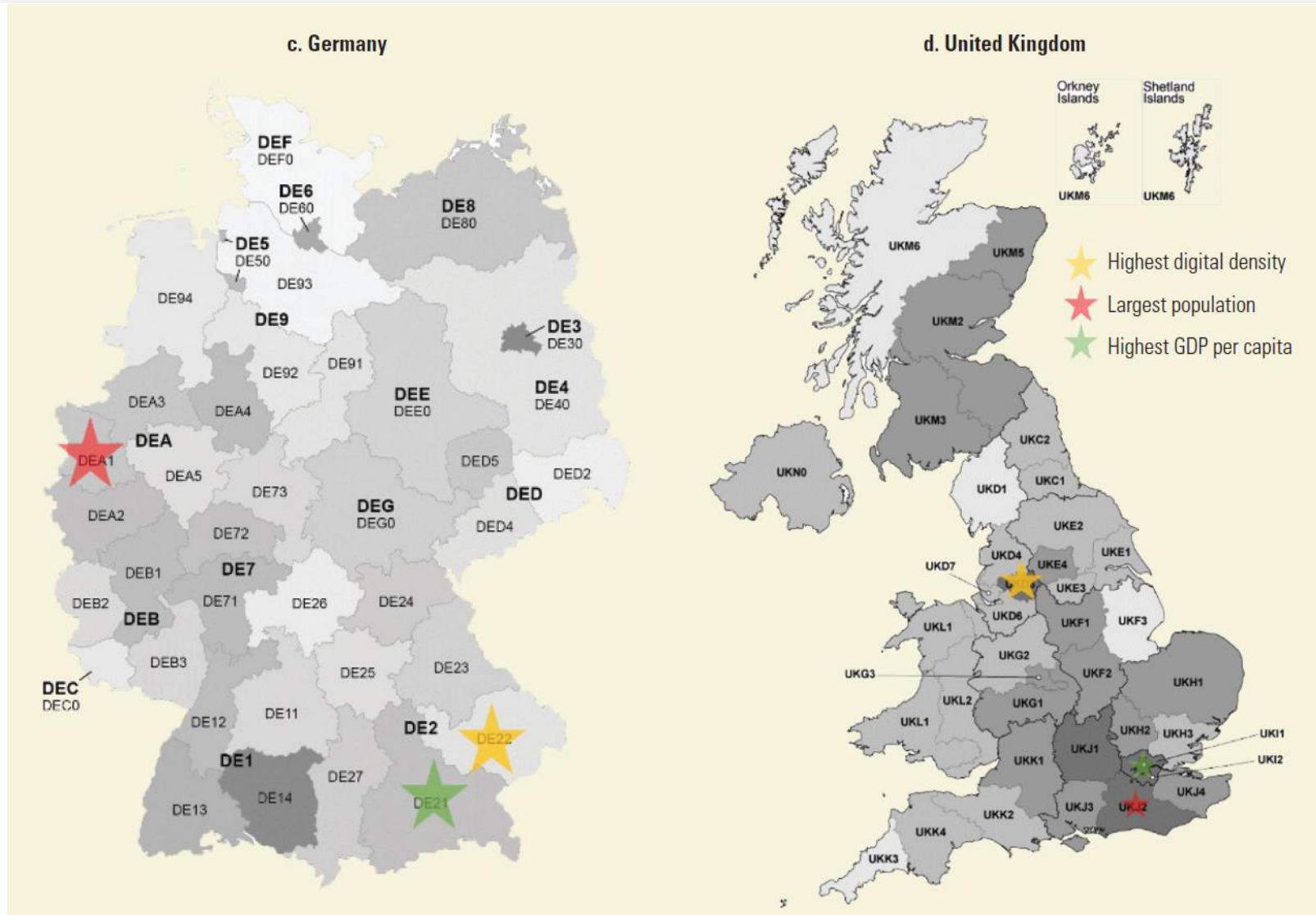
Firms can reach a larger customer base and achieve economies of scale



The share of firms selling online has increased between 2009 and 2015



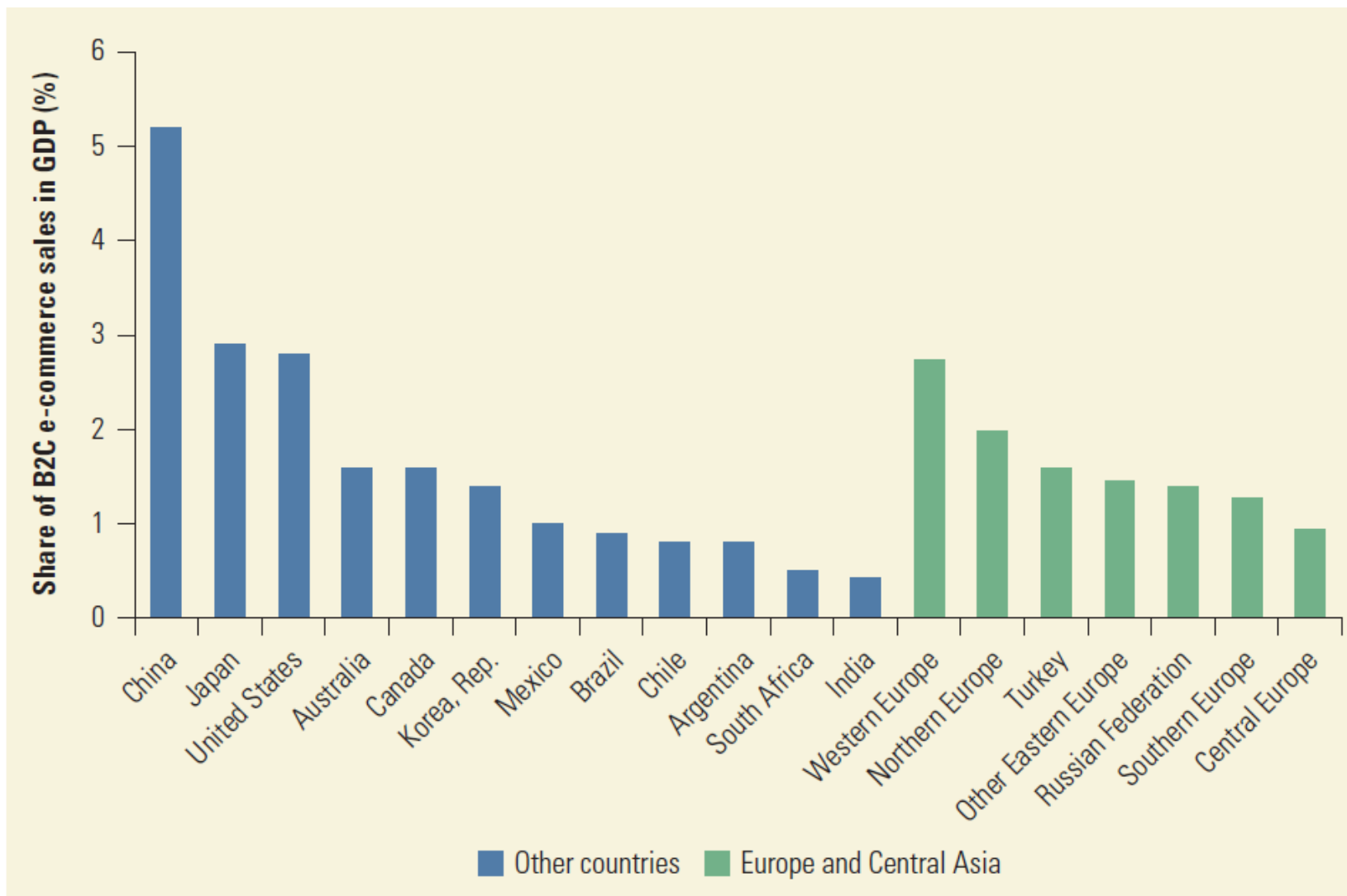
Firms can be mobile and do not need to locate in high income and population dense regions





But firms are not taking advantage of these benefits

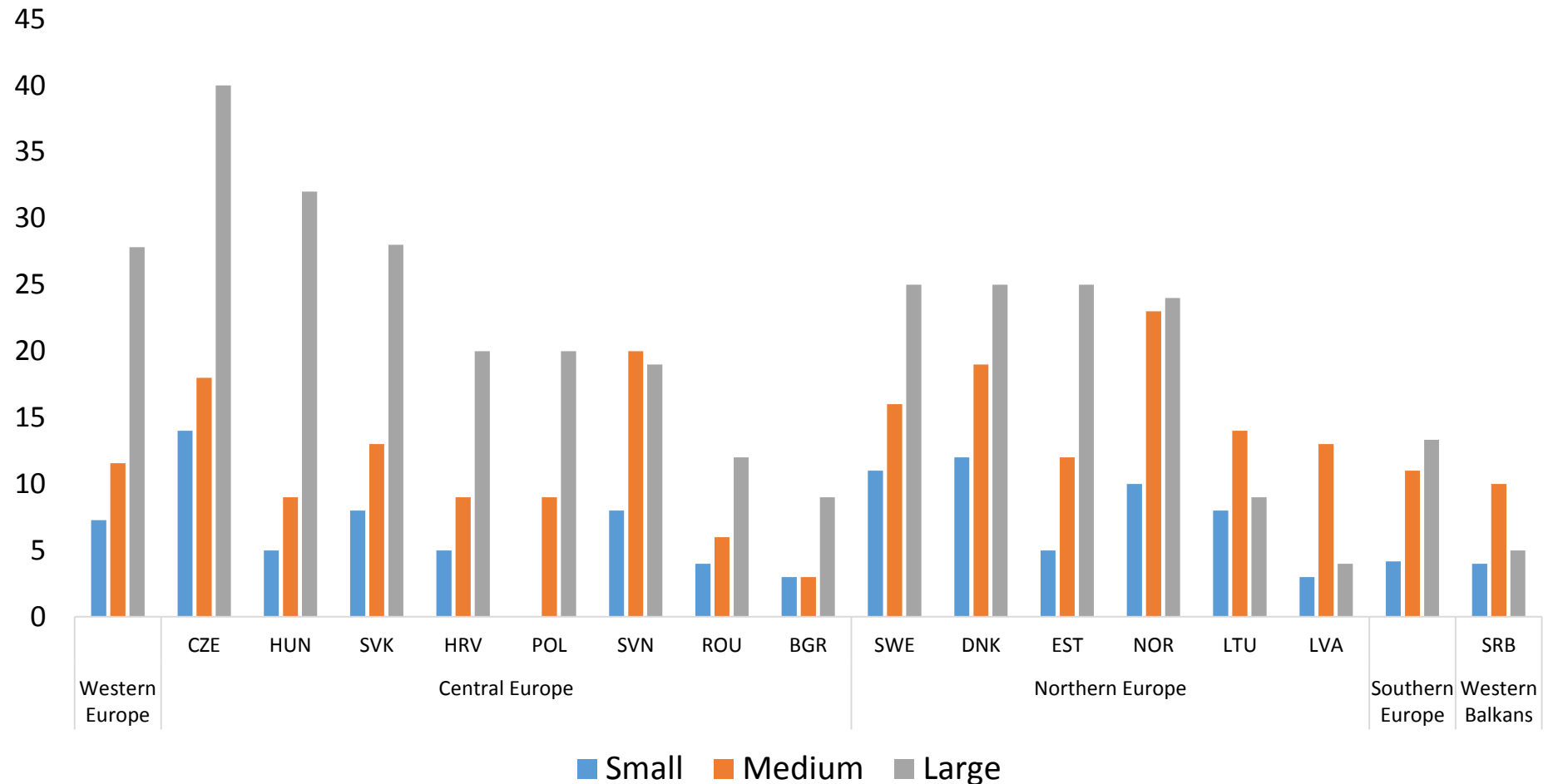
ECA countries have small shares of e-commerce sales compared to other countries



Small firms are less able to take advantage of e-commerce



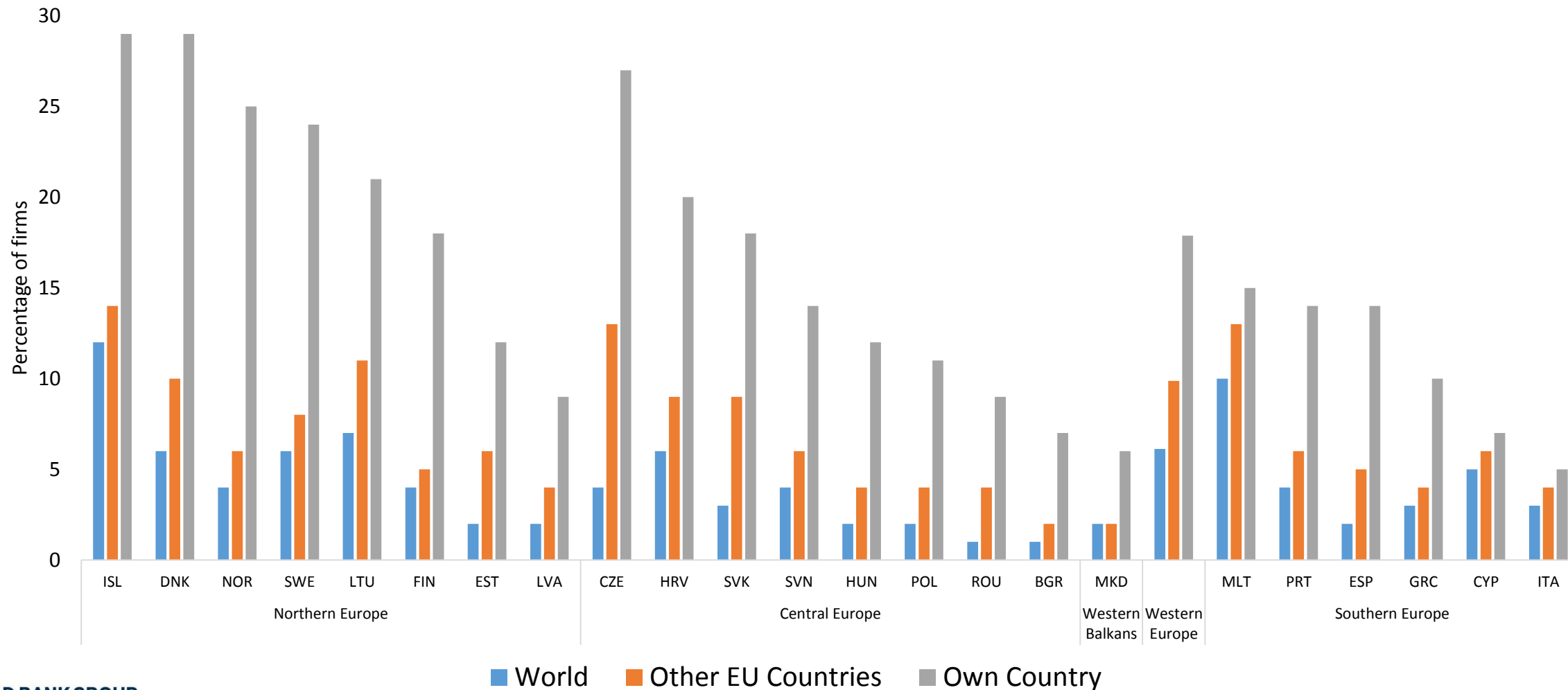
Percentage of Turnover from E-commerce, 2015



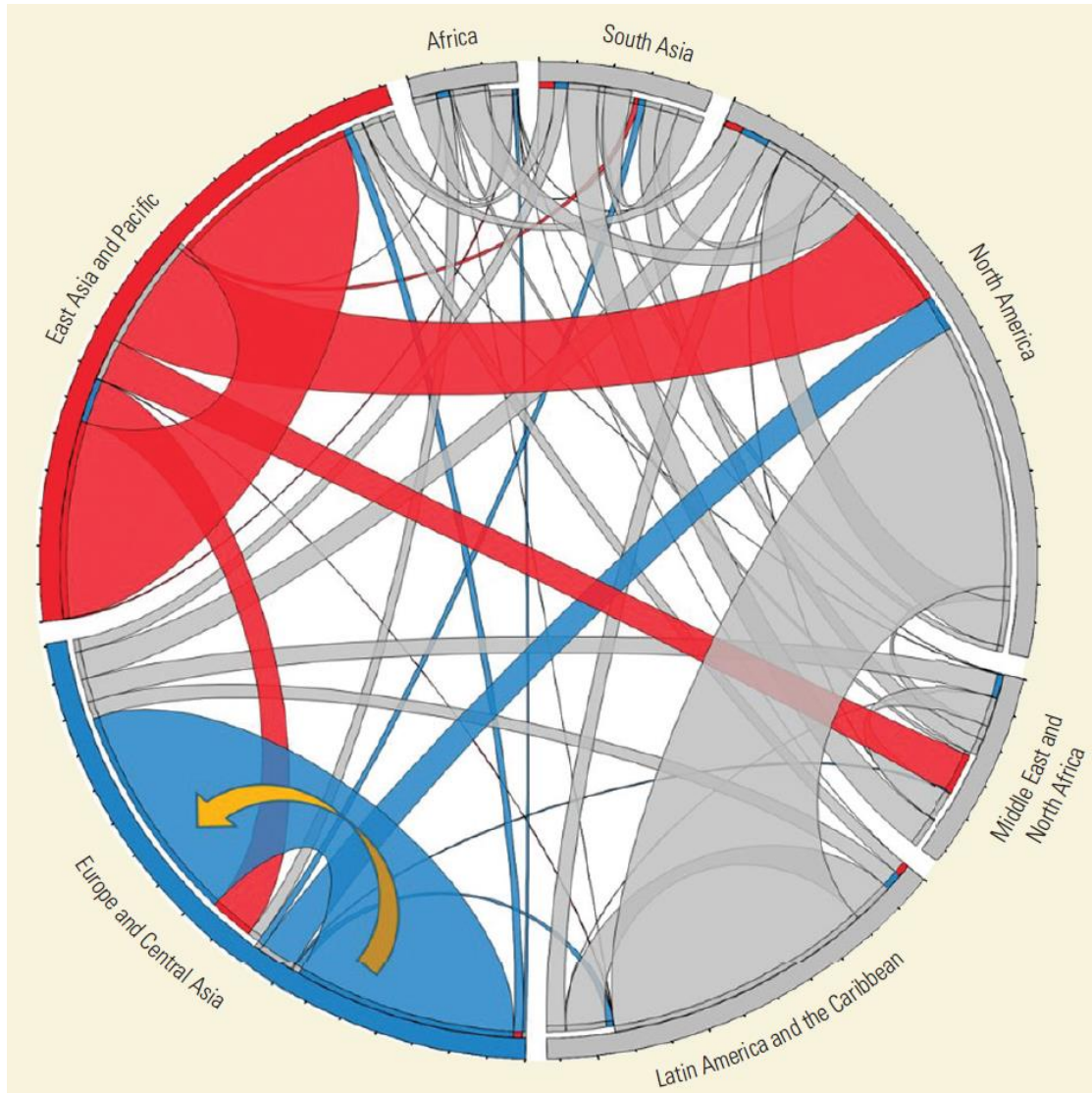
Exports, especially to non-EU markets, are limited compared to domestic sales



Percentage of firms selling online by Destination, 2013



Services exports are mostly within the ECA region



Voice traffic as a proxy for Professional and ICT services exports

78% of exports are within the ECA region (yellow arrow) vs 50% for the East Asia and Pacific region.

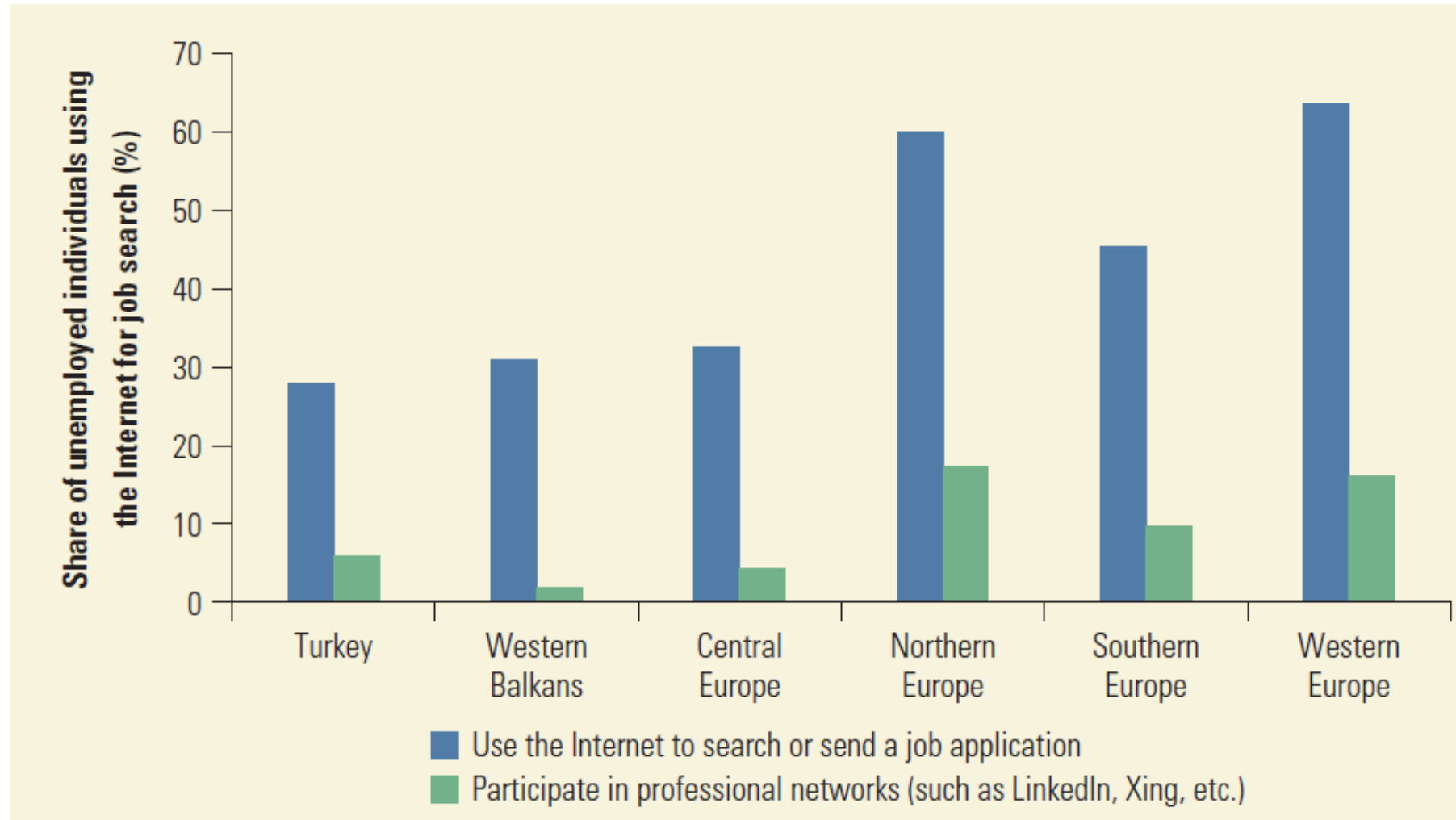


2. The internet is changing labor markets

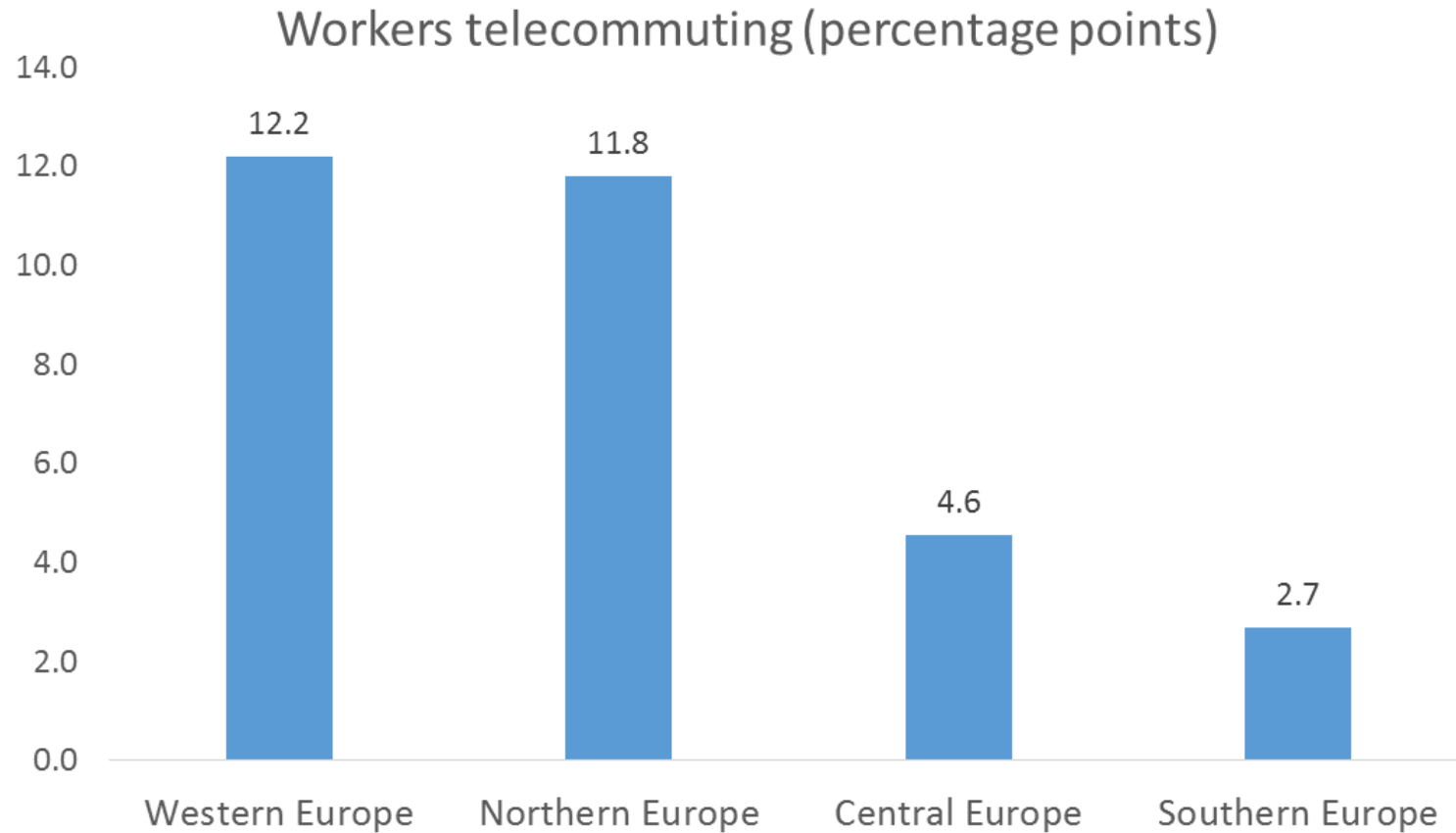


The internet brings labor market opportunities...

Many unemployed are using the internet to search for jobs



Many are taking advantage of more flexible forms of work...

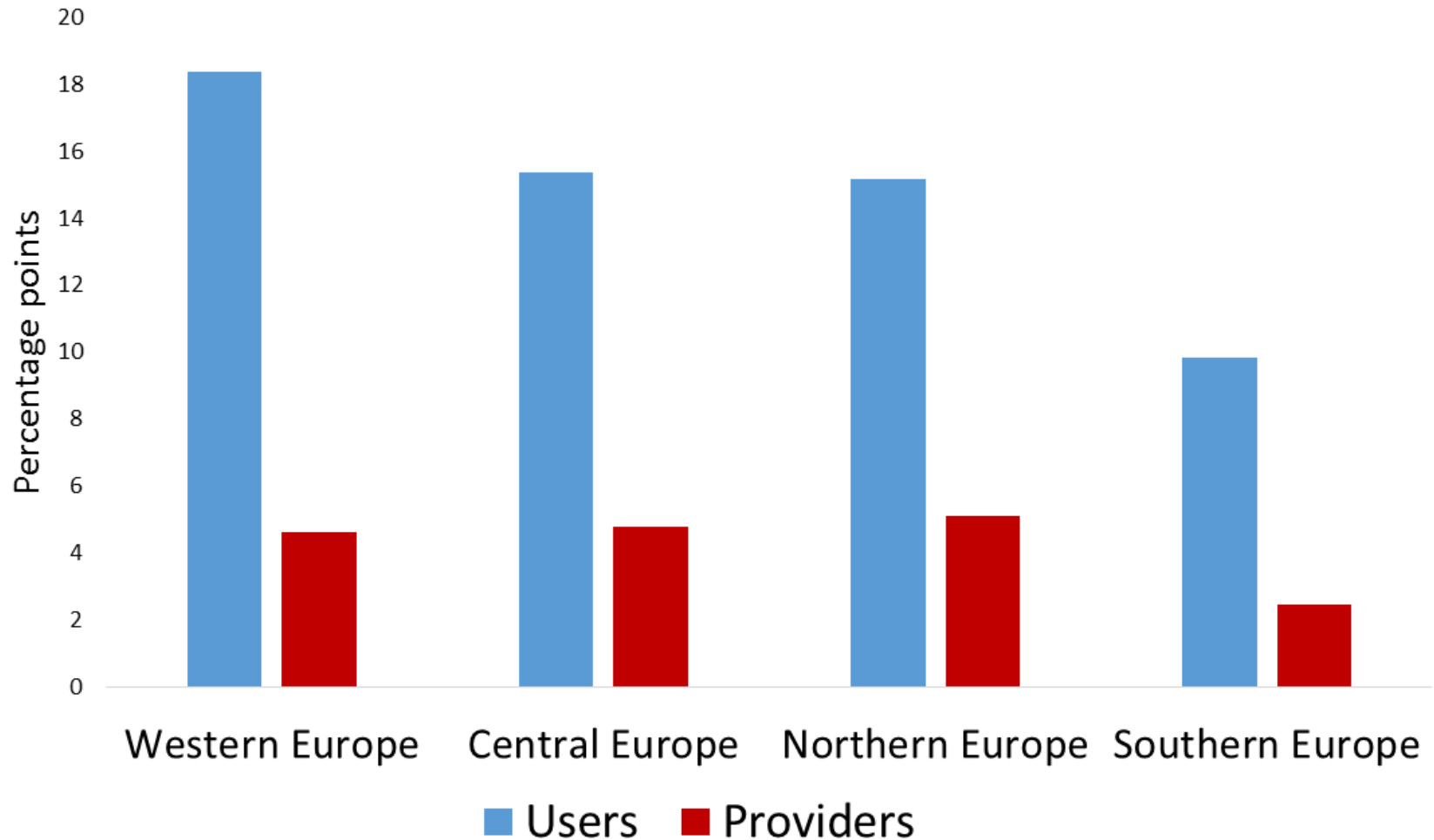


In Northern and Western Europe, more than 10 percent of workers telecommutes

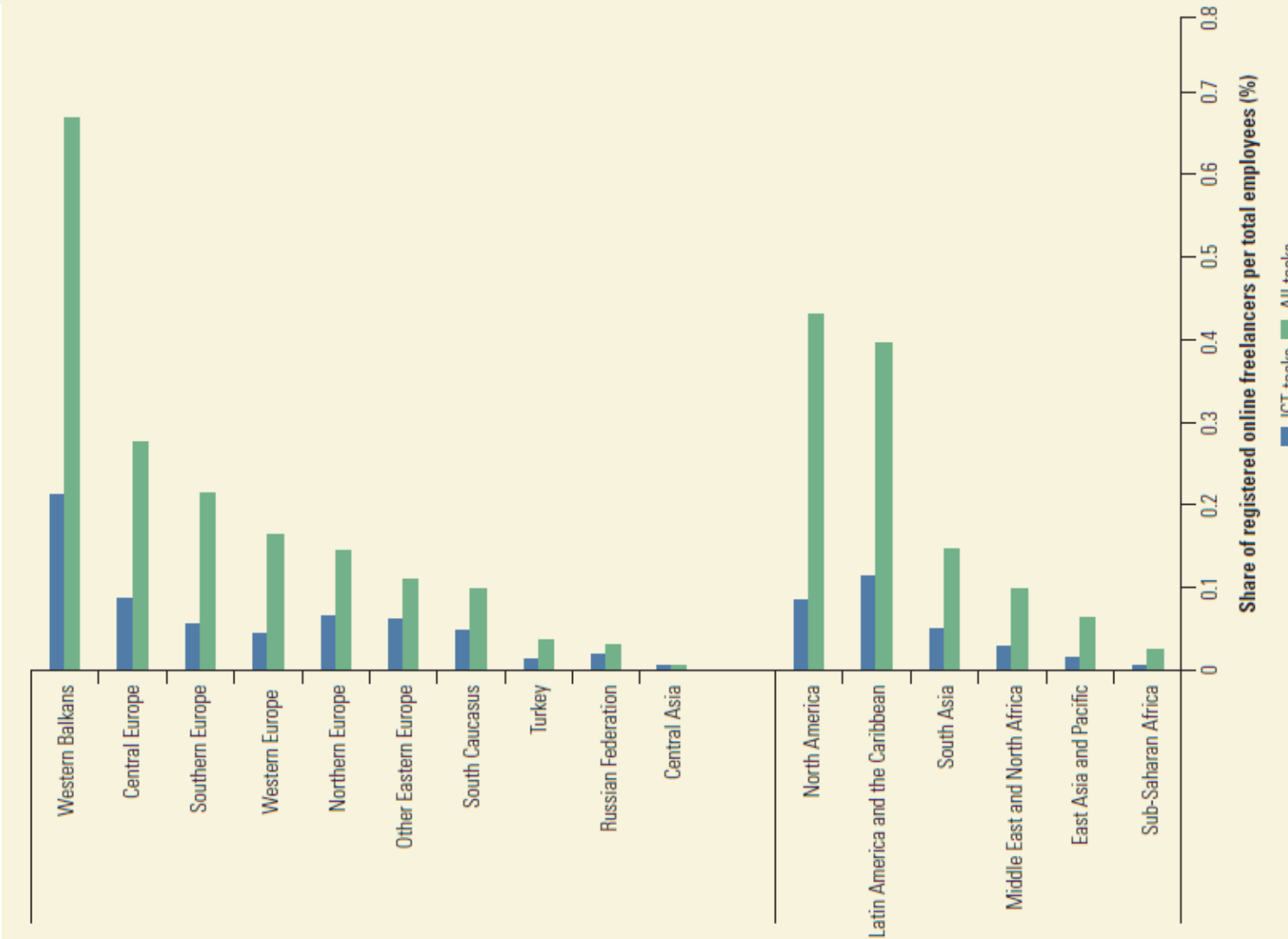
And the internet allows for revolutionary forms of work



People in the Sharing Economy

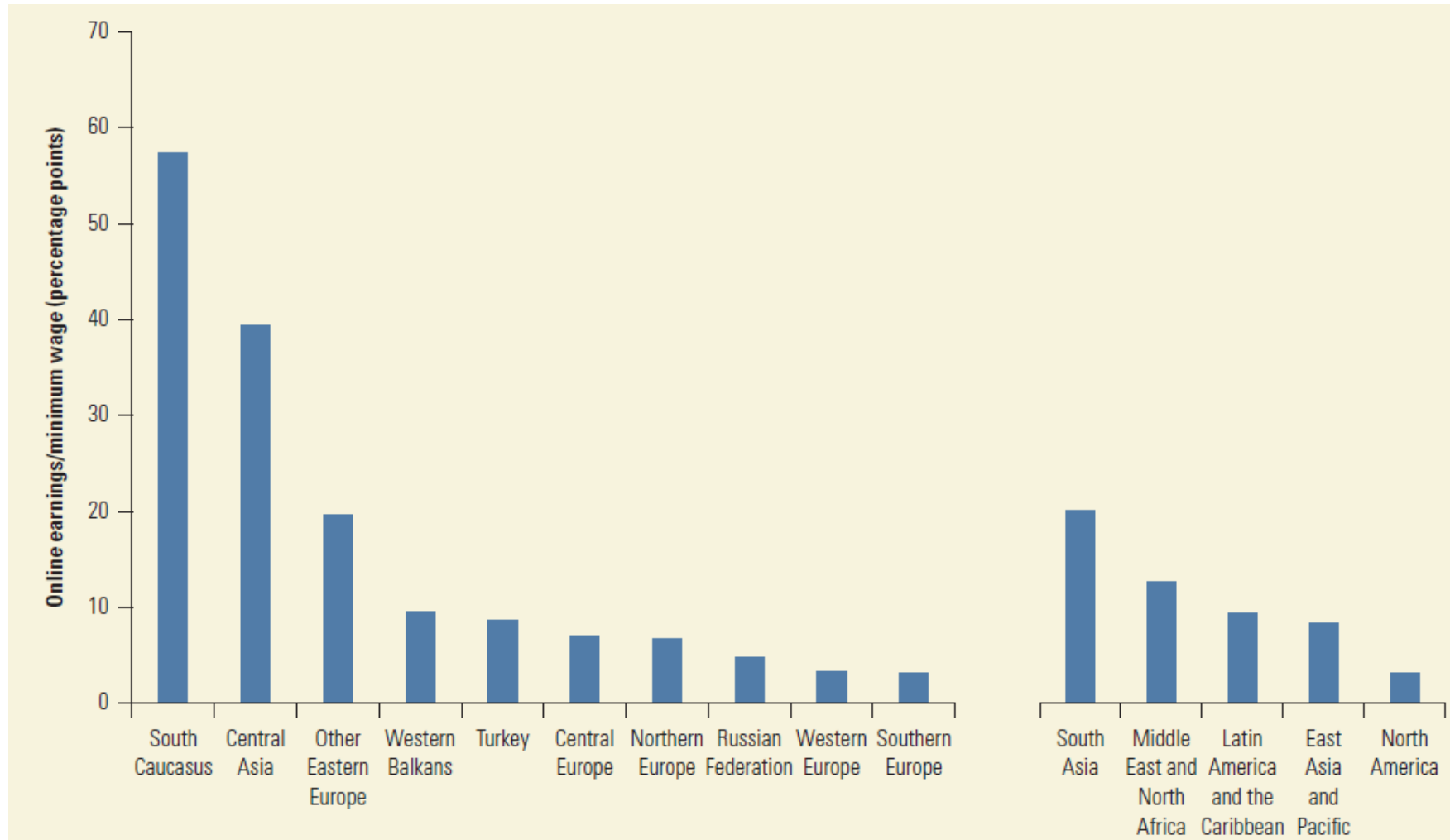


With workers in developing countries working for firms in rich economies



Some ECA countries are champions in the global supply of online talent

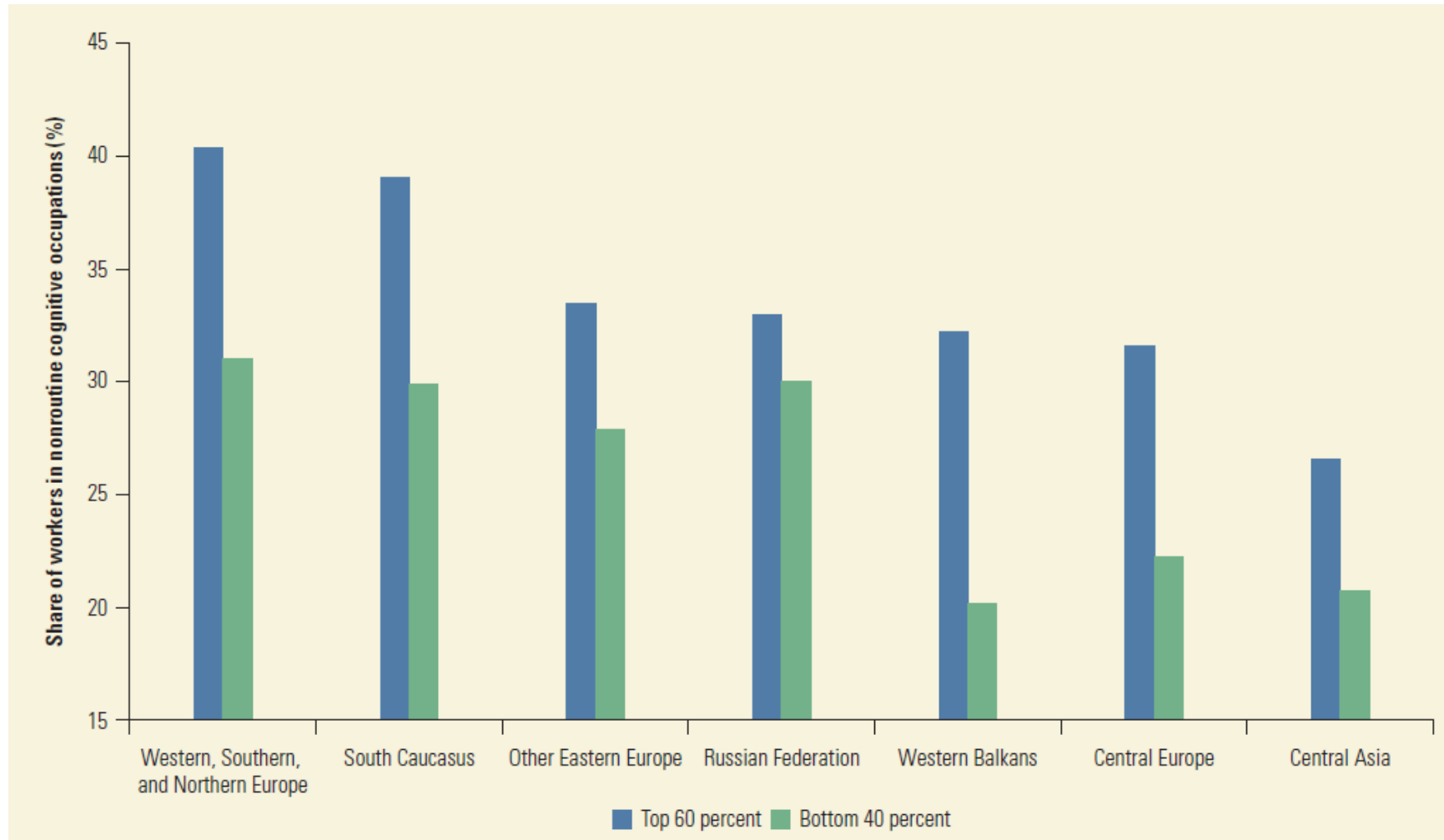
Online freelancers can earn incomes equivalent to several times minimum wages...





But the internet also brings new challenges...

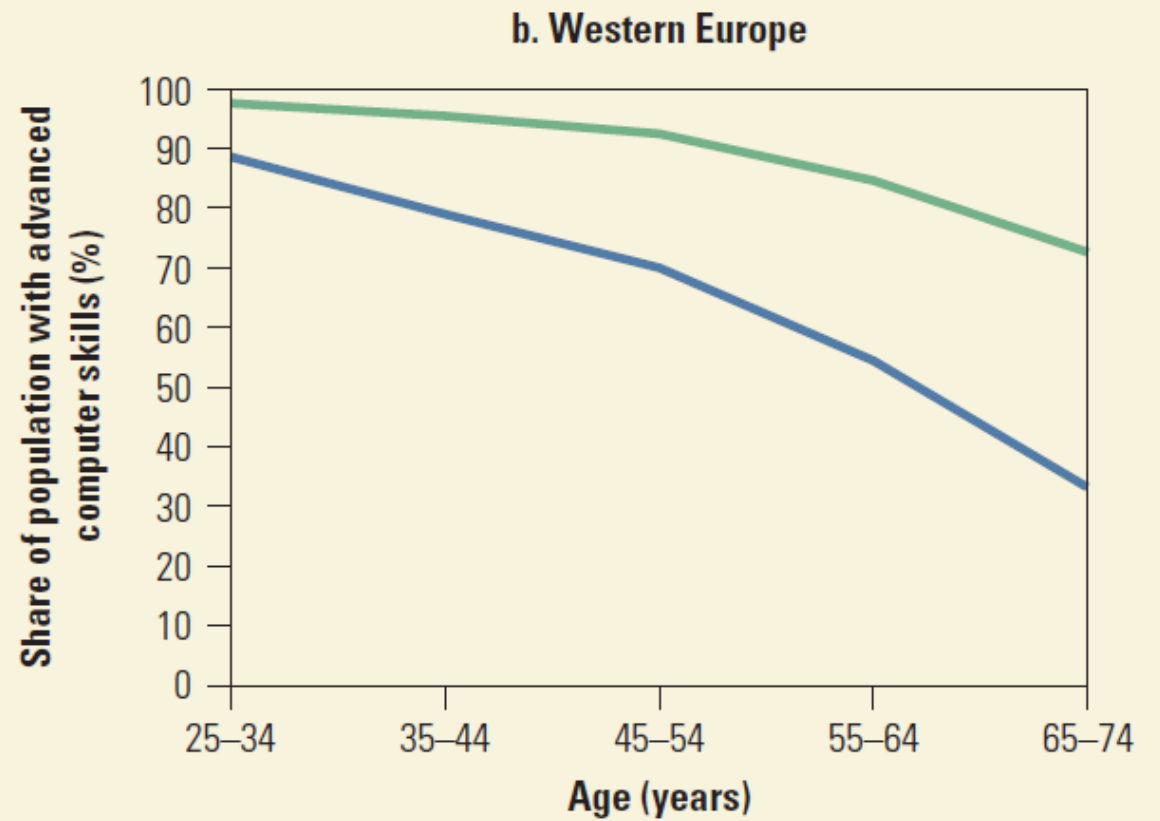
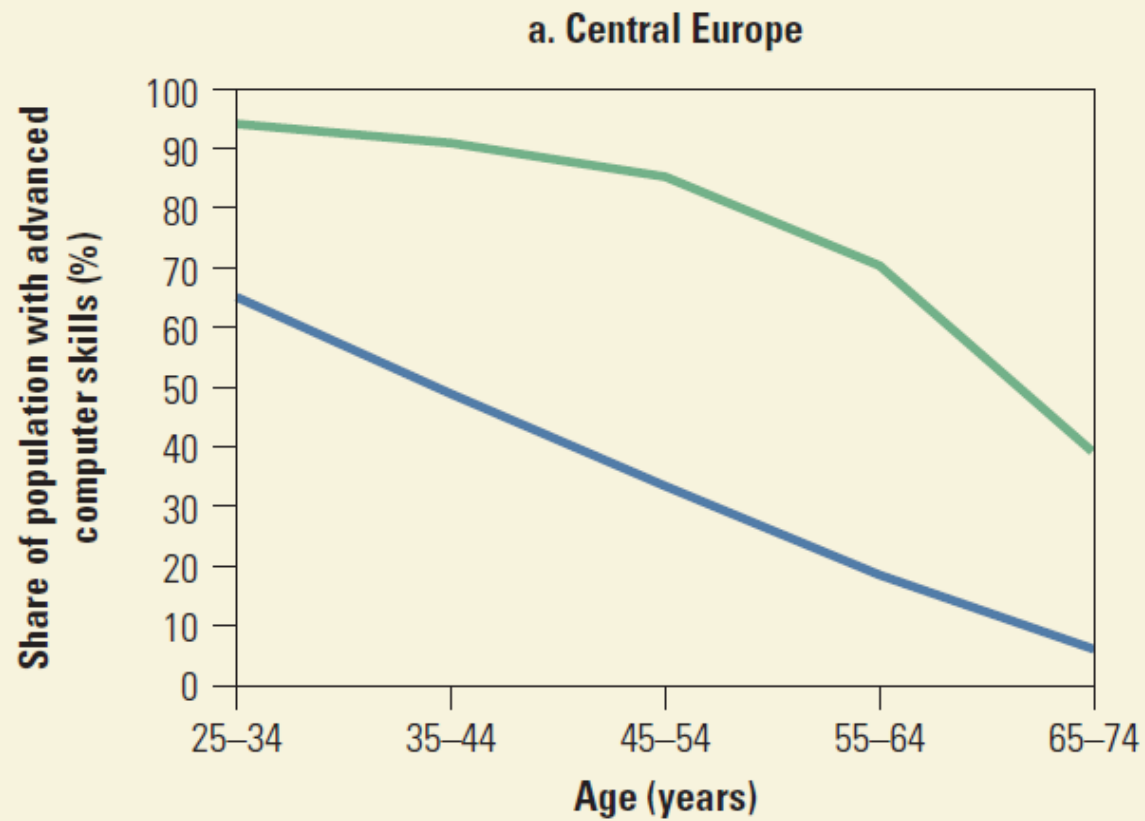
Individuals in the bottom 40 are less likely to have the skills that complement digital technologies



Digital skills decline rapidly with age

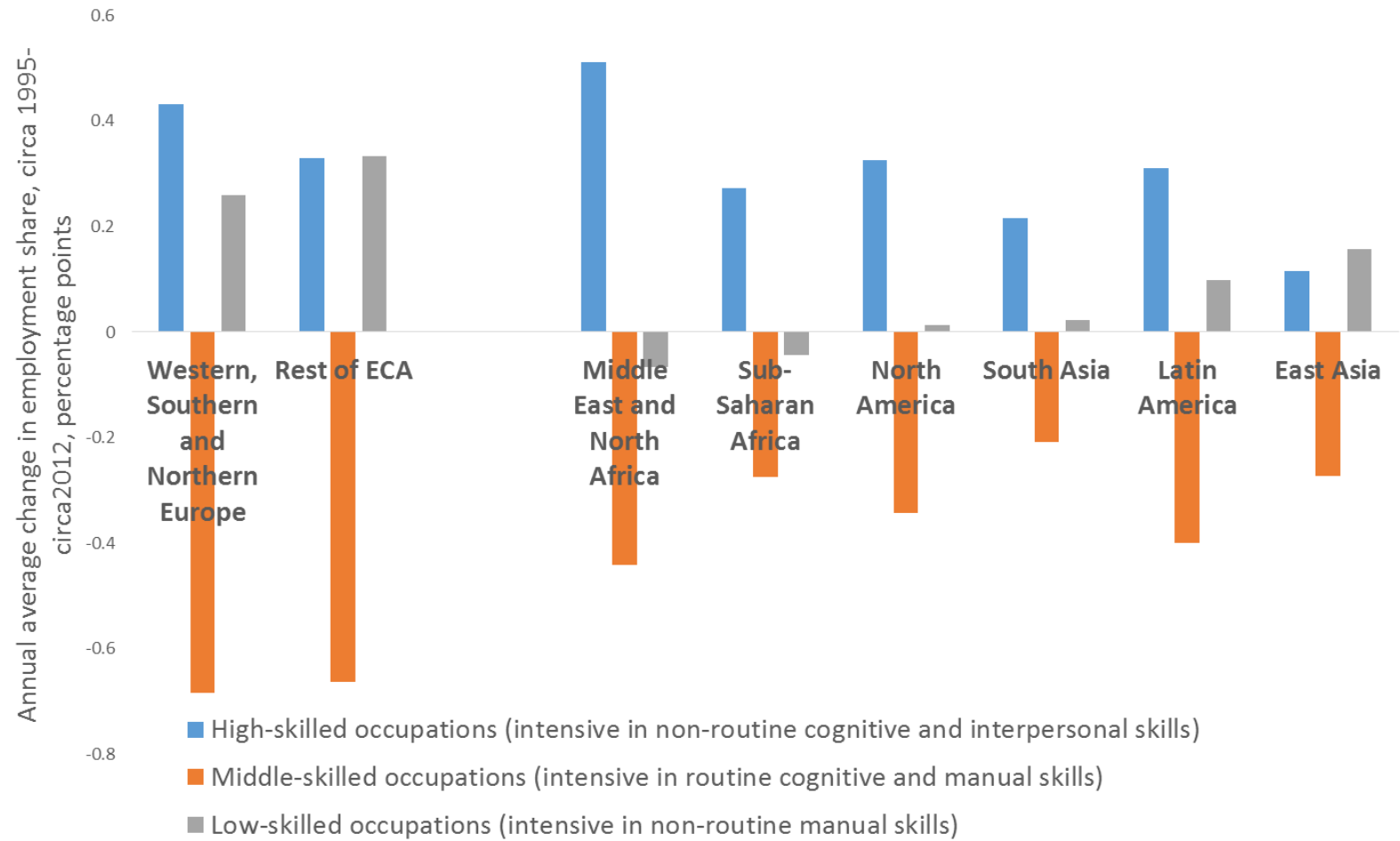


Especially among people with lower educational attainment.



— Unskilled — Skilled

Labor markets are becoming more polarized

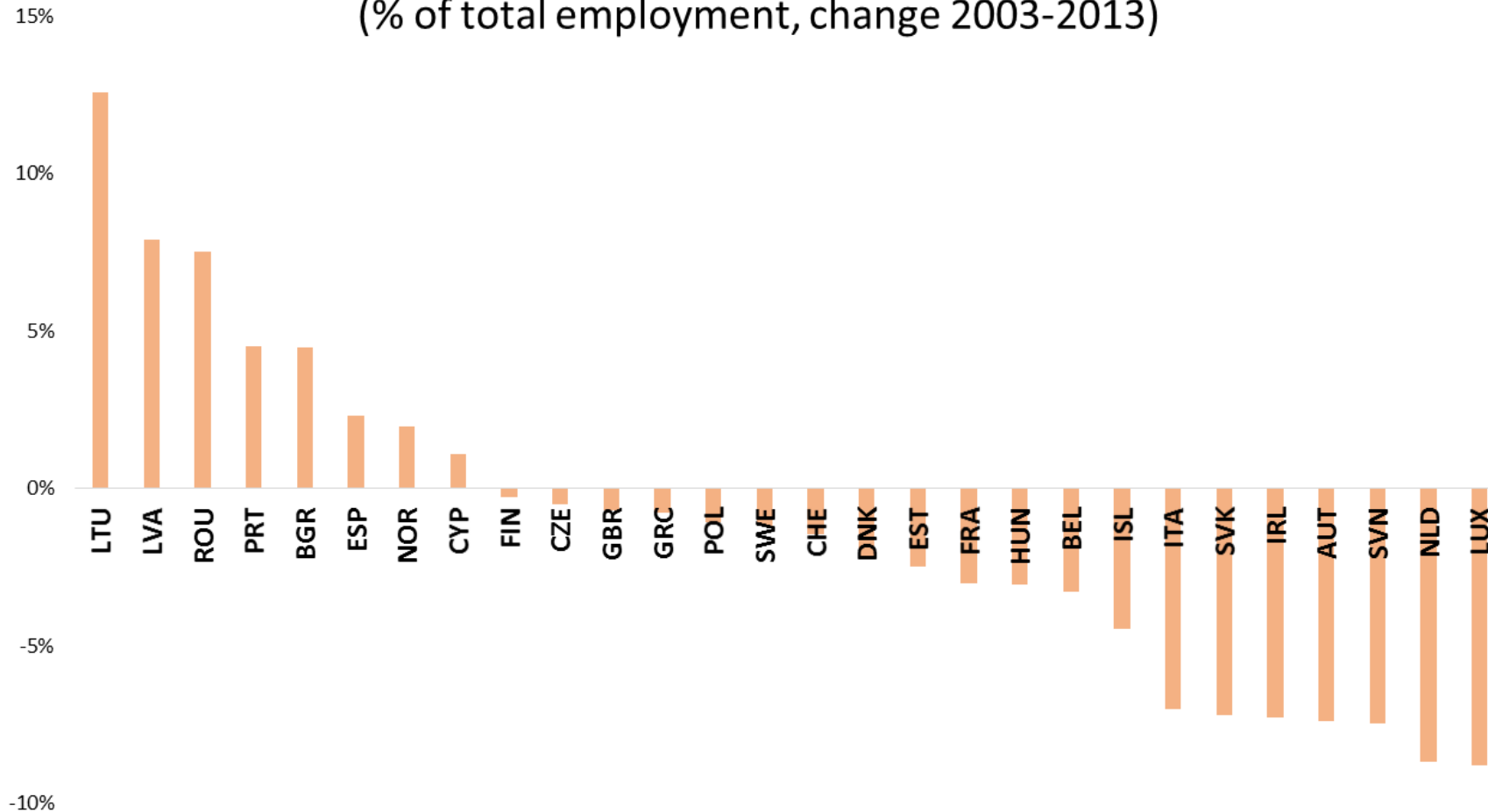


With middle-skill jobs disappearing.

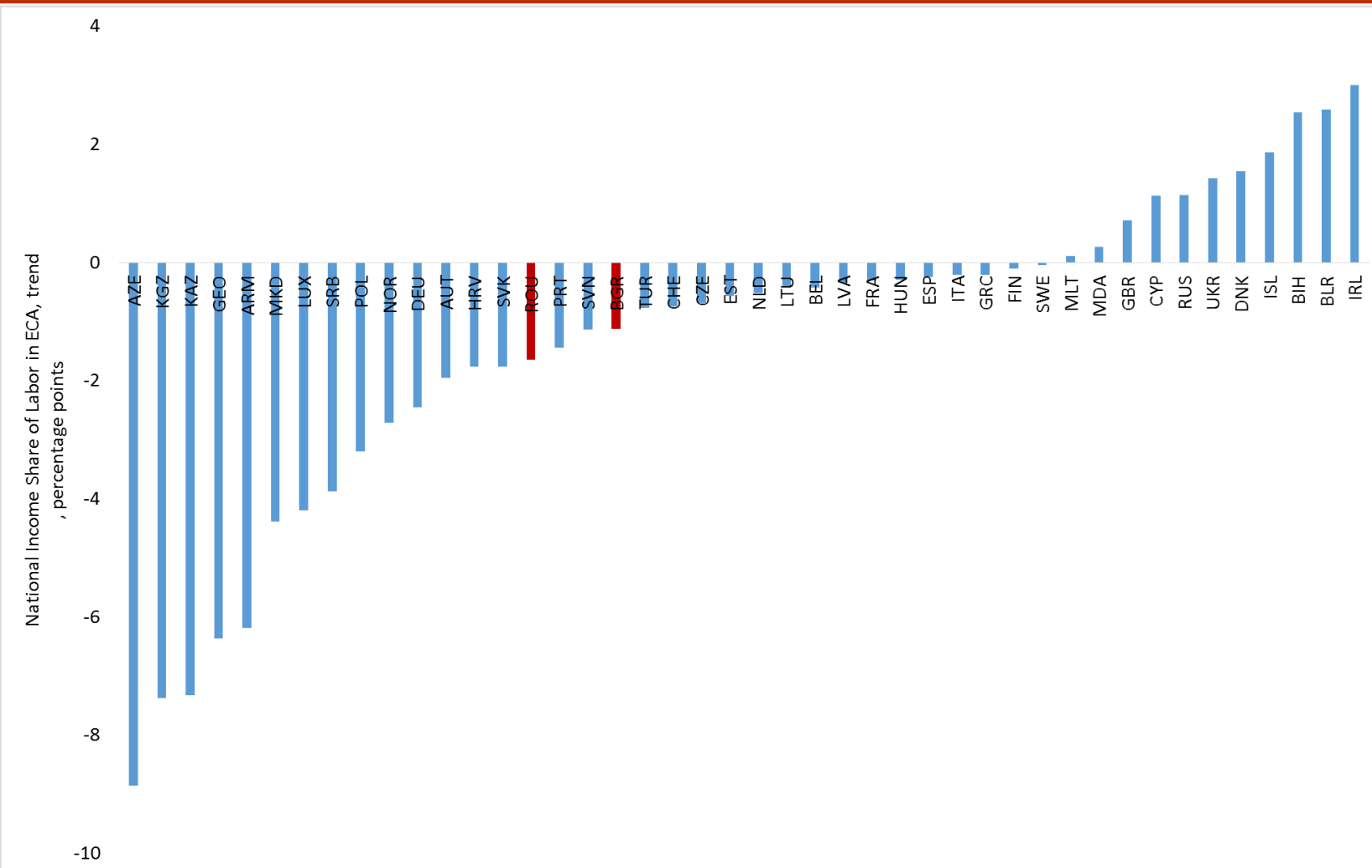
Less and less workers have a full time and permanent salaried job in many countries



Workers in traditional employment relationship
(% of total employment, change 2003-2013)



And workers are getting a smaller share of the pie...

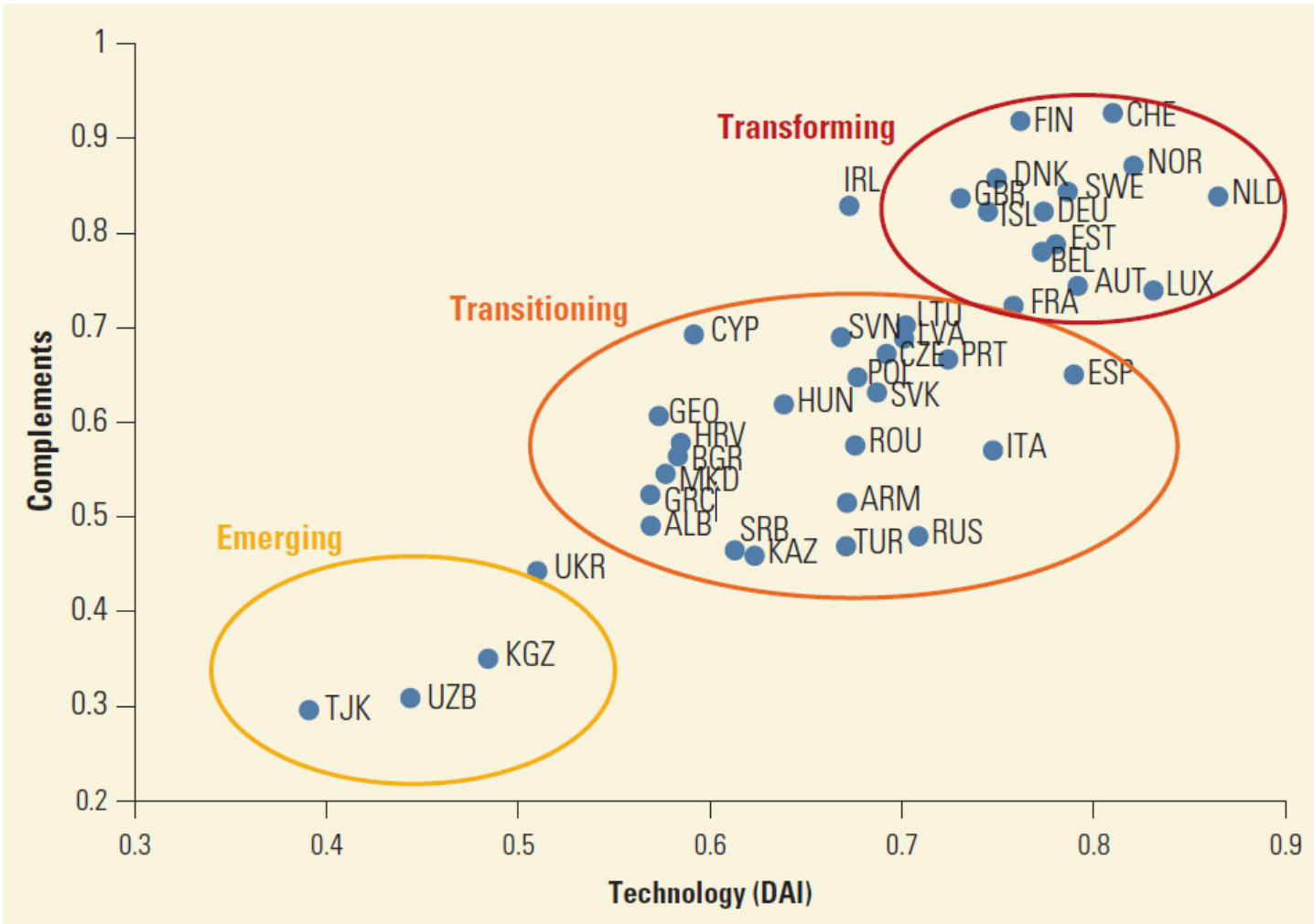


The labor share of income has declined almost everywhere



Policies for the digital economy

A Policy Framework for ECA



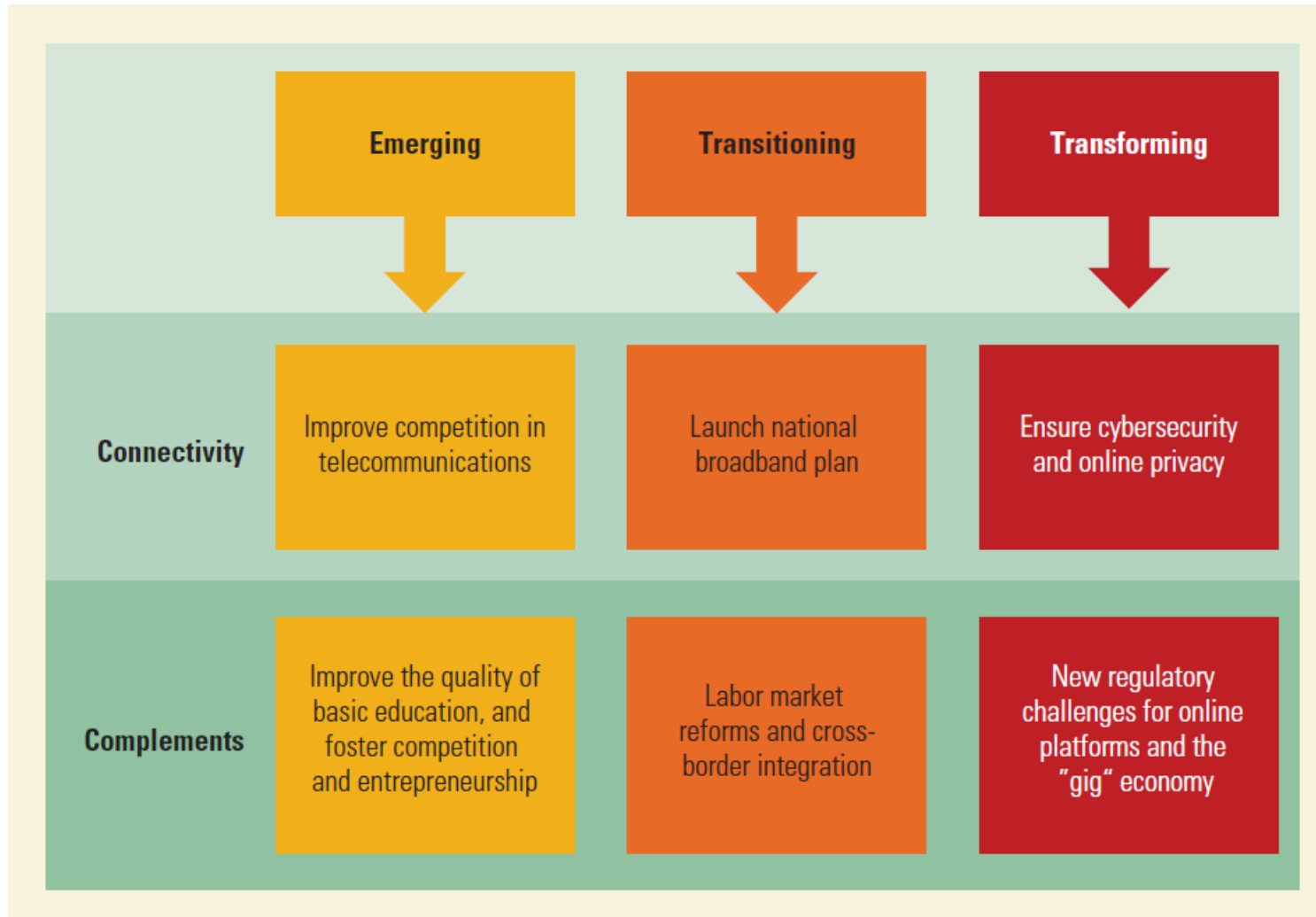
It is not just about improving internet access.

Improving the business environment, having a skilled labor force and strengthening governance are also crucial to reap the digital dividends

Complements: Index of quality of institutions, skills and regulations.

Technology: Digital adoption index - businesses, people and governments.

The policies priorities depend on the level of digital development



Countries need to work on trade infrastructure and reducing trade barriers



It is not just about having Internet access ...

Country Groupings	Policy Priorities
Emerging	<ul style="list-style-type: none">• Improve logistics Infrastructure• Develop online payment systems
Transitioning	<ul style="list-style-type: none">• Enhance trade facilitation measures• Improve competition
Transforming	<ul style="list-style-type: none">• Reduce trade barriers in partner countries (nontariff measures, services restrictions)

Improving skills and regulations are crucial to make the most out of online work



Country Groupings	Policy Priorities
Emerging	<ul style="list-style-type: none">• Build foundational skills• Improve Internet access
Transitioning	<ul style="list-style-type: none">• Reduce barriers to formal work• Promote active aging
Transforming	<ul style="list-style-type: none">• Reduce the number of inefficient occupational regulations• Update labor market regulations• Improve data collection efforts

Reaping Digital Dividends: Toward a new Renaissance?



- The Internet has unleashed a new process of “creative destruction”
- Efforts to prevent change will not prevent it, but just delay it.
- Embracing change is a key component of the digital agenda
- The payoffs could be unexpectedly high

Thank you!

