

Digital platforms and value creation in developing countries



Implications for national and international policies

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Digitalization is transforming economies

- Growing importance of data and digital platforms
 - Transformation brings both opportunities and challenges
 - All SDGs are affected
 - Differences in digital readiness imply risk of widening inequalities
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- How are developing countries affected by these tendencies?
 - How can national and international policies contribute to developing countries' creating and capturing value in the digital economy?



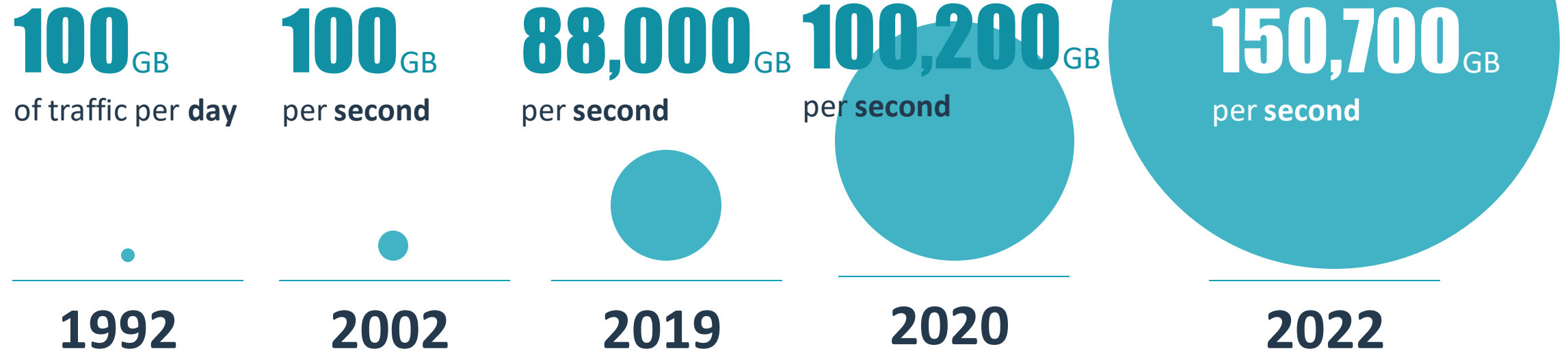


1

VALUE IN THE DIGITAL ECONOMY



Global Internet Protocol (IP) traffic, a proxy for data flows, has grown dramatically...

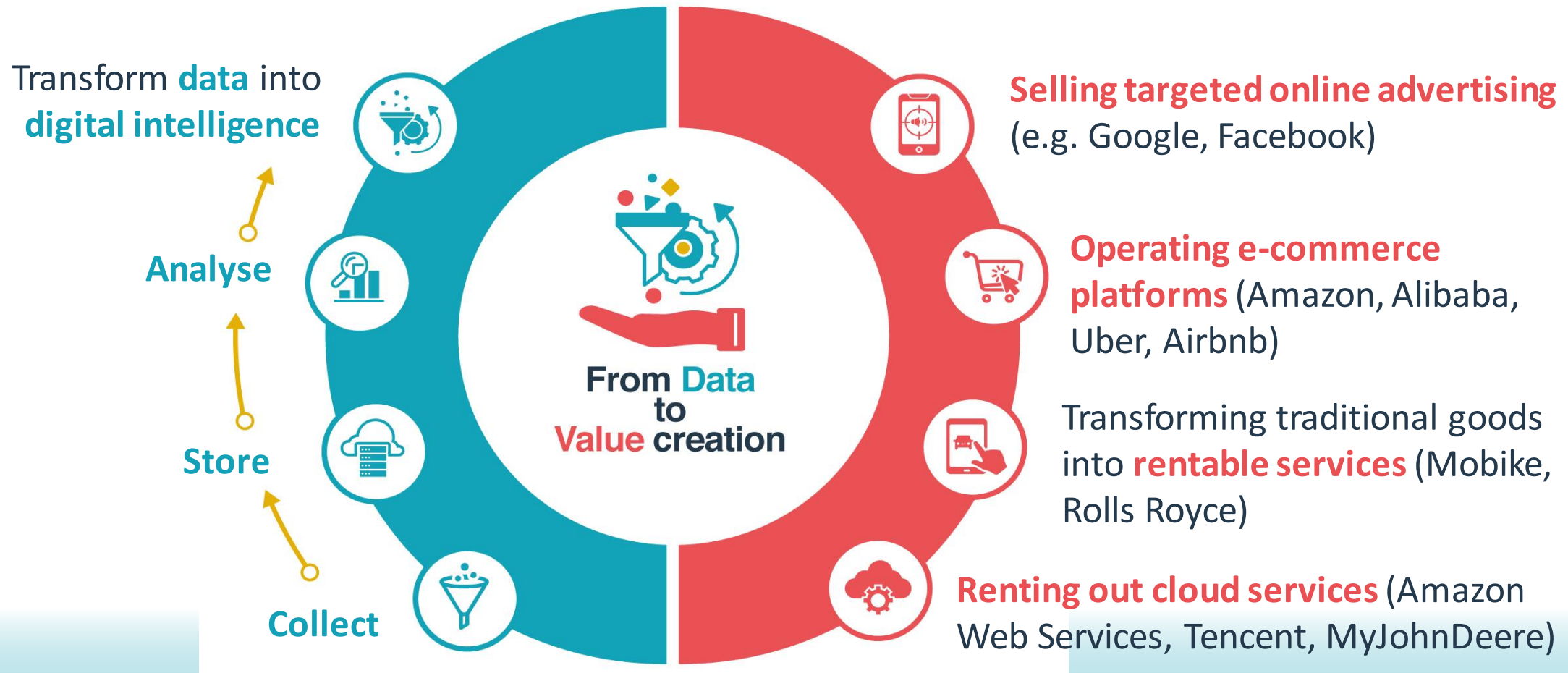


...but the world is only in the early days of the data-driven economy

Source: UNCTAD, based on data from Cisco. Source 2020 data:
<https://www.internetlivestats.com/>

Economic value of data arises once data are refined into **digital intelligence** that can be monetized.

Data value chain  Data monetization





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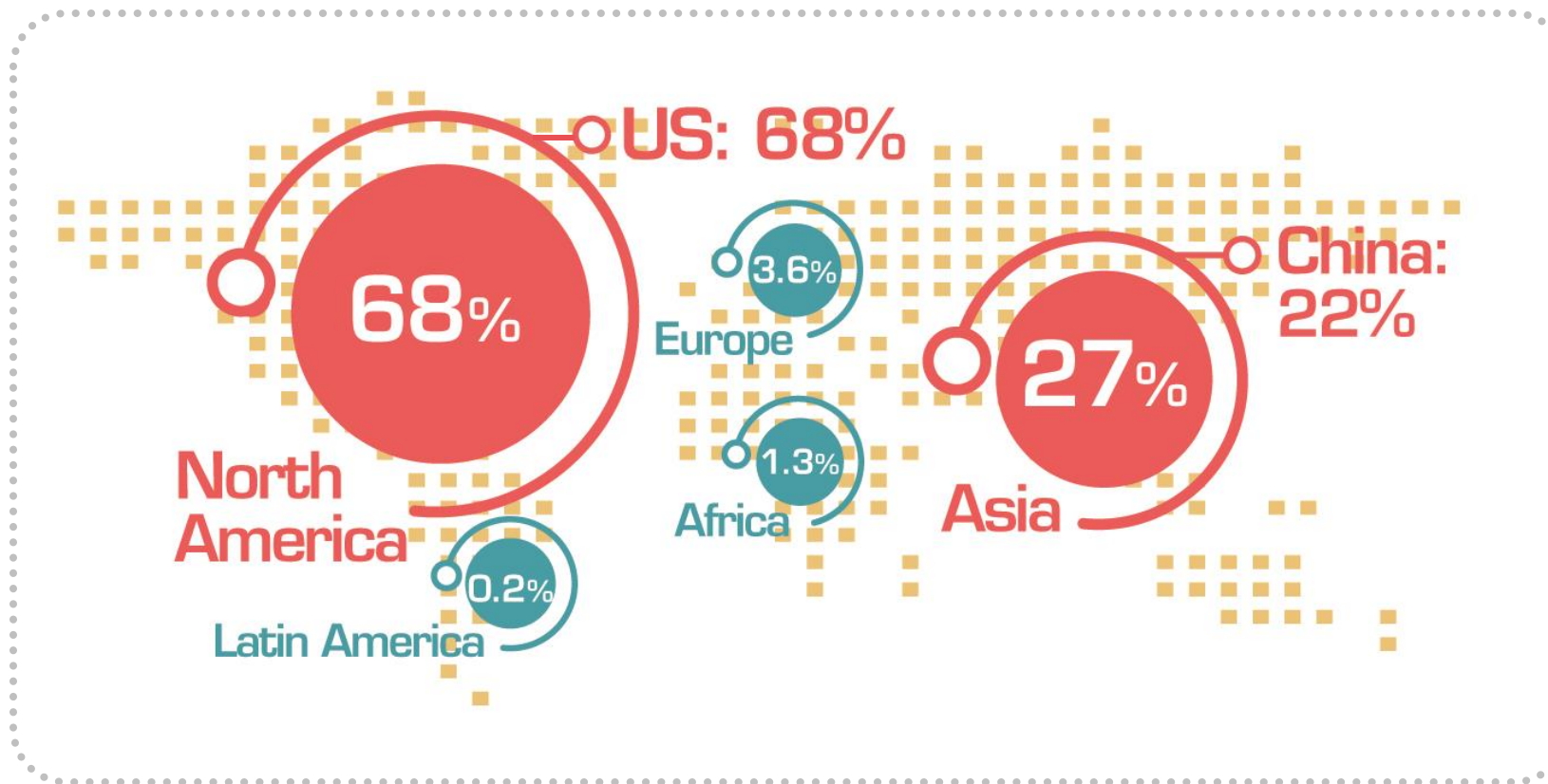
IMPLICATIONS FOR COUNTRIES AT VARYING LEVELS OF DIGITAL READINESS



Developing countries need to improve readiness to deal with digital transformation

- Large remaining divides
 - Connectivity
 - LDCs: only one in five uses the Internet
 - Skills and capabilities
 - Weaknesses in digital entrepreneurial and innovation ecosystems
 - Legal and regulatory frameworks
 - Data infrastructure, e.g. data centres
 - Africa and Latin America share of colocation data centres: <5%

Geography of the digital economy is highly concentrated in **two countries**



US and China:
90% of the market capitalization value of the world's 70 largest digital platforms

Source: Holger Schmidt (<https://www.netzoekonom.de/vortraege/#tab-id-1>).

Bottlenecks for a digital entrepreneurial and innovation ecosystem in developing countries...



Limited demand



Weak entrepreneurial knowledge and skills



Lack of skilled workforce



Shortage of finance



Local knowledge can be an important competitive advantage for tailored solutions



3

VALUE CREATION IN DEVELOPING COUNTRIES



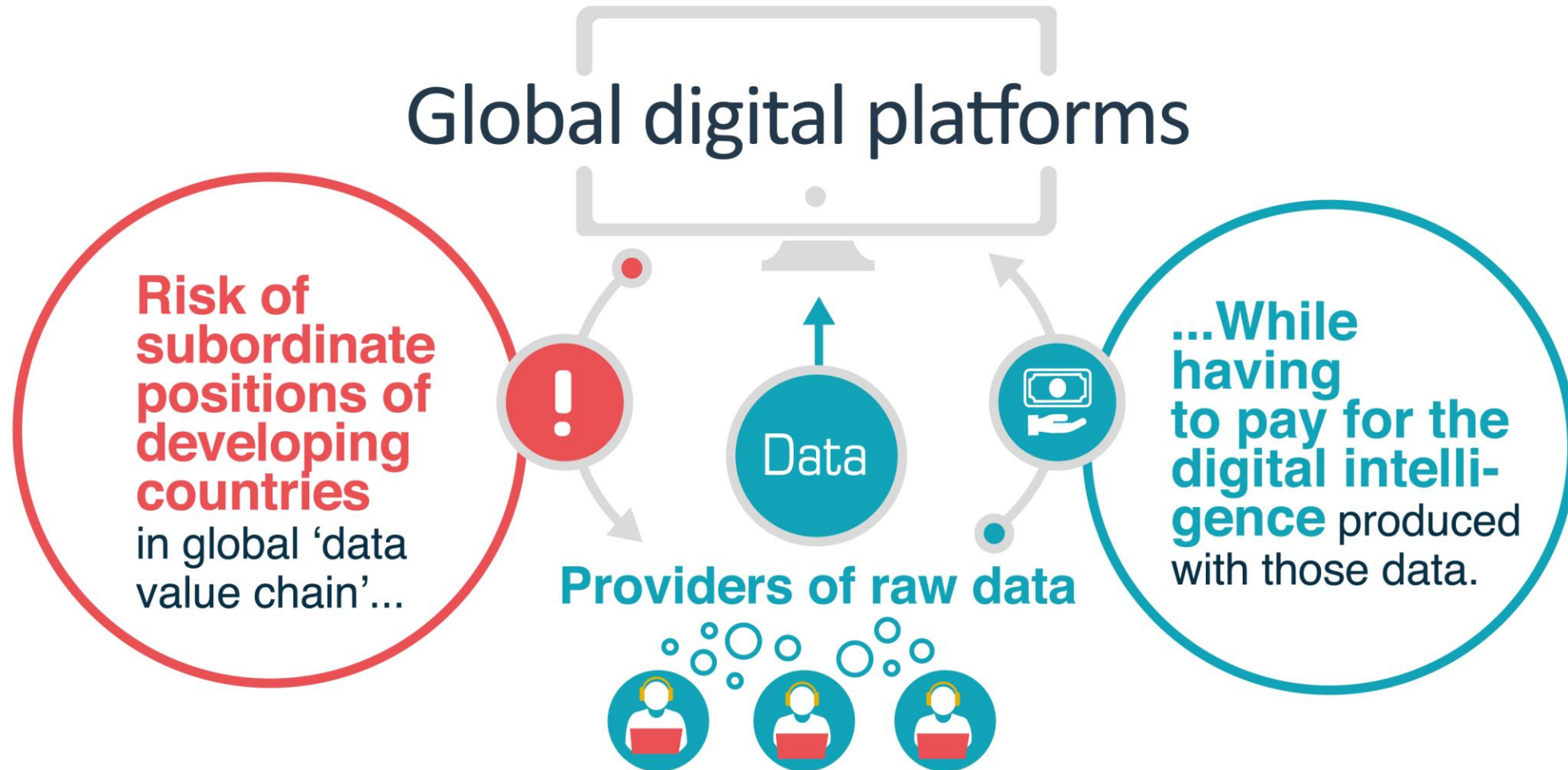
Opportunities from digital data and platforms

- Digital data for development purposes
- Digital platforms reduce transaction costs
- Expand market size and allow for economies of scale
- Digital platforms as employment opportunities
- For individuals, increased choice of goods and services at lower costs
- Digital start-ups' main opportunities in new product categories or niche markets not served by global platforms

Challenges

- Limited data for designing policy solutions
- Growing market dominance of global platforms
- Access to global digital platforms for sellers in developing countries
- Threat to indigenous innovation ecosystems as more development capacity targeted at technological frontiers
- Taxation optimization by global platforms
- Gig work without security net
- Data “sovereignty” and cross-border data flows

The **risk of subordinate** positions of developing countries





4

POLICIES TO FACILITATE VALUE CREATION AND CAPTURE



New policies at national and international levels are needed to build an **inclusive digital economy**

Technology is **not deterministic.**

It creates both:



Opportunities



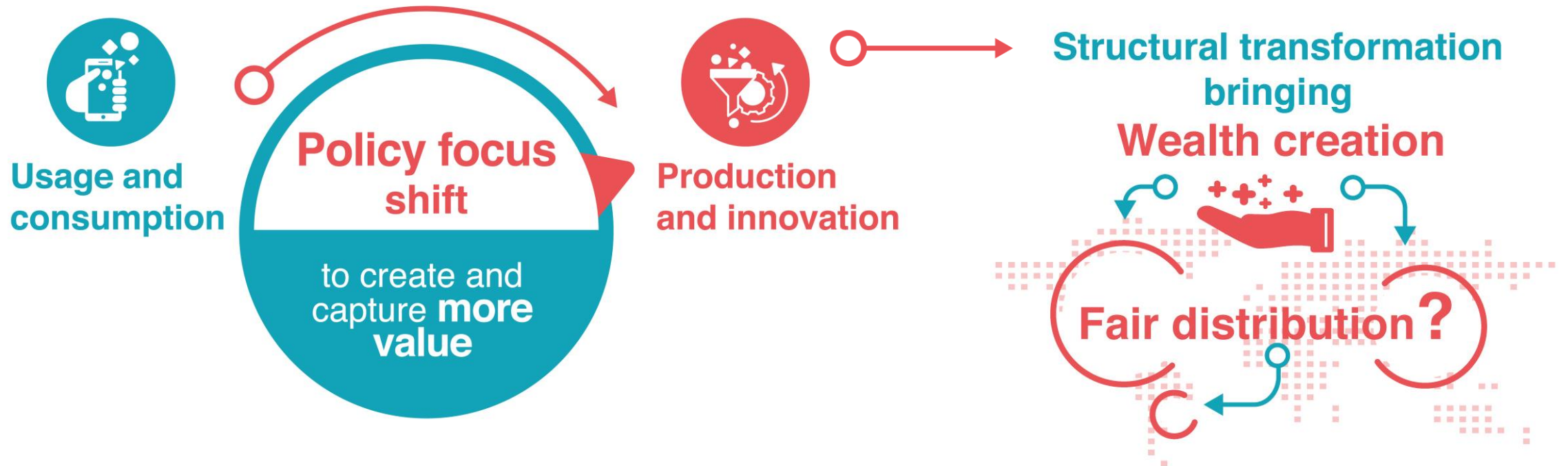
Challenges

Policy makers need to make choices that can help reverse...



...the trend towards widening **inequalities and power imbalances**

Productive and innovative capabilities key for value creation and capture in the digital economy



Policy areas that need particular attention

Strengthening the readiness of developing countries to engage in and benefit from e-commerce and the digital economy

Digital entrepreneurship and innovation policies, leveraging niche areas and domestic opportunities, including for women

Data policies for **capturing value**

Digitalization of **MSMEs**

Competition policies for the digital era

Taxation of digital platforms

Labour market, skills and social protection policies

Development cooperation with more attention to the digital dimension

... new policies that are tailored to **national objectives** backed by **more international support**

Need for policy space for **experimentation** to assess the benefits and disadvantages of **different options**

National efforts in developing countries



More **International support**

GUIDING QUESTIONS

How is **value created** in digital economy activities and what are the **implications for countries at varying levels of digital readiness?**

A decorative network diagram at the bottom of the slide, consisting of light blue dots connected by thin lines, forming a complex web of connections.

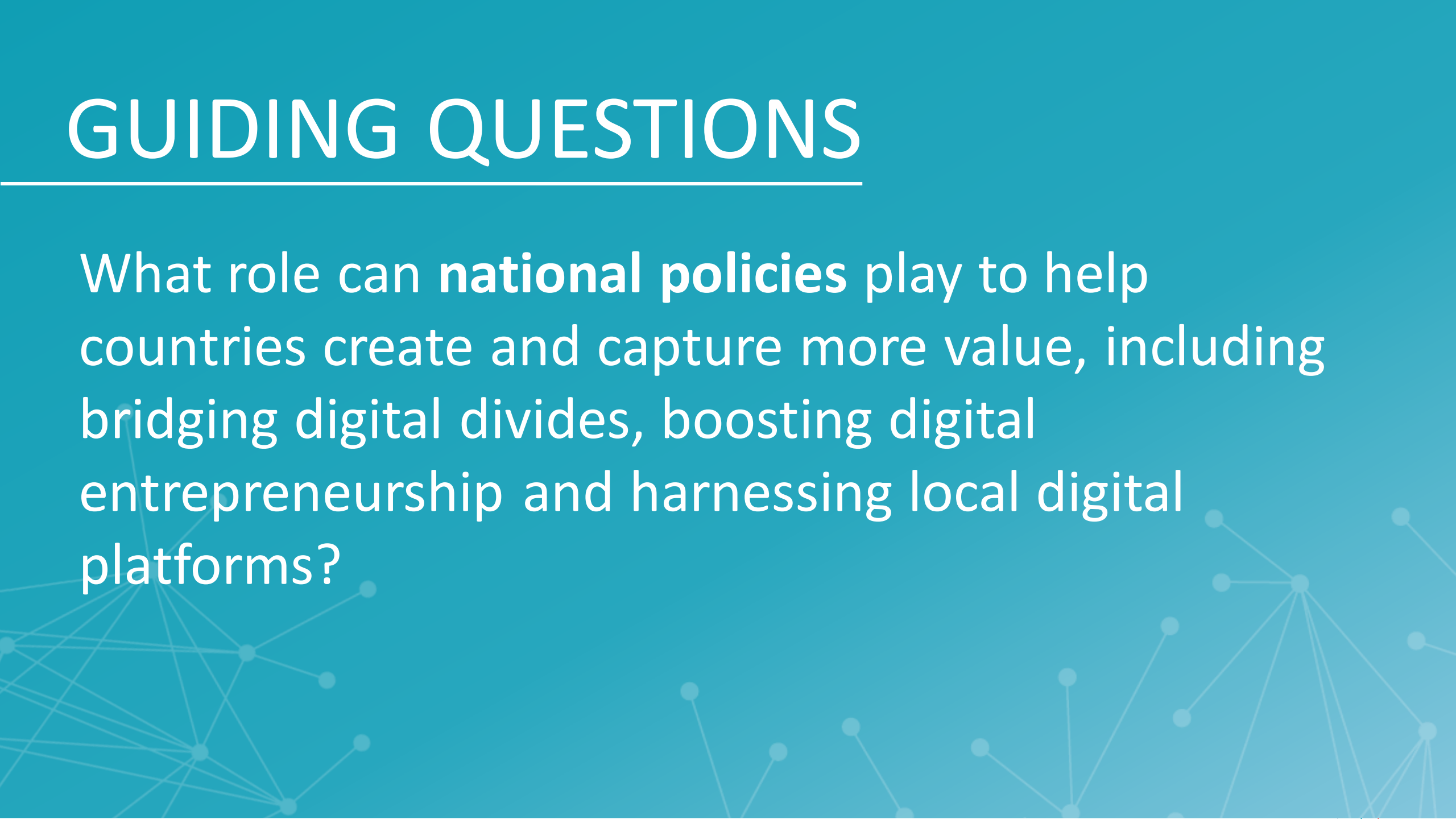
GUIDING QUESTIONS

What are the **opportunities and challenges for value creation** that developing countries face when dealing with global digital platforms?

A decorative background graphic consisting of a network of light blue lines connecting various circular nodes of different sizes, scattered across the bottom half of the slide.

GUIDING QUESTIONS

What role can **national policies** play to help countries create and capture more value, including bridging digital divides, boosting digital entrepreneurship and harnessing local digital platforms?



GUIDING QUESTIONS

What role can **international policymaking and cooperation** play to promote a more inclusive digital economy?



Thank you!



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