MULTI-YEAR EXPERT MEETING ON

Trade, Services and Development

Leveraging services, including infrastructure services, to achieve the Sustainable Development Goals

23–24 September 2020, ONLINE, 2–4 p.m. CET

Segment 2. Services-enabled digitization: potential and challenges for development

*by**

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*The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

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Digitization as tool for economic recovery and sustainable development

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UNCTAD Multi-Year Expert Meeting on Trade, Services and Development, eighth session
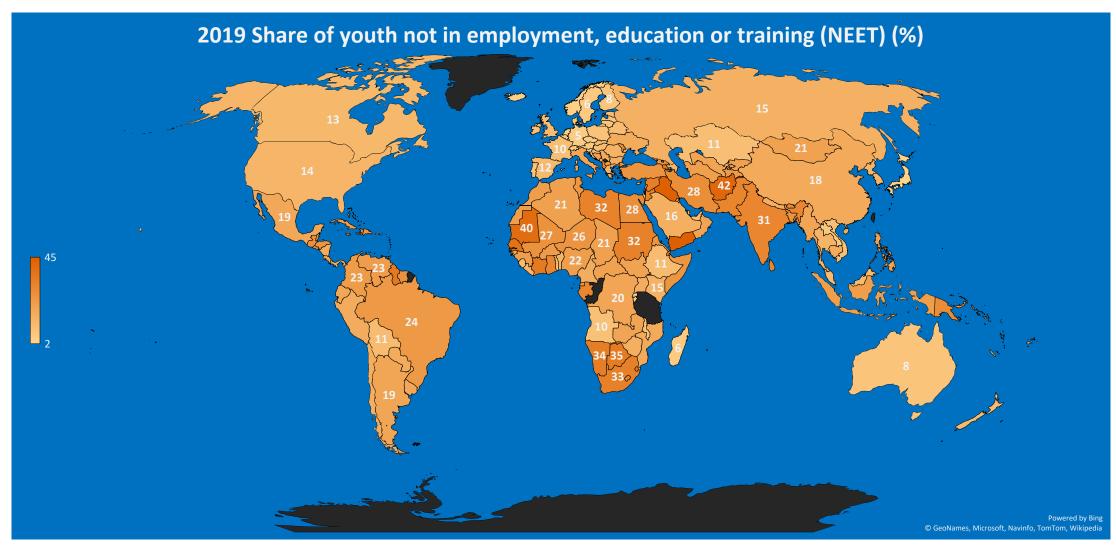23 – 24 September 2020

Content

- High-priority policy areas for inclusive digitization
- Best practices – Examples of government policies and private sector initiatives in digital economy
- Recommendations
  - National Policies to accelerate economic recovery
  - International Cooperation to promote inclusive digitization and services trade

Inclusive digitization can lead to higher contribution of companies and individuals to economic recovery and growth in developing countries

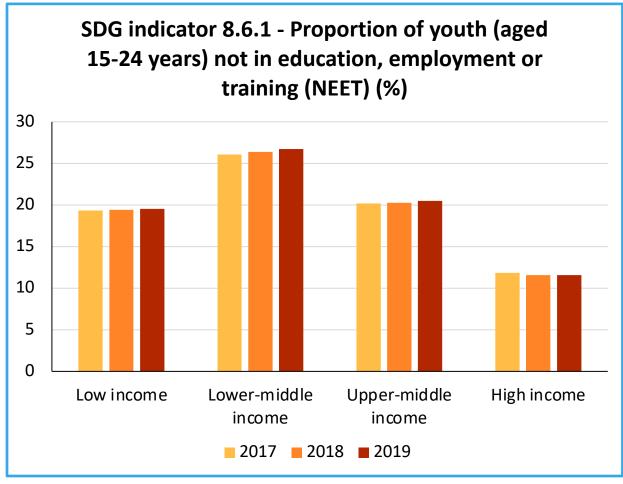**High-priority policy areas to support inclusive digitization:**

1. **Youth** - participation in the labour force, education, and training
2. **SMEs** - digitization and support for administrative and regulatory procedures
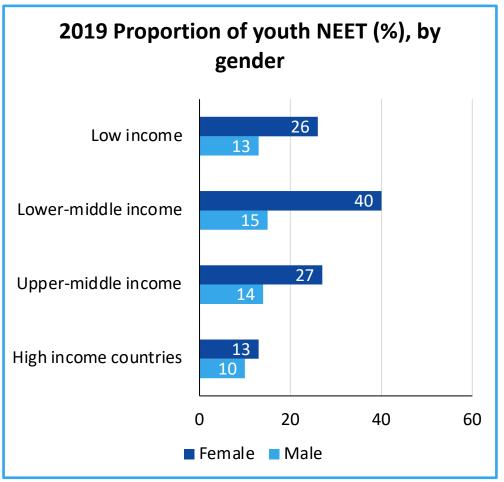3. **Internet access - availability and affordability -** urban/rural

Youth are a resource for ICT-enabled services and economic recovery

2019 Share of youth not in employment, education or training (NEET) (%)

Source: Based on ILO data

Policies can leverage youth potential and reverse the increase in the proportion of youth not in education, employment, or training

SDG indicator 8.6.1 - Proportion of youth (aged 15-24 years) not in education, employment or training (NEET) (%)

Legend: 2017, 2018, 2019

Source: Based on ILO data

2019 Proportion of youth NEET (%), by gender

	Female	Male
Low income	26	13
Lower-middle income	40	15
Upper-middle income	27	14
High income countries	13	10

Source: Based on ILO data

Reforms and policies are required to support SMEs
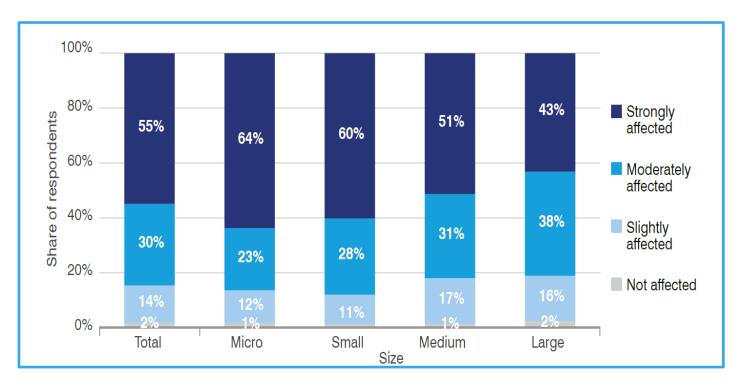## SMEs are critical to the global economy and have been strongly affected by COVID-19

SMEs Worldwide:

- 90% of businesses
- Women-owned and led: one third of formal businesses
- 50% of employment

SMEs in Developing Economies (formal sector):

- Contribute to 40% of GDP
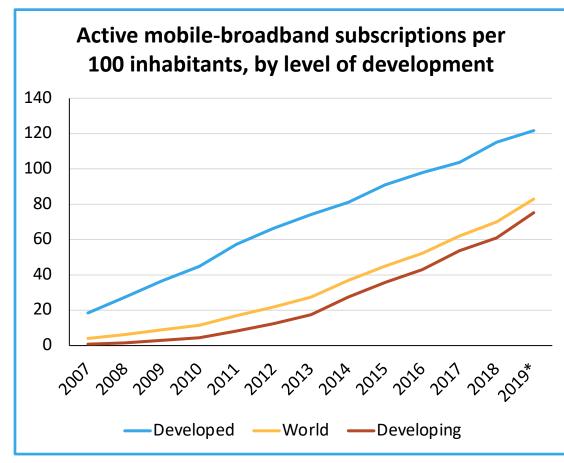- Create 7 out of 10 jobs

Source: WB, ILO

Smaller Companies see larger impact from COVID-19

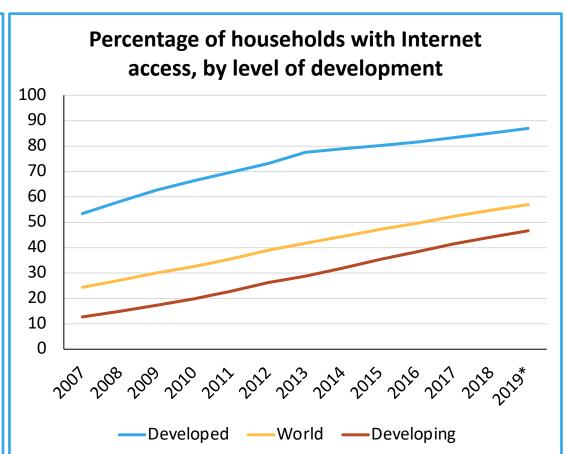| Size	Strongly affected	Moderately affected	Slightly affected	Not affected
Total	55%	30%	14%	2%
Micro	64%	23%	12%	1%
Small	60%	28%	11%	
Medium	51%	31%	17%	1%
Large	43%	38%	16%	2%

Source: ITC SME Competitiveness Outlook 2020; ITC calculations based on ITC COVID-19 Business Impact Survey. Data on 2170 businesses in 121 countries collected 21 April – 2 June 2020

Policies and public – private sector cooperation can increase internet access and affordability for higher participation in the digital economy

Active mobile-broadband subscriptions per 100 inhabitants, by level of development

Legend: Developed — World — Developing

Percentage of households with Internet access, by level of development

Legend: Developed — World — Developing

The developed/developing country classifications are based on the UN M49, see: http://www.itu.int/en/ITU-D/Statistics/Pages/definitions/regions.aspx
Note: * Estimate
Source: ITU World Telecommunication /ICT Indicators database

United Arab Emirates
Future-shaping strategies for digital economy to reduce economic dependence on extractive industries

- **"Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, said [] that the next priority of the UAE is to increase the contribution of digital economy in the national economy, promote smart infrastructure, and enhance the digital readiness of the UAE government to ensure business continuity regardless of the circumstances**." (Gulf Business, August 18, 2020)

- **Strategies that support digital economy** (highlights)

  - UAE Vision 2021

  - UAE Strategy for the Fourth Industrial Revolution

  - UAE Strategy for Artificial Intelligence, Emirates Blockchain Strategy 2021

  - The Science, Technology and Innovation Policy, National Strategy for Advanced Innovation

  - Abu Dhabi Economic Vision 2030, Abu Dhabi Digital Authority strategies, policies and standards for digital transformation and digital excellence

  - Dubai e-commerce Strategy, Dubai Internet of Things Strategy, Dubai Blockchain Strategy

  - Ajman Digital Government Strategic Plan 2022

  - Numerous initiatives on SMEs digitization and women entrepreneurship.

Central Asia – Russian-speaking countries
Initiatives and policies to support private sector digitization and increase affordable access to internet

- **Cooperation**

  Uzbekistan – Korea **e-Government and Digital Economy Cooperation Center** – opened January 2020 in Tashkent. The goal: develop strategic directions for development of e-government system in Uzbekistan, improve the digital economy, conduct marketing and innovative research aimed at improving the quality of public services and create conditions for development of entrepreneurship in e-commerce.

- **Digital Initiatives**

  - Kyrgyz Republic **Project Digital** CASA (Central Asia-South Asia) The goal: citizens will have improved access to more affordable internet, better quality e-government services, and opportunities for digital skills development and new jobs. The project will enable an increase in private investment in the ICT sector and improve government's capacity to deliver digital government services in the Kyrgyz Republic.
  - Kyrgyzstan **High Technology Park** - special tax zone that supports domestic high technology industries.

- **Government Policies**

  Turkmenistan - In January 2020, President Gurbanguly Berdimuhamedov has established an **Interdepartmental Commission for the development of the digital economy**. The Commission performs an important part of the work to promote digitalization and ensure the functioning of smart networks, including the elaboration of legislative support for the regulation and expansion of the national network space, the range of Internet services.
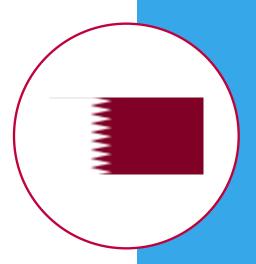
Central Asia – Tajikistan and Mercy Corps
Strategies for leveraging youth potential for ICT-enabled services

- **Identify digital skills in demand** – country, region and level of digital skills – leverage common language, cultural and geographical proximity - Central Asia Russian-speaking countries

- Provide training for sustainable employment and opportunities for high-value jobs with local and global ICT companies: **ICT-sector relevant skills and transferable soft-skills** such as analytic and communication skills; **involve private sector actively** in program design, implementation and evaluation

- **Provide access to internet and new technologies** and build expertise through formal training as well as self-study

- **Engage global companies and build partnerships** that will provide long-term opportunities for training and employment in the digital economy

- **Provide post-training support and job placement** - in partnership with private sector

- **Use labor market policies to improve access to jobs** – provide information on ICT jobs and vacancies

Qatar Government and International Trade Centre
Initiative to support SMEs to expand into new markets through B2B e-commerce

- Enable SMEs in using B2B online marketplaces
    - Identify suitable online marketplaces for Qatar products in selected sectors for the target markets
    - Research the availability of suitable online marketplaces for the sale of the products in the selected sectors for the target countries.
    - Evaluate demand among professional buyers for the goods from Qatar and their use of digital tools and online marketplaces
    - Provide recommendations on how the SMEs can use digital promotion, e-commerce marketplaces or B2B e-commerce websites as a route to building increased international trade toward each of the target countries.
    - Train the SMEs in B2B e-commerce and assist the enterprises to prepare a structured online inventory of products which can be marketed to international buyers.

- Ensure ICT infrastructure availability

- Financial support for SMEs

- Initiatives result in increased participation in domestic economic activity and in the GVCs

Recommendations – National Policies to support development of ICT-enabled services and accelerate economic recovery (1)

- Formulate and implement **national strategies for development with focus on digitization**

- **Equip youth and displaced workers for high-value jobs**

  - Skills development – ICT, STEM education; entrepreneurship, management, analytical and communication skills

  - Link training with job placement in partnership with private sector; engage global companies

  - Low-skilled jobs replaced by technology or COVID-19 lead to reallocation of labour, require social protection policies – training, job-search, financial assistance

  - Government to provide incentives for firms and workers for lifelong learning

- **Support private sector to develop affordable ICT infrastructure** – innovation, competition

Recommendations – National Policies to support development of ICT-enabled services and accelerate economic recovery (2)

- **Increase adoption of ICT** – address data privacy concerns and increase preparedness to respond to cyberattacks

- **Increase the competitiveness of the business environment:**
  - Policies to support innovation and R&D
  - Regulatory environment (products, digital goods)
  - Policies and programmes to support MSMEs digitization
  - Access to information necessary to start an ICT business – best practices in e-commerce, IP regulatory framework
  - Lower trade costs (services embedded in goods) – non-tariff measures, customs processes, Trade Facilitation Agreement.

- **Attract FDI:**
  - FDI regulatory environment, taxes, access to financing
  - Transport and logistics infrastructure, integration in GVCs, Liner shipping connectivity index (LSCI)

Recommendations – The role of international cooperation in promoting inclusive digitization and services trade

- **Create regional initiatives** - leverage common language, geographical proximity, and other common attributes – CAGE Framework analysis (i.e. Central Asia Russian-speaking countries)

- Increase cooperation at regional level – **share best practices** on digital services regulatory frameworks, improve information exchanges

- **Ensure digital technologies are included in regional trade agreements**

- **Harmonize regulations on data privacy** for e-commerce users' data, intellectual property rights, consumer protection

- Implement policies that **allow outsourcing and offshoring of digital services.**

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