

E-commerce for Rural Development: Global Trends

Marie Sicat

**Associate Economic Affairs Officer (ICT Policy Review
Programme Coordinator)**

ICT Analysis Section, UNCTAD Division on Technology and Logistics

Overview

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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 (ie. 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 (ie. 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 ie. 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 ie. 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”.

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 stores.
- ❑ Now more than 400 online shops and combined annual revenue of over \$50 million.
- ❑ Named the top “Taobao village”.

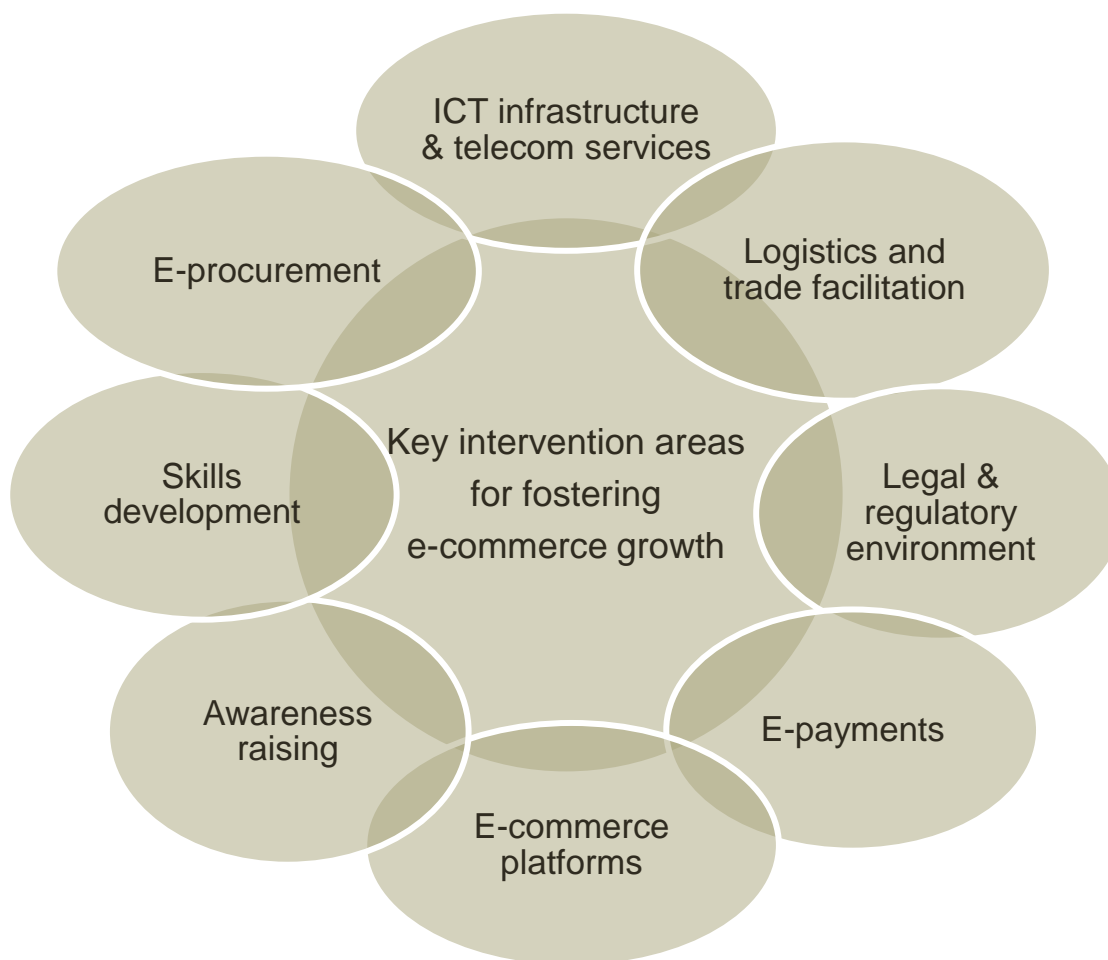
Source: UNCTAD IER 2015

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



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.
- ❑ ICTPR research and analysis can be found in the UNCTAD Information Economy Report 2015 on e-commerce.
http://unctad.org/en/PublicationsLibrary/ier2015_en.pdf
- ❑ Programme webpage: unctad.org/ictpr



Thank you for your attention!

For more information, contact:

Marie Sicat

ICT Policy Review Programme Coordinator
Associate Economic Affairs Officer, UNCTAD

Tel: +41 22 917 3447

Email: marie.sicat@unctad.org



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