

SUMMARIES OF THE WORKSHOP ON E-COMMERCE, DEVELOPMENT AND SMES
8 and 9 April 2013

A) International Organizations Session:

Mr Shanker Das Bairagi, Ambassador of Nepal and LDC Group Coordinator

Madame Chair please allow me to deliver a summary of our discussions in session A with presentations from the international Organizations. The session featured presentations by experts from the ITU, UNCTAD, the ITC and WIPO.

Discussions initially focused on the issue of infrastructure as this was identified a key enabler in assisting SMEs with E-Commerce. E-Commerce requires fast, reliable and affordable telecommunication/ICT infrastructure and services. In this regard, broadband networks are key. In developing countries, fixed broadband infrastructure is often limited mainly because of the expense and the need for more investment. Instead, it is wireless infrastructure, especially in Africa, that is more prevalent and that has made substantial gains in the last decade. Mobile broadband is the fastest growing market segment in developing countries. However, broadband remains unaffordable to many users in developing countries. The problem of Least-Connected Countries or LCCs is a very real one.

In the discussion on Business to Consumer (B2C) E-Commerce, it was emphasized that this usually works only if a critical mass of people is online and purchasing products. Therefore, the number of consumers actually using the internet to make online purchases is important. Household internet uptake is increasing in Asia, Africa and Latin America but millions of households are not yet connected. 90% of them are located in developing countries where there is a growing market potential. It was highlighted that backbone infrastructure is also key as international internet bandwidth is a main requirement to cater to increased data traffic. National ICT/broadband policies at the national and regional levels could also stimulate the market, increase services and lower prices. The laying of broadband cables in Africa over the last five years has resulted in exceptional growth of SMEs hooking up to the internet.

In regard to infrastructure, a key challenge remains broadband services and increasing investment in infrastructure, especially in the telecoms backbone and grid so as to allow greater use of both mobile and fixed lines and data traffic. Governments need to allocate and regulate frequency spectrum to cope with demand and operators need to upgrade networks. It was also deemed as necessary to adopt policies that further stimulate competition and private investment, especially in and for rural and remote areas. The use of private-public partnerships was underlined as well as using creative solutions to achieve the goal of universal access to telecommunication infrastructure.

Another challenge lay in the area of measuring E-Commerce flows and its contribution to GDP. Governments should do more to collect accurate data.

It was highlighted that few micro and small enterprises in low income countries used e-commerce. This was mostly due to the fact that few micro-enterprises use computers or the Internet. This is due to the limited trust in on-line transactions which consumers have and the lack of awareness of the possibilities of E-Commerce. Much of this, however, could be corrected through skills building and ensuring greater digital literacy.

E-Commerce presents great opportunities for SMEs in developing countries. As producers they could access new markets both domestic and foreign, overcome distance, interact with governments and ensure a greater participation in Business to Business value chains (B2B). As users, consumers could have access to goods and services at lower prices, and gain more access to knowledge and technology.

A key hurdle remains the establishment of electronic payment systems and distribution networks to actually monitor and track and finally deliver the products purchased on line. The mobile payment system M-Pesa in Kenya was highlighted as a prime example of how even the poorest segments of the population without any bank accounts could receive and spend mobile money.

Other legal issues which governments should address include electronic signatures and authentication, electronic contracting, consumer protection, privacy and data protection, computer crime, taxation and custom duties and intellectual property rights, especially in the area of trade in digital content.

It was emphasized several times that the bulk of E-Commerce is through business to business transactions, amounting to some 90% of ecommerce volume in total. The rise of social media and group buying as a new channel for business was also highlighted. SMEs could piggyback on these networks for their business and could easily make use of them through new smart phones and tablets. New platforms were discussed as was using new tools to create websites to engage in E-Commerce. Many tools are free, or cost competitive.

The role of governments was underscored several times, especially in assisting SMEs to get on line and then helping them through the first hurdles. It was emphasized that international organizations especially UNCTAD and the ITC are there to assist.

B) Academic, Civil Society Session:

Mr Detlev Brauns, Deputy Permanent Representative, European Union

As was the case in the first session, the growing significance of the internet economy was highlighted, as was the critical importance of the internet for SMEs in developing countries. The growth in internet penetration in specific regions of the world, particularly in Africa and Latin America, was outlined.

A number of opportunities were identified as to how SMEs in developing countries can benefit more from E-Commerce. It was shown how sites such as OpenEntry make it quick and easy for SMEs to establish an online presence. Mobile phone technology was also highlighted as a great source of benefit for SMEs in developing countries, with continued potential for the future.

There are many examples of SMEs in developing countries using E-Commerce and mobile phone technology to their benefit. Many developing country governments are increasingly recognizing the importance of E-Commerce for development, and are taking concrete steps to improve the environment for E-Commerce to take place. There remain, however, a number of challenges.

One point that was made was that the establishment of a website alone, as comprehensive as it may be, will not be enough for an SME to be successful in E-Commerce. SMEs have to generate awareness for their products and services with potential clients, and to generate and target supply to meet demand. A user-friendly environment needs to be created online. Trust needs to be built. Furthermore, the operations and logistics side of the selling and delivery process are complex.

The discussion also highlighted that many developing countries continue to suffer from inadequate policy and legal frameworks, excessive bureaucracy and insufficient government support for SMEs. Furthermore, electronic payment systems are not developed everywhere. In addition, the necessary supportive industries – for example the logistics and transportation industries – as well as the physical infrastructure is often lacking. The threat of cyber criminality is also an issue, as is copyright and trademark management. Furthermore, cross-border E-Commerce continues to pose challenges that don't exist at the domestic level.

The role that trade promotion organizations can play was pointed to. For example, trade promotion organizations can guide their member exporters to build individual B2B stores, and help them promote their exports. Challenges remain for governments on how to encourage innovation and the successful diffusion of technologies, in E-Commerce and in the use of mobile technology. In some cases, tax and customs regimes need to be simplified. Governments need to also put emphasis on promoting new business models and innovative business strategies. Awareness-raising exercises are needed to help SMEs use E-Commerce. The appropriate policy mix and strategy needs to be found in order to develop the necessary supportive industries and infrastructure.

Finally, the discussion touched on the role of international organizations. It was highlighted that IGOs can promote and address some E-Commerce issues, for example issues relating to technical assistance and capacity building, taking into account country-specific needs. It was also suggested that IGOs, including the WTO, can help understand what are the issues and challenges, and which models and approaches have worked best. This concludes my summary.

C) Private Sector Session: Chaired by Mr. David Shark, Deputy Chief of Mission, Deputy Permanent Representative to the WTO, United States

Dear Madame Chair, Session C had different presentations from the private sector on successful ecommerce ventures in developing countries.

One of the projects presented was my country my village from Bangladesh. This project tried to bring ecommerce to the rural sector. This was done by creating e-centres in villages; these e-centres were managed by local youth, addressing the issue of rural youth unemployment. Producers could come to the centres and the managers would catalogue their products and put them up for sale on the internet. This platform covered mostly the sale fresh products from the villages to the cities and promoting Bangladesh brand abroad in areas like textiles. This model also helped to reduce rural to urban migration. It was noted that E-Commerce could also help LDCs achieve the MDGs.

The model presented was based on the Bangladeshi market situation. The project was sustainable and required no outside funding. This could make it easy to replicate all over the world. The demand that was being covered was urban consumers who can buy their products directly from the farmers. Export demand could also be covered, but this was more easily done for non-perishable products such as textiles.

It was noted that this platform was more advantageous to farmers than just pricing information as it allowed them connect directly with the consumers and covered some of the logistic problems such as delivery.

Another project that was presented was M-kazi which provided a mobile recruiting platform for blue-collar workers in Kenya. Projects like M-kazi were possible in Kenya with the arrival of M-pesa which had really changed the landscape of commerce in Kenya. Many goods and services can now be ordered online and paid with mobile money. Kenya was thus a perfect breeding ground for this type of mobile ecommerce solutions.

M-kazi allowed jobseekers to register their qualifications, put online a mini-CV, receive SMS job alerts for jobs he/she qualifies for, and even apply for jobs directly on basic mobile phones without the need for internet. A big part of M-pesa's success is attributed to the 25.000 agents across Kenya that dispersed cash and took in deposits. This human factor of the service was extremely powerful and critical in the mass market reception of a new technology. M-kazi also started to plant agents across the country, often the same agents that provided M-pesa services that served as collectors of the CVs for jobseekers using the service.

M-Kazi provided employers' access to a robust data base of thousands of qualified job seekers, ready to work, facilitated the management of job vacancies, and shortened the hiring process from days to hours.

Some challenges that were encountered in offering this service were:

- Preserving data integrity and avoiding fraud;
- Limited competition among mobile operators which meant that M-kazi had no alternative but to work with Safaricom which charged high rates;
- Deficient infrastructure, particularly electricity failures and lack of street addresses in Kenya;
- Access to funding which was still is extremely limited for SMEs in Kenya.

M-kazi business model provided information to the job seekers as this is where information is most valuable.

We also heard about the situation of E-Commerce in West-Africa. It was noted that there are many gaps for E-Commerce and SME development in Africa which particularly affected SMEs. These gaps were being covered with the development of mobile solutions for the agriculture,

fisheries, water sanitation and food distribution sectors. The goal of these solutions was to provide E-Business services to reduce market frictions.

In the agriculture and fisheries sector mAGRI services could increase revenues for farmers. But they were not limited to providing information they tried to intervene in the whole value chain, to provide a holistic solution that would improve business relations between the farmers and the buyers.

In the area water sanitation mobile solutions mWatSan allowed providers to manage their water sanitation systems from their mobile phones, including payments. This facilitated the development of water sanitation systems and helped increase access to financing as banks could see that the water distribution system was well managed and economically sustainable.

In the food distribution sector a service called mShop was launched to address the problem price-increases of basic foodstuffs. By connecting local shops directly with producers, this service allowed low income urban families to get the lowest prices for basic foodstuffs but also increase the revenue to shop owners.

These platforms were convergent and worked on the mobile and internet channels, while also creating an integrative business to social model.

The presenters from the private sector were also asked what governments could do to help in the development of E-Commerce. One of the answers given was that governments needed to promote and create awareness about the digital society. The problem of non-tariff barriers in the agriculture sector was highlighted and it was suggested that governments and International Organizations could help in creating capacity to comply with SPS and TBT requirements.

Improving infrastructure was another area where governments could help the private sector. This included improving electricity generation and distribution, solving the problem of addresses which would greatly help the delivery of goods and services, improving internet and access by liberalizing the telecoms markets, providing effective IP protection, assisting with access to financing, and providing incentives to invest in innovation. The presenters noted that the main government problem with the government was lack of information on the working of ecommerce. This led to policies being defined without the use of actual data. Some of the ecommerce solutions that had been put in place could also help governments have access to better data to implement better policies. This could make trade more balanced between developed and developing countries and narrow the technology gap. Business could help improve the ecommerce environment by communicating to governments what their needs are which should be included in national development plans.

It was also commented that middlemen were part of the solution and not a problem for ecommerce as they can be involved by sourcing their products from the system. The introduction knowledge tools to the markets also increased business opportunities and efficiencies to traders.

Regarding the international organizations it was noted that WTO and ITC could play an important role in spreading knowledge about the different platforms that are available in different countries.

In conclusion the session provided a very interesting overview of how the private sector was using ecommerce to help foster development in low income economies and what was needed from the public sector to provide a good business environment for SMEs and entrepreneurs in the ecommerce sector.

D) Public Sector Session: Chaired by Mr Francisco Rivadeneira, Vice-Minister of Foreign Trade of Ecuador

Session D was the public sector session.

Reference was made to the opportunities that E-Commerce provides to SMEs in developing countries, as well as the contribution that E-Commerce can make to enhance development and alleviate poverty. The critical contribution of SMEs to the economies of

developing countries was pointed to. However, it was also pointed out that there is a long way to go before the potential of E-Commerce in developing countries will be reached.

Some of the challenges facing developing country SMEs in using E-Commerce that were identified included the following:

- Lack of awareness and understanding of the value of E-Commerce.
- Lack of ICT knowledge and skills.
- The initial investment for the adoption of a new technology is proportionately heavier for SMEs than for large firms.
- Security issues, including ensuring the security of payments and the privacy of online transactions.

It was also pointed out that network infrastructure is poorly developed in some countries and regions, which poses barriers to entry into E-Commerce for SMEs. Moreover, SMEs in Cuba also face discriminatory and unilateral measures of an extra-territorial nature. Meanwhile, the importance of government intervention in creating economic growth and in fostering the diffusion of technological innovations – especially across SMEs in developing and least-developed countries – was highlighted.

On the issue of regulation, it was suggested that one of the ways to support SMEs in developing countries is to encourage transparent regulation. This will, *inter alia*, attract investment and increase market confidence, and also enhance government credibility. The various roles of the ICT regulator were discussed, as were the objectives of regulation, including ensuring a universal access to basic services, the creation of an open, competitive market, developing a transparent regulatory and licensing process, and the protection of consumer rights.

On the role of government more generally, several ideas and initiatives were discussed, with the broad objective of achieving robust E-Commerce. I would mention generally in this respect the importance of the creation of an enabling environment for SMEs' use of E-Commerce.

Some perspectives on the postal network were shared. The sheer size of the postal network was highlighted, and in this regard the potential of the network in supporting the inclusion of SMEs in E-Commerce was discussed.

As a final point in this summary, let me say that it was indicated in the course of the session that it is necessary to recognize and take into account the particular characteristics of each country when taking initiatives to improve the access to, and the benefits of, E-Commerce. At the same time, the need for countries to exchange ideas, and generally to cooperate on various ICT-related issues, was highlighted. The need for collaboration between relevant international organizations was additionally emphasized. This concludes my summary.