Insights from E-Commerce Strategies in Central Asia

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ITC work in digital strategies

✓ Experience in about 15 countries raging from LDCs to transitioning economies:
  - Rwanda, Guinea, Côte d'Ivoire, Sri Lanka, Mauritius, Algeria, Viet-Nam, Ukraine…
  - Basic internet connectivity services to software development, cloud business, to E-commerce

✓ Tested, evolutive, modular methodology

✓ Growing pool of industry experts and partners (Amazon, Alibaba, eBay, DHL, Novica)

✓ Monitoring policy changes, emerging trends and technologies, and analyzing their development implications, (SMECS, SMECO, SME Trade Academy)

Methodology used for e-commerce strategy

Consultation with key stakeholders

National Consultation #1

National Workshops

National Consultation #2

Endorsement/ launch

Initial consultation with key stakeholders to obtain buy-in and support, and agree on broad direction.

Representatives from each public/private institution and enterprises, to map trade competitiveness issues and opportunities.

Mapping value chains, sector profiles, markets, institutions; future value chains and plans of action.

Validating the strategy and plans of action, agreeing on implementation management systems and structures.

Formal endorsement and launch of the Strategy.

E-commerce is complex: 14 ecosystem segments covering 9 policy areas

- Central Bank
- Telecommunications Regulator
- Ministry of Trade/Commerce
- Ministry of ICT
- Ministry of Finance
- Ministry of transportation/public works
- Ministry of foreign affairs
- Ministry of education
- Ministry of youth / women / vulnerable groups
- Ministry of labor
- Trade promotion organization (TPO)
- Investment promotion agency
- Customs authority
- Taxation authority
- National postal service

Digital economy policy framework and institutional coordination	Cyber-law framework	Data policy
Business environment for (digital) SMEs	Trade competitiveness and export promotion	Investment promotion
ICT infrastructure	Domestic logistics	Cross-border trade (incl. TF)
FinTech	Access to finance	Platforms (incl. marketplaces),

Digital skills and entrepreneurship	Support services

- Mobile Network Operators (MNOs)
- Fixed-line operators
- Internet Service Providers (ISP)
- Payment service providers (and broader fintech firms)
- Commercial Banks
- Local content service providers (local websites for news and info)
- Tertiary training institutes such as universities
- Certificate level training providers
- Technical, vocation education and training (TVET) providers
- Freight forwarders
- Custom brokers
- 3rd party logistics services (3PL)
- International shipping companies
- Investors and international private sector partners
- IT firms and related service providers such as website hosting services/digital branding

Consultative process in Kyr – Taj - Uzb

- ➢ Baselining phase

- ➢ High-level ecosystem assessment phase

- ➢ Strategy design phase

- ➢ Strategy review and validation phase

A total of:

- ▪ 90 public sector institutions

- ▪ 100 non-public institutions

- ▪ 220 expert participants provided inputs

- ▪ 25% women experts

Rationale for E-Commerce Strategies in Kyr – Taj – Uzb

Leverage Central Asia's strategic geographical location via E-commerce

Fast-growing E-commerce capabilities among Central Asian countries

Enable growth in productive sectors and SME growth

Accelerate SME exports promotion in target markets – cross-border and international
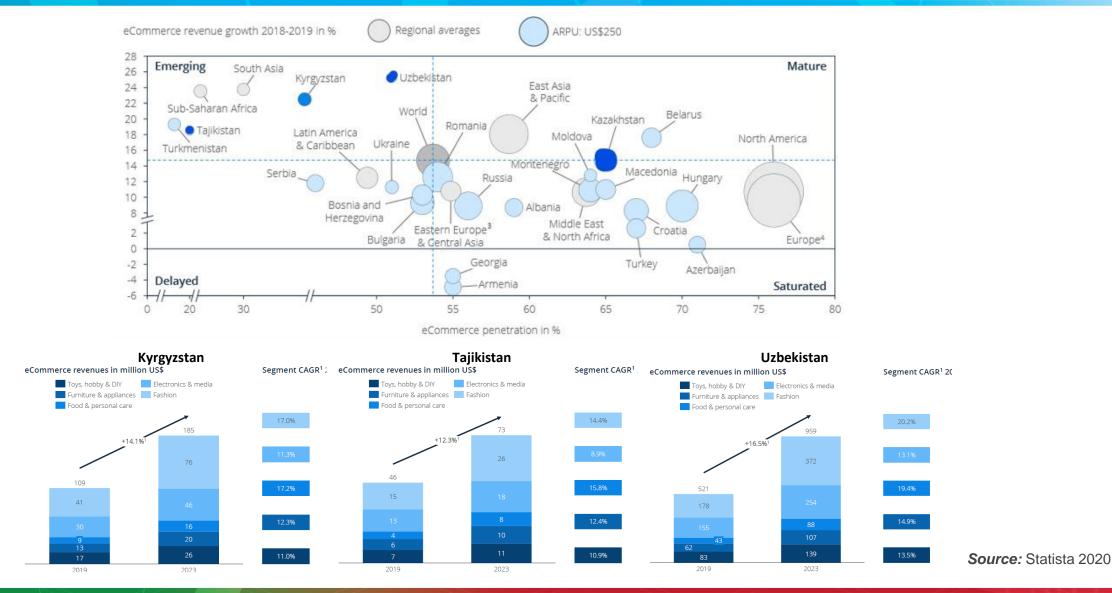
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Scope of E-commerce strategies in Kyr – Taj – Uzb

- **Overall, improving cross-border E-commerce by increasing market linkages domestically, intra-regionally and internationally**

- **Specifically, opportunity to make a difference in:**
  - ✓ Expanding electronic payments, delivery services
  - ✓ Levering e-government services for e-commerce and trade
  - ✓ Streamlining E-Commerce in export promotion for online SMEs
  - ✓ Enhancing transparency of cross-border requirements
  - ✓ Removing regulatory and procedural barriers
  - ✓ Harmonising regulatory systems and making them mutually interoperable and internationally compliant
  - ✓ Strengthening business capacities to comply with trade formalities & standards
  - ✓ Participation of women-led enterprises in international & intra-regional trade.
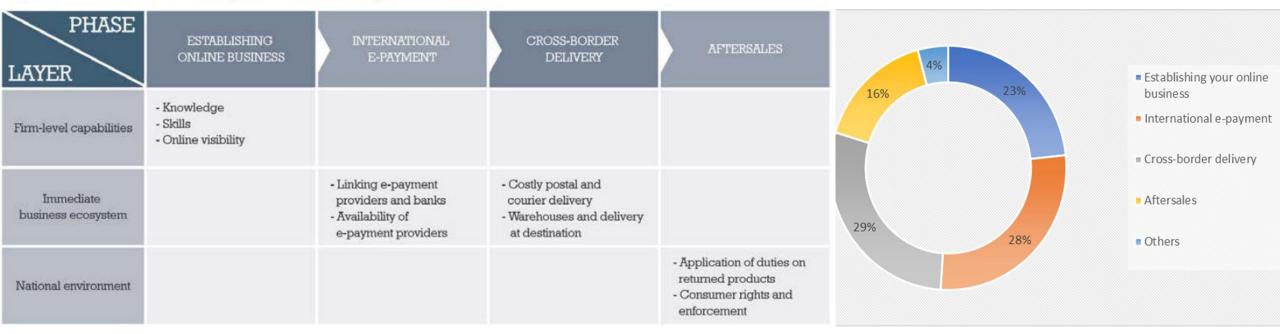
eCommerce revenue growth 2018-2019 in % ● Regional averages ● ARPU: US$250

Kyrgyzstan

eCommerce revenues in million US$

- ■ Toys, hobby & DIY
- ■ Furniture & appliances
- ■ Food & personal care
- ■ Electronics & media
- ■ Fashion

+14.1%[1]

109 → 185

2019: 17, 13, 9, 30, 41
2023: 26, 20, 16, 46, 76

Segment CAGR[1]:
- 17.0%
- 11.3%
- 17.2%
- 12.3%
- 11.0%

Tajikistan

eCommerce revenues in million US$

- ■ Toys, hobby & DIY
- ■ Furniture & appliances
- ■ Food & personal care
- ■ Electronics & media
- ■ Fashion

+12.3%[1]

46 → 73

2019: 7, 6, 4, 13, 15
2023: 11, 10, 8, 18, 26

Segment CAGR[1]:
- 14.4%
- 8.9%
- 15.8%
- 12.4%
- 10.9%

Uzbekistan

eCommerce revenues in million US$

- ■ Toys, hobby & DIY
- ■ Furniture & appliances
- ■ Food & personal care
- ■ Electronics & media
- ■ Fashion

+16.5%[1]

521 → 959

2019: 83, 62, 43, 155, 178
2023: 139, 107, 88, 254, 372

Segment CAGR[1]:
- 20.2%
- 13.1%
- 19.4%
- 14.9%
- 13.5%

Source: Statista 2020

Policy areas affecting e-commerce

Figure 5   Bottlenecks along the e-commerce process chain

Access to finance

- Banks – Only 4 /25 banks provide acquiring services.
- Continued hesitance of financial institutions to adopt digital services.
- 2.5 million Bank cards, but 90+% used for cash operations.
- Financial literacy and trust issue.
- Digital services must be unlocked before use, in-premises application

SME challenges

Top three challenges:
1. Access to financing
2. Targeted SME programs
3. Shared infrastructure (incl. logistics)

Taxation and informality

- Patent regime is exacerbating informality
- Registration for e-commerce firms;
- Licensing requirements for firms operating in more than one sector
- One stop shop not fully active
- Taxation for International Digital firms – implications for investment continuity
- 2 % turnover tax + 0.1 % incentive for 3 years
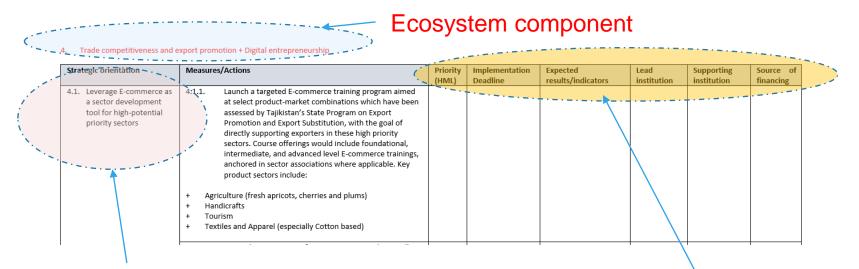
Logistics and postal services

- LLC transport costs can be 25% of total costs, vs 10 % in non-LLCs.
- Lack of Trade Logistic Centers + distribution hubs + fulfillment centers
- Weak traceability of shipments
- Transportation of parcels between the central Asian states can take up-to 7 days primarily due to border clearance processes.
- Only 15% of parcels received on simplified customs clearance in Bishkek are delivered same day.

Customs regime not geared for e-commerce

- Alignment with WCO guidelines – expedited clearance, and simplified processes for B2C air shipments
- De *minimis* Euros 500 → 200
- Paperless trade / single window implementation
- No (simple) procedure to handle return shipments
- Need for standardization of fees

Comprehensive plans of action developed

- ~100 activities across 9 ecosystem areas: Based on needs and priorities identified via the strategy process
- Initial activities for PoA have been identified. Core team will elaborate further details.
- Activities are technical rather than political in nature.

Ecosystem component

4. Trade competitiveness and export promotion + Digital entrepreneurship

Strategic orientation	Measures/Actions		Priority (HML)	Implementation Deadline	Expected results/indicators	Lead institution	Supporting institution	Source of financing
4.1. Leverage E-commerce as a sector development tool for high-potential priority sectors	4.1.1.	Launch a targeted E-commerce training program aimed at select product-market combinations which have been assessed by Tajikistan's State Program on Export Promotion and Export Substitution, with the goal of directly supporting exporters in these high priority sectors. Course offerings would include foundational, intermediate, and advanced level E-commerce trainings, anchored in sector associations where applicable. Key product sectors include: + Agriculture (fresh apricots, cherries and plums) + Handicrafts + Tourism + Textiles and Apparel (especially Cotton based)						

Strategic objective

Supplementary columns - Priority, Implementation deadline, lead/supporting institutions, source of financing
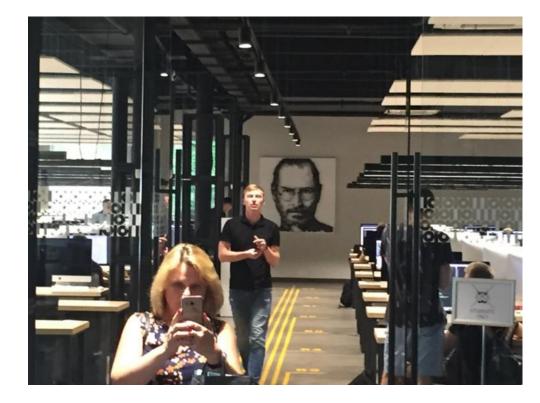
Plans of Action E-commerce strategies in Kyr – Taj – Uzb

№	Activity name	Mechanism and stages of implementation	Implemen-tation period	Responsible ministries and departments
-5: **I.II. Strengthen institutional capacity and coordination for implementation of the law**				
5.	Organization of a specialized online e-commerce course for all e-commerce stakeholders	1. Develop a concept and programme of e-commerce basics course (specifically designed for public sector institutions dealing with e-commerce). Can be organized within the framework of the 'Electronic Academy' project in cooperation with the International Trade Centre (UNCTAD/WTO). 2. Determine dates and approve venue for refresher courses. 3. Deliver the course.	timeline to be confirmed	Centre for Digital Transformation (Sodikov) Chamber of Commerce and Industry (Jasimov) Ministry of Digital Technologies (Pekos) Ministry of Higher Education, Science and Innovation (Karimov)
-5: **II. Digital economy policy framework and institutional coordination**				
-5: **II.I. Strengthen national capacities to collect, process and disseminate statistics related to e-commerce**				
6.	Proposal of incentives for the registration of e-commerce participants in the national register of e-commerce entities – e tijorat.uz platform	1. Conduct a survey among companies not registered on e-tijorat.uz to determine the reasons that prevent their registration. 2. In accordance with approved regulatory documents (clause 1), simplify the conditions for registration and / or develop another reporting mechanism (take into account not only goods but also services sold via the internet). 3. Provide the e-tijorat.uz platform with new functional and information-analytical data. 4. Develop incentives to register on this platform and conduct a public relations campaign on new opportunities.	December 2022	Ministry of Digital Technologies (Pekos) E-Commerce Association (A'zamov) Centre for Digital Transformation (Sodikov)
7.	Study of the size of the e-commerce market in Uzbekistan to assess the share of the informal part	1. Conduct studies to measure e-commerce and improve the availability, quality, comparability, usability and relevance of e-commerce statistics. 2. Identify existing barriers and problems associated with the reluctance of e-commerce subjects to carry out transactions in a formal way. 3. Submit to the Cabinet of Ministers analytical information on the work done.	December 2022	Tax Committee (Mirzaev) Centre for Digital Transformation (Sodikov) Agency for Statistics (Ziyaev) Ministry of Digital Technologies (Pekos) Central Bank (Saidullayev) E-Commerce Association (A'zamov)
-5: **II.II. Strengthen institutional coordination in the public sector and public–private dialogue on e-commerce**				
8.	Improvement of the institutional coordination on e-commerce development	1. Ensure active coordination with key ministries and agencies involved in e-commerce and meet regularly to plan additional measures for the development of e-commerce. 2. Ensure regular participation of private sector representatives in the above-mentioned meetings.	On a regular basis	Ministry of Investments, Industry and Trade
-5: **II.III. Strengthen private sector coordination for e-commerce development**				
9.	Improvement and expansion of the activities of the e-Commerce Association of Uzbekistan	1. Strengthen the institutional capacity of the E-Commerce Association and attract new members. In particular, determine the model for membership fees, what levels of membership are needed, and then what basic services can be provided to Association members. 2. In order to attract a wide range of stakeholders in promoting e-commerce in Uzbekistan, allow individuals and not only legally registered organizations, to join the E-Commerce Association. 3. Develop a set of uniform rules – the 'Code' of the E-Commerce Association. 4. Establish a working group and submit the developed proposals to the Cabinet of Ministers.	March 2023	Ministry of Digital Technologies (Pekos) Chamber of Commerce and Industry (Jasimov) Centre for Digital Transformation (Sodikov) E-Commerce Association (A'zamov)

Plans of Action E-commerce strategies in Kyr – Taj – Uzb

Goals, tasks, actions	Intermediary and final outcomes' indicators	Initial indicator (2023)	Target indicator / Action implementation deadline					Financial needs (mln TJS)	Financial resources			Responsible authority	Development partners
			2024	2025	2026	2027	2028		State budget	Donors	Private sector		
taking into account international experience													
Objective 2. Creation of innovative and competitive opportunities (including access to finance) for the business environment in the field of e-commerce, as well as for the provision of public services													
Actions:													
1. Conducting an inventory of e-government services that can be used through electronic payments	The development of e-government services for consumers has been ensured			X				0,3	0,3			AIDT	
2. Organization and conduct of awareness-raising campaigns to increase the digital literacy of consumers in terms of e-commerce.	The digital literacy of consumers in the use of elements of e-commerce is increased.		X	X	X	X	X	2,0	0,5	1,5		CTVR, MEDT, MC	
3.Organization of training courses on e-commerce for relevant government organizations	The level of professional knowledge of specialists from government organizations in the field of e-commerce is increased		X	X	X	X	X	3,0	1,0	2,0		MEDT	
4. Introducing structural changes to the information websites of relevant ministries and agencies and local executive bodies of government in the direction of e-commerce.	The websites of ministries, departments and local executive bodies of government are adapted			X	X	X	X	2,0	2,0			AIDT and other agencies	

Challenges in the design phase

- Unclear leadership of the strategy implementation (change in the Ministries management, no assigned unit in charge of e-commerce, variable interest among lead ministry staff, etc.).

- Competition among the ministries involved (e.g. Ministries of Investment, Industry and Trade vs. Ministries of Digital Technologies / Transformation).

- Insufficient technical knowledge and understanding of e-commerce concepts among policymakers.

- Lacking management, technical, and E-Commerce-specific knowledge and skills among SMEs.

- Limited resources assigned for strategy development.

Similar issues in different countries…

Starting the implementation...

- In Kyrgyzstan and Uzbekistan, the responsible Ministries started working on tracking the activities, reporting and resource mobilization.

- Training sessions were conducted for policymakers, focusing on e-commerce concepts, policies and key elements necessary for the successful implementation of the strategy.

- E-commerce conference and study tour in Dubai were organised to share experience and build regional collaboration.

- In Uzbekistan, Centre for Digital Transformation, under the Ministry of Investment, Industry, and Trade, has been appointed to lead the coordination efforts for the implementation of the E-commerce strategy.

- In Tajikistan, a Digital Transformation Agency has been created.

Key takeaways

✓ High-level political leadership and alignment with national development objectives allow for institutional buy-in a more efficient strategy design.

✓ Plans of Action need to be adapted to Government requirements and procedures for formal endorsement, programming and monitoring.

✓ Inter-ministerial coordination takes time but is critical for the validation of Action Plans and of implementation responsibilities - and ultimately ownership.

✓ Formal endorsement by Government triggers ownership *in* implementation.

✓ E-commerce training for policy makers and SMEs at early stage (inception) helps create a level-playing field.

✓ Capacity building, knowledge and experience sharing (study tours) are critical for public-private collaboration, priority-setting and resource allocation for implementation…

✓ …and for improved regional cooperation on E-commerce among CA countries (landlocked, connectivity, interoperability of ecosystems, business linkages).

Ready4Trade Central Asia

Thank you for your attention !

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