

## ICT and e-commerce - an opportunity for developing countries

Trying to keep up with the rapid developments in information and communications technologies (ICT) is an increasing concern of developing countries. And one to be taken seriously. There is now growing evidence that enterprises gain substantially from e-business. Fast productivity growth in industrialized countries has been largely attributed to the widespread application of ICT, creating millions of new jobs and billions of dollars in savings.

Figures on e-commerce and ICT do not exist for developing countries. The only statistics available are related to Internet usage and, although the Internet is a prerequisite for e-commerce, the number of users does not indicate how many actually exploit it as a trading tool. While one third of the population in the industrialized world uses the Internet, the estimated figure for developing countries is no more than 4%, and it is even lower if you exclude some of the more advanced developing economies.

More and more countries are now aware of what they stand to gain from ICT. Despite the obstacles, in particular lack of infrastructure and access, some countries have created digital niches for themselves. Over the last decade, export growth in IT products has been greater in developing countries (23.5%) than in the industrialized world (10.8%). Not only that, but in developing countries, IT now accounts for a greater share of total exports than in the developed economies. In terms of production, India is an example of the growing importance of this sector: software and IT services are expected to represent 10 % of the country's GDP in 2008 - five times more than in 2002 - and create four million new jobs.

Some Governments have launched vigorous campaigns to raise awareness about ICT. Tunisia and Mauritania, for example, have created cybercaravans that travel from village to village to introduce the local population to the Internet and its applications.

Although the list of e-business and ICT success stories in developing countries is growing steadily, they are still few and far between. Of the plethora of new websites offering on-line business opportunities, only a handful are from developing countries. One example is the Nairobi-based non-governmental organization Pride Africa, which has recently launched a new project, DrumNet, to set up information, marketing and financial services for small-scale farmers in East Africa. Its main aim is to help smallholders to develop viable agricultural schemes. By creating a credit guarantee fund and an electronic databank on the financial status of the farmers, the project has made it easier for them to find financing. DrumNet is part of a larger scheme to increase employment and stimulate business growth in Africa. It is based on an efficient mix of modern, info-kiosk technology and traditional marketing, such as newspaper advertising and broadcasting. Pride Africa already has 60 branches in 5 countries offering similar microfinance projects.



## What does UNCTAD do to assist developing countries?

Though awareness-raising is still necessary, the emphasis today is on helping countries to create an ICT-friendly environment. Whereas developing countries are generally eager for their enterprises to adopt ICT solutions, there are numerous obstacles. Some are obvious: low income levels, lack of know-how, and inadequate ICT infrastructure. Some are more insidious: fear of transparency, cultural resistance to electronic trading, and conservative business practices.

To help countries to formulate their own policies, UNCTAD has been organizing regional events on e-strategies for development, and new activities are earmarked for 2004. They include a number of technical assistance programmes, mainly capacity-building projects covering national policy formulation, the implementation of e-commerce and analytical activities. A task force on sustainable tourism for development (<http://tourism.unctad.org>) has also been set up to encourage the use of ICT as a means for developing countries to exploit the benefits of tourism to their own advantage.

## Support for the design and implementation of e-strategies for development

E-business and ICT in general can be powerful development tools, but their potential cannot be achieved unless some basic policies are established.

UNCTAD's role is to help developing countries diagnose the bottlenecks they face in adopting ICT and introduce measures to remove them:

- Legal and regulatory reform to accommodate e-business;
- Institutional reform to facilitate access and connectivity;
- Reform of banking systems to enable e-payments;
- Awareness-raising.

Training courses on the legal aspects of e-commerce are being organized for government officials to help them draft national e-commerce legislation. A number of workshops have also been held for local enterprises to introduce the types of trade and e-business services available to the business community.

## E-Commerce and Development Report

The annual E-Commerce and Development Report reviews the status of e-commerce throughout the world, particularly in developing countries, and examines selected issues and innovations in the field. Earlier editions have dealt with a variety of topical subjects, such as e-tourism and development, e-government, domain names, gender and e-commerce, and changes in the publishing and insurance industries.

The 2003 report, to be published end-November, takes a close look at open source and free software (OSFS) and outsourcing as possible sources of income for developing countries. OSFS, which is software that has made its source code public, will affect the production and distribution of software: what then, asks the report, is the best approach for developing countries that seek to customize software to meet their own commercial, regulatory, cultural and linguistic requirements? Outsourcing is another largely untapped area for developing economies. Companies in industrialized countries are taking advantage of the growth in IT capacities in developing countries to commission on-line services. The report looks at several of these thriving outsourcing companies and analyses the factors behind their success.

*For more information on UNCTAD's e-commerce and ICT activities, see the UNCTAD website at: [www.unctad.org/ecommerce](http://www.unctad.org/ecommerce), or contact Mr. Yusuf Kalindaga, Officer-in-Charge, E-commerce Branch (tel: +41 22 9072042, e-mail: [yusuf.kalindaga@unctad.org](mailto:yusuf.kalindaga@unctad.org)).*