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E-COMMERCE AND BEYOND *opportunities for developing country SMEs*

Electronic commerce, far from being solely the domain of Amazon, has become a significant tool in unlocking job creation and innovation for small and medium-sized enterprises (SMEs) in developing countries.

Online trade in China alone has grown by 120% a year over the last ten years. In Latin America, e-commerce has grown from US$ 1.6 billion to US$ 43 billion in the past decade, with Brazil accounting for 59% of the Latin American market.

The importance of the digital economy in global trade was made apparent at the Public Forum, the annual outreach event of World Trade Organization (WTO). The focus of the 2013 forum was on expanding trade through innovation and the digital economy, with the aim of identifying best practices and encouraging countries to adopt business-friendly legislation

to help drive innovation and the growth of the digital economy.

'E-commerce is a huge tool for SMEs to leapfrog development. Beyond local markets, beyond national markets, beyond even regional markets, it puts an SME into the global marketplace,' said International Trade Centre (ITC) Executive Director Arancha González, addressing a session focused on leveraging e-commerce for trade development in the African, Caribbean and Pacific Group of States.

New technologies offer opportunities that can be used to diversify national economies. Services, in particular those supported by new technologies, can be tapped to reduce dependence on commodities. Half of the countries in Africa derive more than 80% of their merchandise export income from commodities, and the need for new development paths to counter this dependence on commodities is especially important for least developed countries (LDCs), according to UNCTAD's 2012 *Commodities and Development Report*.

'By 2020, our vision of Rwanda is as a regional trade and communications hub,' François Kanimba, Rwanda's Minister for Trade and Industry, told delegates at the Fourth Global Review of Aid for Trade in July 2013. A small, landlocked country such as his could not expect agricultural production to provide long-term growth, he explained, adding that the investments Rwanda has made in broadband infrastructure and country-wide fibre optic linkages were paying off in terms of an increase in call centres and business processing outsourcing companies (BPOs).

Connectivity, which is particularly relevant in rural areas, transparency, e-government and e-education are all aspects of the ways in which new technologies have transformed the business environment.

'Bureaucracy contributes to higher costs of doing business,' said Sandra Ribeiro, who, as Project Manager of Cape Verde's e-Gov Upgrade Project, has witnessed an e-services transformation in her own country. 'E-commerce in Africa will also push governments to adopt more transparent ways of governance,' she said, adding that the local company that developed the service has become an exporter and was developing e-government solutions for Mozambique and Burkina Faso.

At least 48 countries, including LDCs such as Rwanda and Senegal, have put in place national policies for information and communications technology (ICT), but conditions for e-commerce are not ideal everywhere. For instance, while more than half of all enterprises in Brazil placed orders online, less than 5% of companies in Egypt did so, according to estimates from the United Nations Conference on Trade and Development. Significant bottlenecks and challenges remain in developing countries, and particularly in Africa, where costs associated with ICT remain extremely high. As a result, the Middle East and Africa are estimated to handle a mere 1.6% of global e-commerce, although that is expected to grow to 3.5% by 2016.

A lack of sufficient Internet infrastructure and inadequate online payment systems remain the major hurdles to e-commerce, especially in countries where the formal banking sector has not reached much of the population. Some 89% of people in developed economies have formal bank accounts, compared with 41% of people in developing economies, according to a paper by Asli Demirguc-Kunt and Leora Klapper. A gender gap is also in evidence, with 47% of women owning a bank account worldwide compared to 55% of men, a gap that is wider still in developing countries.

For many SMEs in developing countries, support can be crucial to taking advantage of the opportunities afforded by e-commerce, whether it be in tapping a bigger clientele, new and often distant markets or global value-chains.

'We are hearing of a lot of cases whereby successful e-commerce businesses attract the audience but they do not have the capacity to deliver, either because they do not have the facilities, don't have the storage space, or because their goods cannot enter into the country,' Konstantinos Komaitis, Policy Adviser at the Internet Society, told the WTO's Public Forum.

Technical assistance, such as that provided by ITC, can play an important facilitating role. 'ITC can do three things for SMEs,' González said. 'We can help SMEs spot opportunities, we can provide SMEs with market intelligence; we can build capacity in that SME to effectively work in the e-marketplace; and we can work with SMEs to develop specific solutions, whether these solutions are in the form of mobile phone solutions, e-platforms or others.'

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An African e-innovation, affordable mobile money has played a major role in getting banking services to a wide segment of the population in East Africa. M-PESA, launched by Kenya's Safaricom in March 2007, has been crucial in opening the door to formal financial services for Kenya's poor and has had a significant effect on the Kenyan economy. It is estimated that Kenya, Madagascar, the United Republic of Tanzania and Uganda have more mobile money accounts than bank accounts, clearly demonstrating the greater levels of accessibility that new technologies offer compared with traditional banking.

The incomes of rural households in Kenya have increased between 5% to 30% since they began using mobile banking, according to a study cited in Standard Bank's September 2011 *Africa Macro Insight and Strategy* report.

The 2012 Global Mobile Money Adoption Survey estimated that more than 60% of Kenya's gross domestic product (GDP) and over 30% of the United Republic of Tanzania's GDP moves through mobile money platforms. But mobile money is gaining currency elsewhere, too. Mobile money deployments in Côte d'Ivoire, Madagascar, Paraguay, Rwanda, Tonga and Zimbabwe range between 2% to 5% of GDP.

The slew of development services that the growth in mobile money has enabled, from healthcare services to tips for animal husbandry, are just as important. The most sophisticated of ITC's Trade at Hand services is in Kenya and uses a range of technologies – including M-PESA, interactive voice response, radio outreach, cloud hosting, and even the blackboards on which farmers' offers are displayed – to link smallholder farmers to food traders and export-driven supply chains.

For example, the Soko Hewani platform, which was upgraded in early 2013 with support from ITC, aids the Kenya Agricultural Commodity Exchange (KACE) in the daily collection and dissemination of commodity price information in regional markets. The technology provides farmers with up-to-date market information, enabling them to make more informed sales decisions. The project is initially expected to impact about 500 rural farmers each month – the buyers and sellers who physically visit KACE's Market Resource Centres. Gradually, however, the project's use of radio is expected to extend connectivity to regional markets, reaching a wider group of rural farmers who previously had little option but to take the prices they were offered by buyers and middlemen.

For more information, please visit:
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