Aid for Trade Review – Private Sector Views and PPP Opportunities

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WTO
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Problem

• Policymakers and aid agencies increasingly attuned to the power of ecommerce to spur SME trade, job creation and inclusive growth

  • But they lack data and information to prioritize policies and investments for ecommerce development

  • Existing interventions risk being too scattered and piecemeal to be transformative

  • Old legacy institutions in export promotion, business credit, customs procedures, etc. fail to support today’s trade

  • Private sector has the best knowledge of the opportunities, challenges and solutions to ecommerce development

    • But private sector’s knowledge, resources, and capabilities not systematically channeled into policymaking or PPPs
This chapter starts mending these gaps

1. Highlight 2 new business surveys on enabling environment for ecommerce by Nextrade Group

2. Provide highlights of the various ecommerce development projects championed by the private sector to cultivate ecommerce worldwide

3. Map out policy pathways and public-private partnerships to scale and accelerate ecommerce development
Survey results
Types of Companies

Merchants

- Buy online, 14%
- Sell online, 26%
- Sell and buy online, 33%
- Neither sell nor buy online, 27%

Ecosystem

- IT or commerce support, 35%
- Shipping and logistics, 10%
- Financial services, 12%
- Consulting, 1%
- Business services, 2%
- Payments, 4%
- Other, 27%
- Ecommerce platform, 9%
Size of Staff

Merchants

- None, 4%
- >5000, 8%
- 1001-5000, 10%
- 501-1000, 14%
- 251-500, 9%
- 11-50, 15%
- 51-250, 14%

Ecosystem

- None, 2%
- >5000, 8%
- 1001-5000, 13%
- 501-1000, 14%
- 251-500, 12%
- 1-10, 24%
- 10-50, 11%
- 51-250, 17%
# Ecommerce-Specific Survey and Index, with Data that Offers **Actionable** Policy Insight

<table>
<thead>
<tr>
<th>Survey and Index</th>
<th>Ecommerce-specific questions</th>
<th>Firm-level data</th>
<th>Updated annually</th>
<th>New data (not recycled from other sources)</th>
<th>Is actionable in that prioritizes policy areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing Business Survey (World Bank)</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Enterprise Surveys (World Bank)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Partly</td>
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<tr>
<td>Networked Readiness Index (WEF)</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes (in part)</td>
<td>Yes</td>
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<tr>
<td>UNCTAD Ecommerce Index</td>
<td>No (only 4 variables)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Ecommerce Development Index</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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</tbody>
</table>
Online sellers are indeed likelier to export

% of companies that export, by online sales

While offline sellers are undiversified exporters...

*Number of markets companies sell into, by company’s online activity*

... >50% of online sellers that export, export to 2 or more foreign markets

*Number of markets companies sell into, by company’s online activity*

Online sellers likelier to be fast-growth companies

% of Fast-Growth Companies (Annual Revenue Growth of >10% or More) in a Category, by Online Activity

Digital trade needs many elements to work together:

- Legal and regulatory frameworks
- Logistics and trade facilitation
- Payment solutions
- ICT infrastructure and services
- E-skills
- Access to finance
- Business environment
Challenges to ecommerce


1= very poor  10= excellent

My team's capacity for ecommerce
Online payments
Connectivity and IT infrastructure
Ecommerce and digital regulations
Overall regulatory environment for doing business
Ecommerce-related logistics
Access to finance for ecommerce platforms and merchants

Challenges to cross-border ecommerce

Same in a survey of all of Latin America

Challenges Experienced as “Very Significant” by LAC Companies to Cross-Border Online Sales, by Type (cross-border sellers)

Source: Suominen (2016), Accelerating Digital Trade in Latin America and the Caribbean (for IADB, forthcoming).
Brazil, India outperform peer economies; surveyed LDCs underperform

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<td>Logistics - Customs procedures for ecommerce imports</td>
</tr>
<tr>
<td>3</td>
<td>Logistics - Cost of logistics for cross-border transactions</td>
</tr>
<tr>
<td>4</td>
<td>Logistics - Total cost of delivery from my country to foreign buyers (exports)</td>
</tr>
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<td>5</td>
<td>Payments - Cost of cross-border online payments</td>
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<td>6</td>
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<td>7</td>
<td>Logistics - Infrastructure for cross-border ecommerce</td>
</tr>
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<td>Digital reg. - Interoperability of digital and ecommerce regulations with trading partner markets</td>
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<td>12</td>
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<td>Digital reg. - Copyright laws in other markets</td>
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<td>14</td>
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<td>Overall regulatory env. - Tax rules in other markets</td>
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# Main challenges to cross-border ecommerce – small merchants

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Companies’ Revenue Gains If Their Top-3 barriers to Ecommerce Were Removed

Small businesses would experience particularly large gains
Gains Significant Globally

Removal of Barriers Would Likely Also Help Diversify Export Markets – e.g. Mexico

% of surveyed Mexican companies export to:

- USA, 57%
- Europe, 18%
- Central and South America, 17%
- Asia, 7%

Removal of Barriers Would Likely Also Help Diversify Export Markets – e.g. Mexico

If barriers were removed, % of surveyed Mexican companies would export more to:

- USA, 32%
- Central and South America, 20%
- Europe, 20%
- Asia, 28%

Challenges to start selling online

Policy & PPP solutions
To spur ecommerce, we need to refashion the trade policy / trade capacity building toolkit

• Yes, old issues of trade facilitation, market access, and access to finance persist, but they are also different in ecommerce (e.g., cost of rural last-mile delivery, cost of low-value item imports, access to digital finance, foreign IP and copyright rules, etc.)

• New solutions are needed

  ✓ Regulations for digital economy and ecommerce

  ✓ Trade facilitation measures to facilitate low-value shipments and SMEs’ trade compliance

  ✓ Export promotion for digital era: training SMEs to use ecommerce to export

  ✓ Export credit instruments and digital finance for small businesses and transactions

  ✓ Data on digital trade, and on barriers to digital trade – census bureaus and statistical agencies

  ✓ Regional digital integration
Public-private collaboration in A4T, eTrade for All

- Further public-private policy dialogue on ecommerce policies and regulations – examples: Bangladesh, Turkey, Chile – and help private sector make proposals

- Pursue public-private funding partnership to unlock problems, scale solutions
  - **Private sector seeds, public sector scales** – e.g. many ongoing private sector-led projects that have financial, economic, and social returns
  - **Private sector risks and develops, public sector gives a return and owns** - e.g. Social Impact Bonds
  - **Private sector lends, public sector guarantees** – e.g. microcredit to microbusinesses
  - **Private sector provides data, public sector reforms** – e.g. customs to understand new patterns of trade