Electronic commerce is one of the main drivers of growth and innovation in the world today. It has significant potential for developing countries and for micro, small and medium-sized enterprises (MSMEs). If applied properly, e-commerce can make them more competitive and allow them to grow and thrive in the global market. Indeed, the digitalization of economic activities could facilitate LLDC participation in international trade, especially by helping to overcome traditional trade barriers and to move more commerce online.

Ensuring that the potential benefits of e-commerce reach MSMEs in LLDCs requires a strong prioritization from Governments and a greater commitment from development partners to enhance the digital readiness and to avoid the widening of inequalities.

UNCTAD has been analysing the impact of e-commerce and the digital economy since 2000. In 2016, UNCTAD launched the eTrade for all initiative to build on current expertise from development partners in this area, foster synergies and transparency to maximize the development of the digital economy in developing countries. Since 2017, the Programme on Rapid eTrade Readiness Assessments has been designed to contribute to the evidence-to-policy approach. The eTrade Readiness Assessments provide an assessment of critical readiness gaps in seven policy areas (e-commerce strategies, ICT infrastructure, payment solutions, legal framework, trade facilitation/logistics, skills and financing SMEs) and address those through collaborative public and private partnerships.

Out of the 22 least developed countries (LDCs) that have been assessed in the past two years, ten (10) are also LLDCs: Afghanistan, Bhutan, Burkina Faso, Lao PDR, Lesotho, Malawi, Mali, Nepal, Uganda and Zambia. The eT Ready of Niger is underway. Additional requests from LLDCs were received from Burundi, Mongolia and Zimbabwe.

While the eTrade Readiness Assessments are country-specific, taking into account each country’s development path, several common key policy areas deserve special consideration:

- Limited awareness of e-commerce relevance among policymakers and lawmakers, consumers and businesses.
- Limited Internet access in rural/remote areas and costly access to fixed and mobile-broadband Internet.
- Inadequate facilities for physical delivery of online purchases.
- Weak legal and regulatory frameworks, including protection of consumers online.
- Inappropriate education for the digital economy.
- Overreliance on cash-based transactions, plus low access to and limited experience with online payments and the use of credit cards.
• Unsuitable financial mechanisms for start-up enterprises to engage in e-commerce.
• Lack of business development skills and adequate e-commerce skills for MSMEs.
• Persistent barriers for women and youth to engage in e-commerce, preventing the leveling of playing fields through increased inclusivity.
• Lack of statistical data on electronic commerce.

Being landlocked brings additional challenges and structural constraints that inhibit efforts to develop an e-commerce ecosystem. The findings of the Rapid eTrade Readiness Assessments conducted in ten LLDCs highlight three particular bottlenecks in infrastructure, e-commerce strategies and legal frameworks.

**In terms of infrastructure**, the need for investment in high-speed broadband Internet is mentioned frequently in the eTrade readiness assessments for LLDCs. Only **32 per cent** of the population of LLDCs are using the Internet. The lack of affordable connectivity and access to relevant devices are the main impediments to any individual, firm or organization benefiting from the economic and social opportunities that can be derived from digitalization.

Fixed telephony is shunned by people in LLDCs and other developing countries where mobile telephony is increasingly substituting for voice and data traffic. **Additional investments are needed in the ICT sector to facilitate the growth of services delivery in 3G/4G by mobile network operators in a competitive environment, as well as public-private partnerships (PPPs) to strengthen backbone infrastructure.**

**With regards to physical infrastructure**, geographical constraints and dependencies on the efficiency of transport networks in neighbouring countries, as well as long-distances, toll fees and non-tariff barriers, make trade logistics expensive. The LLDCs eT Readies Assessments underscore the fact that e-commerce could represent a solution to overcome logistical and geographical barriers and tap into other markets. As in other developing countries assessed, last-mile delivery continues to pose a challenge since postal services in remote areas have problematic delivery times and costs. Local entrepreneurs are developing innovative logistic solutions, such as the introduction of drones in some East African countries. Transport, logistics and regulatory bottlenecks also hamper e-commerce growth mainly due to red tape in customs clearance and prohibitive transport costs.

Key policy recommendations in the area of infrastructure include:

• Increase access to fast, affordable and reliable Internet, as well as last-mile connectivity in rural and less-populated areas to reduce disparities in Internet access and open e-commerce opportunities for larger segments of the population.
• Support public-private partnerships (PPPs) to strengthen backbone infrastructure.
• Continue the rehabilitation of physical infrastructure, as well as the modernization of transport and supply-chain sectors.

**E-commerce strategies**

LLDCs need to put in place e-commerce strategies in order to take advantage of the digitalization. Apart from Nepal, none of the assessed LLDCs have adopted a dedicated e-
commerce strategy. The Government of Nepal launched its national e-commerce strategy in 2019 based on the findings of the eTrade Readiness Assessment conducted in 2017.

Estimated values of e-commerce transactions in LLDCs are not available. The value of e-commerce in developing countries is assessed based on the UNCTAD Business-to-Consumer (B2C) index and the exports of digitally deliverable services as share of total trade in services. It shows that, generally, LLDCs lag developing countries with an average index value of 35.6. The extent to which people shop online in a country is highly correlated with the value of the index.

Another aspect is the export of digitally deliverable services. With telecommunications and computer services becoming more readily available and affordable, more services are increasingly tradable and possible to deliver remotely. This has given rise to an expansion of the outsourcing and offshoring of a range of business services (such as marketing and management consulting) and has lowered the barriers and entry costs for businesses in developing countries to produce and export such services. Similarly to the B2C Index, the share of digitally deliverable services as share of total trade in services lags behind that of developing countries in general, resembling more the situation in LDCs. From 2005 to 2018 this share actually decreased by 10 per cent for LLDCs, compared to an increase of over 30 per cent for developing countries in general.

**Legal frameworks**

According to UNCTAD’s Global Cyberlaw Tracker, the level of LLDC legislative adoption is close to the world average, with 72 per cent of countries having e-transactions legislation, 59 % having a privacy law and 69 per cent a cybercrime law. However, only 25 per cent of LLDCs have such legislation to protect consumers online, which is key to ensure consumers’ trust.

The eT Readies conducted in LLDCs have shown non-existent or weak legal frameworks for the regulation of online transactions. Regulations and enforcements are lagging behind across a majority of the LLDCs assessed and capacity-building is needed to make implementation effective.

Therefore, key recommendations include the following:

- Carry out legal and regulatory gap analysis for e-commerce to develop a holistic and updated approach in line with latest developments.
- Adopt baseline e-commerce legislation or update relevant laws and regulations.
- Build capacities of lawmakers and the judiciary to enforce and increase awareness of existing e-commerce laws.
- Strengthen business and civil society engagement to foster an enabling environment for e-commerce.
- Consider the establishment of quality labels to boost confidence and set up certification trust-mark schemes for trusted e-commerce operators.
- Increase the awareness of commerce regulations – including server localization, data protection, cross-border data transfer and taxation.
Governments and development partners need to work together to achieve tangible results

The eT Readies have increased awareness of governments and development partners about the role of e-commerce for development at domestic and regional levels, and have led to constructive multi-stakeholder interactions and foster synergies with development partners. They have prompted governments to request additional technical assistance that now need to be supported.

The role of Governments is multi-fold: from improving coordination of digital economy and e-commerce, engaging the private sector in dialogue, formulating or updating e-commerce enabling laws and regulations, ensuring that mobile connectivity is accessible and affordable for the majority of the population, to making sure that ICT skills and knowledge is infused in education, vocational training and professional training curricula.

Similarly, development partners have a particularly critical role to play, considering the cross-cutting nature of e-commerce as exemplified by the seven different policy areas considered by UNCTAD in the eTrade Readiness Assessment Programme. The main message of the pilots’ stories, as in the case of Myanmar, reveals what eTrade for all partners can achieve when working together—while preserving their core mandates—to carry out the strategies and programmes needed to generate lasting effects on digital development. It also shows how essential Government commitment is to develop the digital economy.

UNCTAD’s eT Ready Monitoring Tool and Smart Partnerships approach

UNCTAD was asked by beneficiary countries and donors to play an active role in guiding countries that have received the eTrade Readiness Assessment to formulate policies, apply for and receive funds to implement policies, and to sustain e-commerce policy development through creating the necessary institutional arrangements. As the coordinator of eTrade for all and thanks to the eTrade Readiness assessments, UNCTAD is best positioned to deliver those activities.

Thanks to funding from Germany (BMZ), UNCTAD is monitoring the progress in all countries that have benefited from the assessments and is liaising with development partners within and beyond the eTrade for all. UNCTAD has already designed a tool to follow-up on the implementation of the recommendations made. This monitoring exercise is led by the beneficiary countries and will be shared with development partners, including eT4a Partners. UNCTAD is currently in discussion with other donors, such as the Netherlands, to identify 5 pilot countries to start implementation of the recommendations.

Smart Partnerships are needed to advance the digital agenda. Based on the experience of conducting eT Readies since 2017, UNCTAD has identified partners with expertise and mandate in all the seven policy areas under review and has been coordinating with these agencies at different stages of preparation of the assessments.

UNCTAD has also been able to associate eT4a partners with the donors’ round tables organized when launching some Assessments at the country level with some concrete results, such as in the case of Myanmar where with sound ownership from the Government and smart
partnerships among eT4a partners and donors, the GoM has been able to mobilize additional development partners such as UNCTAD to develop an e-commerce strategy, ITC, to support MSMEs’ embrace of digital technology for trade and UNESCAP, to assess and improve Myanmar’s technical and legal readiness for their participation in cross-border paperless trade. This could be replicated in pilot land-locked countries.

At the implementation phase, it is essential to make effective use of the eTrade for all partnership, to avoid duplication of efforts and to ensure that limited funding is used efficiently. The eTrade for all initiative plays a valuable role as way to raise awareness of each partner’s expertise and ability to support the implementation of various recommendations.

In the enhanced version of the eT Readies - for non LDCs - partners are invited to join UNCTAD during the in-country missions depending on the priorities identified by the requesting government. This will help provide a deeper analysis of some eT4a policy areas and lead to the preparation of an actionable project document to be submitted to the beneficiary countries and donors.