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USAID Regional Webinar: “Toward a Central Asian E- Commerce Market”

National E-commerce Strategies/Programmes
Ready 4 Trade Project

Darius Kurek, Senior Officer, Export Strategy, ITC
05/12/2022

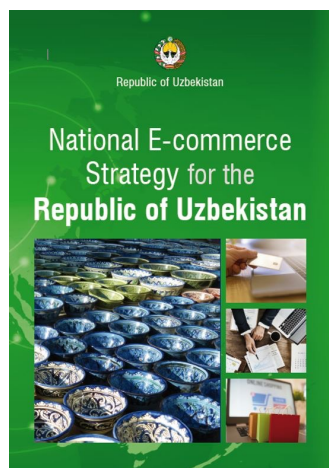
Contents

1. ITC Work in digital strategies
2. Methodology used for e-commerce strategy
3. Business case for e-commerce strategy in Central Asia
4. Policy areas and strategy responses
5. Planned in-country and regional activities



ITC's E-Strategies Ready4Trade Central Asia

- Experience in about 15 countries, ranging from:
 - LDCs to transitioning economies (Rwanda, Sri Lanka, Mauritius, Ukraine ...)
 - Basic internet connectivity services to soft development and cloud business
- Tested/Evolving/Modular methodology
- Growing pool of industry experts and partners (Amazon, Alibaba, eBay, DHL)
- Monitoring policy changes, emerging trends and technologies, and analyzing their development implications, (SMECS, SMECO, SME Trade Academy)



NEW PATHWAYS TO E-COMMERCE
A GLOBAL MSME COMPETITIVENESS SURVEY



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TRADE IMPACT
FOR GOOD



ITC's Approach to Strategy Design

Ready4 Trade Central Asia



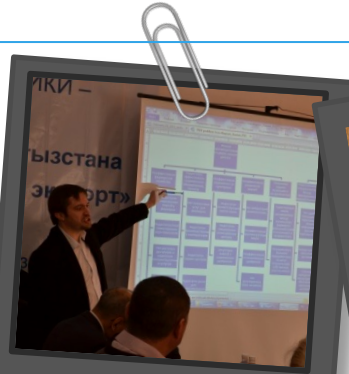
Consultation with key stakeholders

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



National Consultation #1

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



National Workshops

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



National Consultation #2

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

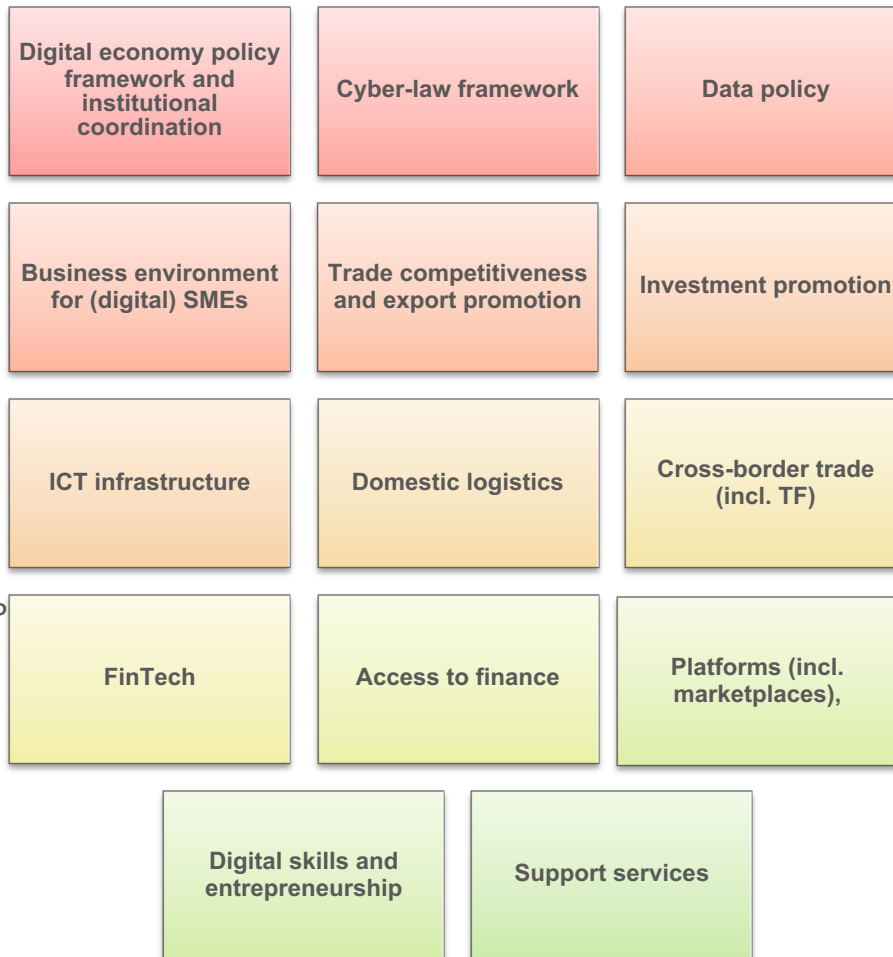


Endorsement/ launch

Formal endorsement and launch of the Strategy.

The E-commerce ecosystem is complex (9 policy areas)

Ready4Trade Central Asia



- 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 (TP)
- Investment promotion agency
- Customs authority
- Taxation authority
- National postal service

- 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/
validation phase

We are here

A total of:

- 90 public sector institutions
- 100 non-public institutions
- 220 expert participants provided inputs
- 25% women experts

An overlapping maturity 'staircase' exists

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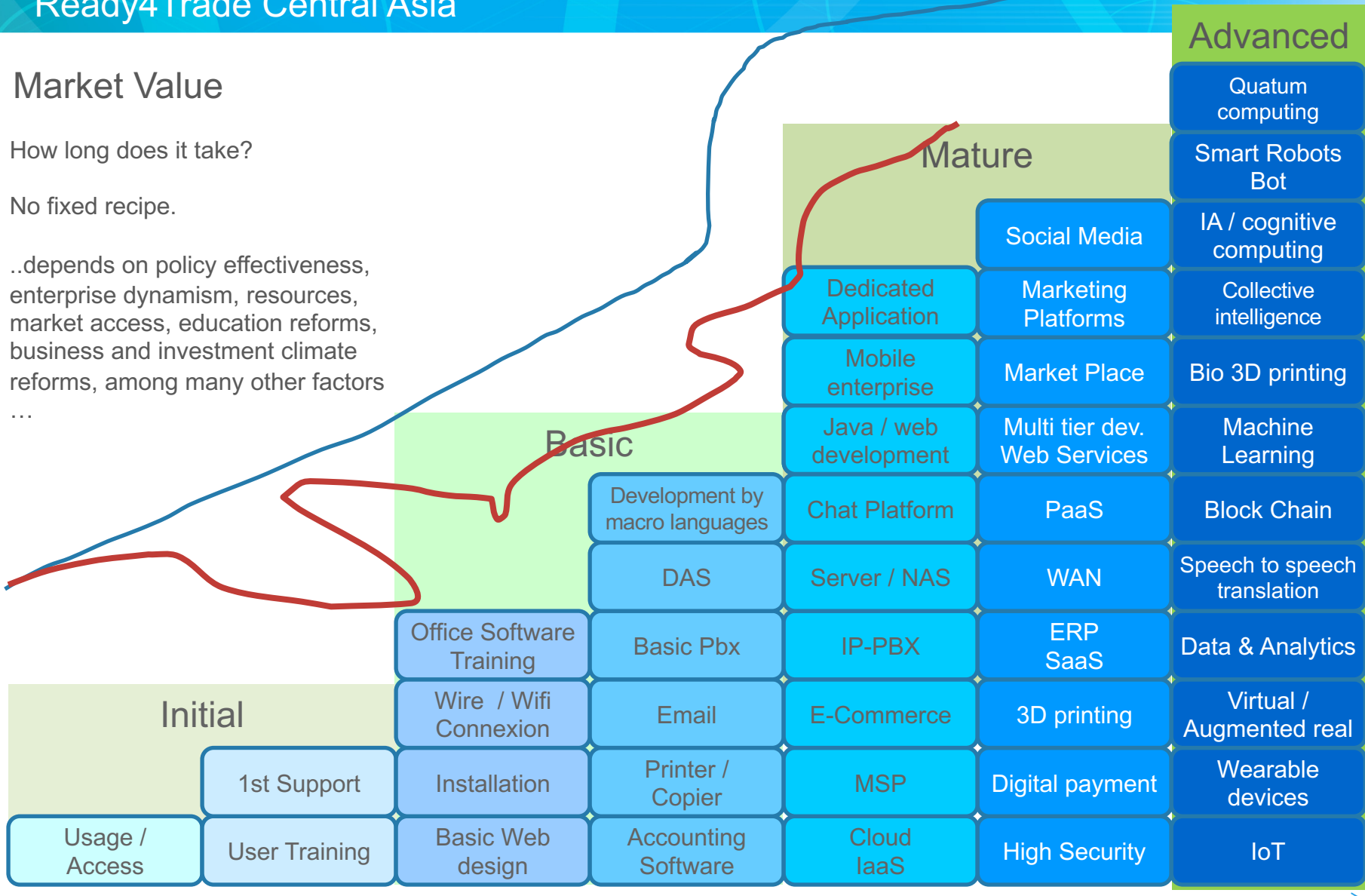
Market Value

How long does it take?

No fixed recipe.

..depends on policy effectiveness, enterprise dynamism, resources, market access, education reforms, business and investment climate reforms, among many other factors

...



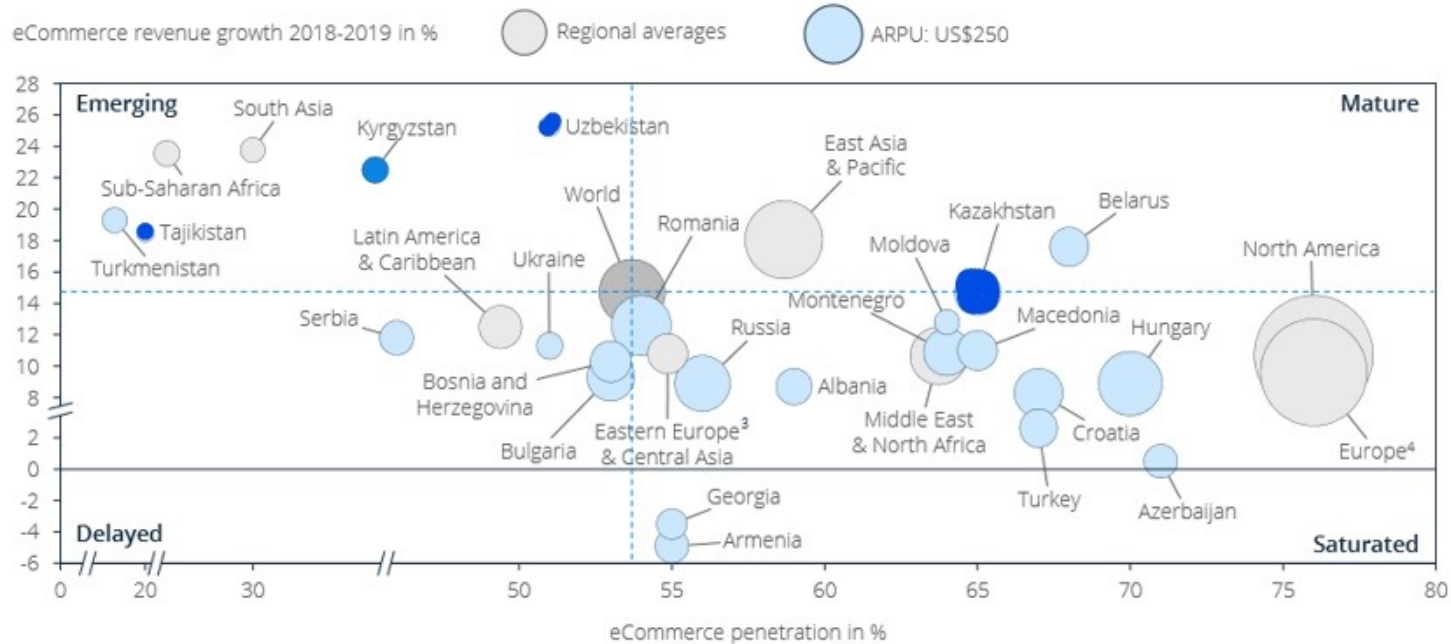
Digital rankings and statistics: Ready4Trade Central Asia

Index	Taj	Kyr	Kaz	Uzb
B2C e-commerce index (UNCTAD) – rank/152	129	111	57	93
ICT Development Index (ITU),	NA	4.37	6.79	4.9
Integrated Index for Postal Development (UPU) – rank /172	159	106	49	93
Networked Readiness Index (WEF) - rank /139	114	95	39	NA
GSMA Global Connectivity Index	41.9	47.5	66.2	44.6
UN E-Government Development Index	131	91	39	81

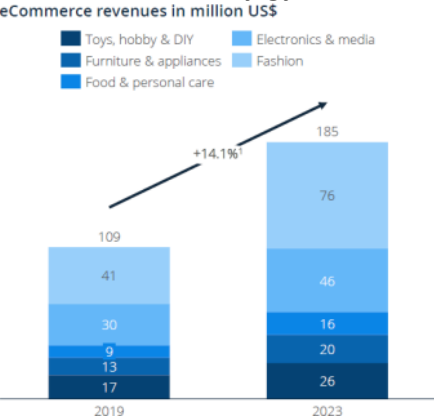
Indicator	Source	Year	Unit	Taj	Kyr	Kaz	Uzb
Mobile broadband 2G/3G/4G	Mobile connectivity index breakdown (GSMA)	2019	Network coverage by population	90/90/80	99/75/50	96/93/75	98/75/43
Mobile subscriber penetration	GSMA	2019	Percentage	62%	65%	70%	61%
Fixed-telephone subscriptions	ITU	2019	Per 100 inhabitants	5.39	4.66	17.31	10.77
Mobile-cellular subscriptions	ITU	2019	Per 100 inhabitants	111.53	134.40	138.58	101.21
Active mobile-broadband (3G+) subscriptions	ITU	2019	Per 100 inhabitants	22.83	122.93	79.65	66.49
Fixed Broadband subscriptions	ITU	2019	Per 100 inhabitants	0.07	4.19	13.21	13.94
Households with a computer	ITU	2019	Percentage	14.83	23.29	80.53	41.18
Households with internet	ITU	2019	Percentage	11.85	21.11	90.34	79.90
Individuals using the Internet	ITU	2019	Percentage of the population	21.96	38	81.88	52.31

Indicators point to an upwards growth trajectory

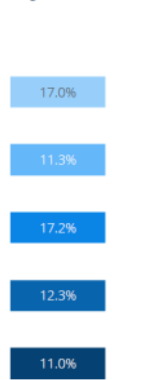
Ready4Trade Central Asia



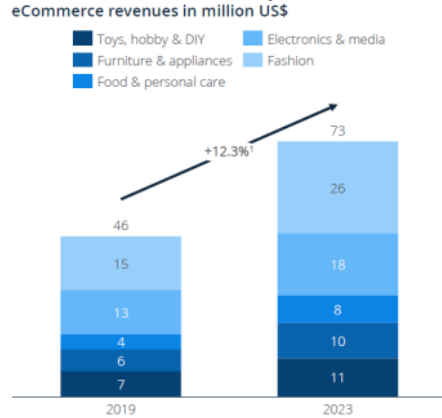
Kyrgyzstan



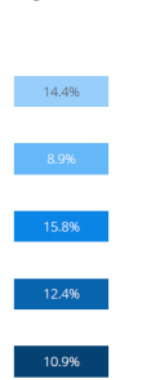
Segment CAGR¹:



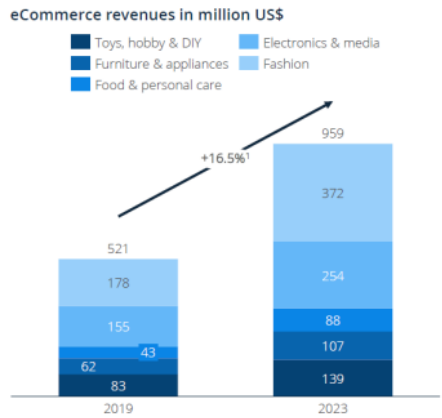
Tajikistan



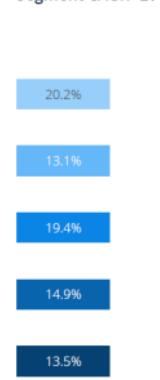
Segment CAGR¹:



Uzbekistan



Segment CAGR¹ 2C



Digital rankings and statistics

Ready4Trade Central Asia

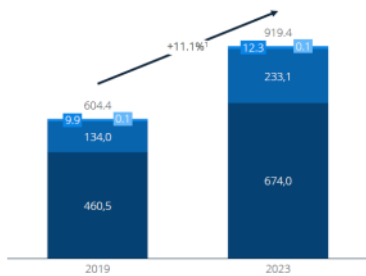
Kyrgyzstan

Payment methods

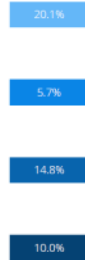
E-wallet	credit cards	direct debits	bank transfer	invoice	cash	other
✓	✓	✓	✓	✗	✗	✗

FinTech transaction value in million US\$

■ Digital payments
 ■ Alternative lending
 ■ Personal finance
 ■ Alternative financing



Segment CAGR¹ 2019-2023



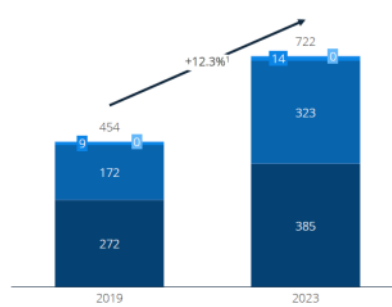
Tajikistan

Payment methods

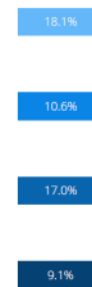
E-wallet	credit cards	direct debits	bank transfer	invoice	cash	other
✗	✓	✓	✓	✗	✓	✗

FinTech transaction value in million US\$

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Segment CAGR¹ 2019-2023



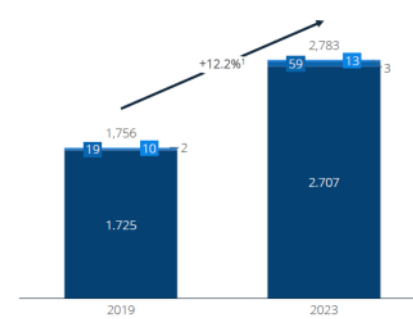
Uzbekistan

Payment methods

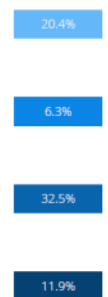
E-wallet	credit cards	direct debits	bank transfer	invoice	cash	other
✗	✗	✓	✗	✗	✓	✗

FinTech transaction value in million US\$

■ Digital payments
 ■ Alternative lending
 ■ Personal finance
 ■ Alternative financing



Segment CAGR¹ 2019-2023



Rationale for Strategies in Kyr – Taj – Uzb

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

Fast-growing E-commerce capabilities among Central Asian countries

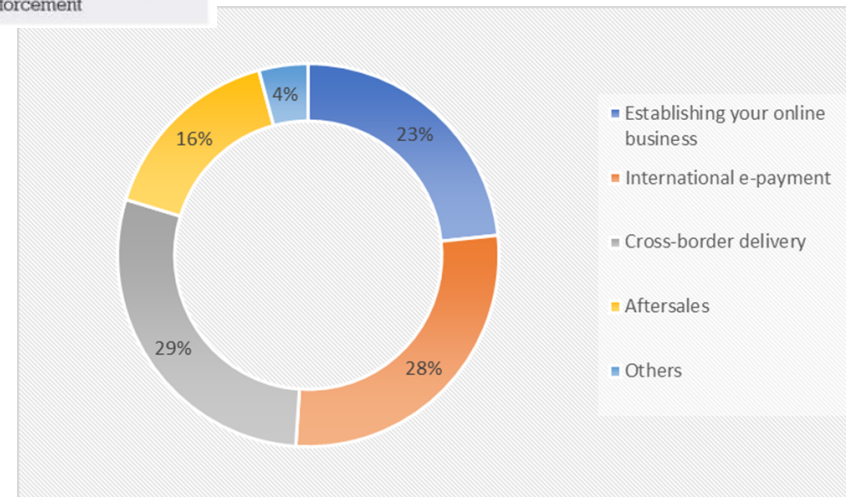
Enable growth in productive sectors and SME growth

Accelerate SME exports promotion in target markets – cross-border and international ...

ITC systematic approach

Figure 5 Bottlenecks along the e-commerce process chain

PHASE LAYER	ESTABLISHING ONLINE BUSINESS	INTERNATIONAL E-PAYMENT	CROSS-BORDER DELIVERY	AFTERSALES
Firm-level capabilities	<ul style="list-style-type: none"> - Knowledge - Skills - Online visibility 			
Immediate business ecosystem		<ul style="list-style-type: none"> - Linking e-payment providers and banks - Availability of e-payment providers 	<ul style="list-style-type: none"> - Costly postal and courier delivery - Warehouses and delivery at destination 	
National environment				<ul style="list-style-type: none"> - Application of duties on returned products - Consumer rights and enforcement



Policy areas affecting e-commerce

SME

Support for SMEs

- Dominant SOE vs. SMEs
- Registration for e-commerce firms
- Lack of platforms (such as marketplaces) to offset capacity challenges
- Licensing requirements for firms operating in more than one sector
- One-stop-shop not fully active
- Top-3 Challenges:
 1. Access to financing
 2. Targeted SME programs
 3. Shared Infrastructure (incl. Logistics)



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
- Work remains on adhering to AML/CFT guidelines. Further risk of losing correspondent banking relationships

Policy areas affecting e-commerce



Customs regime for e-commerce

- Alignment with WCO guidelines needed – expedited clearance, and simplified processes for B2C air shipments.
- De minimis Euros 500 → 200.
- Paperless trade /single window implementation.
- Complex procedures to handle return shipments, incl. duty/tax refund and duty/taxfree re-importation in the same state.
- Need for standardization of fees.



Logistics and postal services

- High transport costs for LLCs, 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.
- Significant rural urban divide in terms of financial inclusion, digital literacy, last mile delivery and connectivity.

Priority focus and strategy/policy responses

There is a need for a integrated response i.e. an overarching national strategy that brings about:

Policy convergence and institutional alignment

Robust technical solutions addressing root-causes

Synergies between various ecosystem components

Strategic private sector support (including investors)

Common vision and culture

Kyrgyzstan

Review and adapt the national legislation on the area of personal data storage.

Update the legislation on the protection of consumer rights, which stipulates provisions related to E-commerce.

Review the national legislation on fiscal policy vis-à-vis the integration of E-commerce principles.

Regulatory framework for E-Commerce (incl. cyberlaw, data)

Uzbekistan

Adopt the e-commerce law on and implementing regulations and amend related legal provisions.

Strengthen institutional capacities and coordination for law implementation and enforcement

Tajikistan

Promulgate E-commerce law for guiding regulatory framework for the country.

Develop clear regulations in areas such as digital-taxation and data-protection (including cross-border data transfers).

Sensitize consumer- and enterprise-side awareness of cyber-laws.

Adapt existing regulations including consumer protection, IP, competition laws to reflect tenets of E-commerce and digital transactions.

Kyrgyzstan

Bringing customs procedure into compliance with the best practice of customs procedures implementation as defined by the World Customs Organization (WCO).

Establishing of a national logistics operator at Kyrgyz Post Office State Enterprise.

Develop the fulfillment infrastructure (services for processing orders) for companies engaged on E-commerce.

Domestic and cross-border logistics

Uzbekistan

Develop storage infrastructure (logistics and distribution centers, warehouses) for e-commerce goods

Use rail and air networks and infrastructure to facilitate e-commerce transactions

Tajikistan

Enhance operational and digital readiness of Pochtai Tojik to improve its positioning as an active player within the E-commerce sector.

Build network of accessible, affordable shared-service facilities (in areas such as warehousing, packaging) which can benefit SMEs seeking to scale up E-commerce operations.

Enhance logistical competencies of E-commerce enterprises.

Conduct regulatory and institutional enhancements related to cross-border trade, linked with E-commerce.

Kyrgyzstan

Enhancement of accessibility of cashless payments.

Assist traders in connecting to various payment services and improve access to international payment solutions.

Promote digital financial inclusion.

Creation of conditions for purchase, sale of tokens as well as conditions for cryptocurrency platform operators activities and cryptocurrency exchange.

Increase access to finance (preferential lending) for Kyrgyz MSME entities operating in the digital economy sector.

Access to
finance/Fintech

Uzbekistan

Encourage innovation in the fintech sector, incl. regulatory sandbox for the fintech sector.

Increase the level of digital financial literacy nationwide.

Tajikistan

Improve capacities of digital SMEs to demonstrate creditworthiness. 1818

Increase and incentivize consumer and merchant-side adoption of digital payment solutions.

Continue developing the digital payments ecosystem and spur innovation within the fintech sector.

Enhance access to financing for digital SMEs.

Scope of E-commerce strategies in Kyr – Taj – Uzb

- Improving cross-border E-commerce by increasing market linkages **domestically, intra-regionally** and **internationally**.
- Opportunity to make a difference on E-commerce :
 - ✓ Levering e-government services for e-commerce and trade
 - ✓ Expand electronic payments, delivery services
 - ✓ 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.

Planned in-country and regional activities

- **Technical and advisory support for strategy implementation** management, incl. tracking mechanisms, resource mobilisation, outreach.
- **Support in the development of implementation projects** to achieve desired policy reforms and goals set out in E-Commerce strategies/programmes.
- **Training, knowledge, experience sharing sessions** for key stakeholders of e-commerce ecosystems to improve institutional capacities for e-commerce regulation, support and promotion.
- **Regional-level event for policymakers and private sector stakeholders on e-commerce and digital trade regulation** to share experience, improve policy coordination and promote intra-regional and international trade.

Thank you for your attention !

Darius Kurek, Senior Officer, Trade Strategy and Competitiveness, ITC
kurek@intracen.org

Olga Khomula, Associate Adviser, Trade Strategy and Competitiveness, ITC
khomula@intracen.org

Alberto Amurgo Pacheco, Economic Adviser, Export Strategy, ITC
amurgo@intracen.org

Rahul Bhatnagar, International E-Commerce Expert, ITC
rbhatnagar@intracen.org