Assessing e-Trade readiness in Nepal

General state of play and assessment of overall readiness

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Background

- Taking stock of key indicators
- Getting into online commerce in Nepal: issues and challenges
- Policy and regulatory environment
- Recommendations
Setting the context

- e-commerce/eTrade
  - Potential to connect untapped market
  - Producing and exchanging goods and services, sourcing inputs, reaching customers and clients, and connecting to global and regional value chains

- Global market for electronic commerce (2015) ~ $25.3 trillion (UNCTAD)
  - Dominated primarily by B2B e-Trade

- Rise of titans (eg Amazon, Alibaba, PayPal etc)
  - Platforms and rules for global trade are highly skewed towards the interests of big players

- Internet traffic expected to grow 66 times higher in 2019 (cf 2005)
  - General inability on part of DC/LDCs to develop policy frameworks that amply factor in changes in technological dynamics over time
Ecommerce in Nepal
Broad areas for policy attention

- Legal Frameworks
- Payment Solutions
- ICT Infrastructure (Broadband, telecom penetration, access and affordability)
- Fulfillment logistics
- Strategic orientation (emarketplaces, export verticals)
Telecommunications infrastructure / Broadband
(Access, availability, affordability and Quality)

Delivery / Fulfillment Logistics

E-Authentication framework (e-ID)

Electronic Payments

Trade facilitation (Single window)

Consumer Protection Act

Import/Export Regulations

Intellectual Property

Trust, Security and Privacy

Hardware / Physical Infra

Software / Logical Infra

Back end
Nepal's e-commerce journey..

Assessing key fundamentals

- ICT Infrastructure

- Telecommunication penetration
  - Mobile telephony > 120+%
  - Data grade connectivity on the rise: 58% +
    - 4G rollout: NT, NCELL, Smarttel
  - Competitive intensity in bandwidth market
    - FTTH and wireless
    - Lowering price points
    - Still a long way to go >> cost of BB/GNI per capita

- Evolving Payment systems landscape, policy/Reg environment

- Demographic advantages
Assessing overall readiness....

E-Commerce Process map
Domestic and Cross-border

- Setting up On-line Business
- Digital payments (Domestic and Cross-border)
- Delivery (Domestic and Cross-border)
- Aftersales (Return policies, customer support, etc)
Establishing On-line business / Leveraging eCommerce platforms

**SME/Firm level capabilities**

- General lack of awareness on the potential of eCommerce among SMEs
- Very low level of technical and business knowledge and skills among Nepali SMEs
- Lack of easy access to technologies and solutions to secure online presence

**Enabling Business Environment**

- High internet/bandwidth costs (compared to GNI per capita)
- On-line business registration challenges
- Lack of availability to key skill set
  - Security framework and solutions
  - Online payment integration solutions

**National environment**

- Challenges associated with integration of MSME’s in banking systems
- Weak enforcement of IP regime
- Weak ICT and power infrastructure
- Slow uptake of e-signatures / digital certificate / digital signature
- Lack of policy clarity on eContracts
- Lack of National strategies for ecommerce growth
- Lack of National e-commerce strategy

**Domestic**

- Challenges of Nepali SMEs on meeting compliance requirements of major ecommerce platforms/market places (Amazon, eBay, etc)

**Cross-Border**

- Lack of National strategies for ecommerce growth
- Lack of National e-commerce strategy
Digital Payments

SME/Firm level capabilities

Domestic
- Business registration issues impinging upon firms capabilities to accept digital/online payments
- Lack of strategies to drive uptake of online payments across sectors

Cross-Border
- Lack of access to foreign exchange facility to make international purchases
- Regulatory (customs related) challenges associated with high-frequency, low-value nature of B2C cross-border e-commerce

Enabling Business Environment
- Fragmented e-payment space
- Interoperability issues on third-party e-payment services provider

National environment
- Challenges in receiving international payments
- Absence of international payment solutions
- Restrictions on Foreign exchange system allowing convertibility of currency – Inability to make online international retail purchases
- Lack of a national payments switch
Delivery and Fulfilment Logistics

SME/Firm level capabilities

- Third party delivery logistics space in formative stage and confined to Kathmandu
- Presence of courier services that can be oriented towards ecommerce

Enabling Business Environment

- Issues relating to customs formalities for high-frequency, low-value nature of B2C cross-border e-commerce

National environment

- Low level of readiness of post offices as fulfillment services providers for domestic ecommerce vendors
- Poor road networks

Cross-Border

- High costs of cross-border fulfillment logistics
- Challenges in receiving international payments
- Lack of trade facilitation and regulatory practices for simplified customs duties and clearance procedures for low-value items
Aftersales / customer relations

SME/Firm level capabilities

Enabling Business Environment

National environment

**Domestic**
- Low level of understanding about importance of after sales engagement with customers
- Lack of Effective customer feedback mechanism and customer relations management
- Weak or absent return or cancellation policies
- Provision of sufficient information to enable consumers to make informed choices including information on available forms of redress

**Cross-Border**
- Dispute settlement procedures non-existential
- Weak or absent mechanism for recognizing the validity of transaction-related records, including delivery records

- Consumer protection and grievance redressal non existential for cross-border ecommerce in Nepal
- Appropriate policies for ensuring firms’ adherence to national/international standards on consumer protection
- Complex regulatory provisions (duties, etc) on returned products non-existent
Securing the growth of e-commerce in Nepal

Key elements of an action framework
| Need for a national eCommerce Strategy | - MOC to take a lead on developing a national eCommerce Strategy (in alignment with NTIS)  
- National eCommerce Act  
- Raise Awareness among key stakeholders (in partnership with FNCCI and trade association)  
- Help develop cluster based eMarketplaces (trade associations)  
- Policy clarity on international players (eg Amazon, eBay, PayPal etc) |
| --- | --- |
| ICT Infrastructure | - Review bandwidth / data services cost structure  
- Chanelise USO resources to product/service clusters (agro product clusters, tourism clusters, etc) |
| Fulfilment logistics/business facilitation | - Repurpose post office network for domestic fulfillment logistics and at least one center per province for international fulfillment, help local governments to develop proper addressing schemes, reorient privately run courier services to eCommerce opportunities, simplified provisions to import/export low value/low weight items |
| Legal, Policy and Regulatory Framework | Develop a comprehensive eCommerce Act or revise Electronic Transaction Act to reflect eCommerce specific requirements (consumer protection, IPR etc), revise customs law/formalities to lower trade barriers to MSMEs, formulate firm policy positions on facilitating access to global eCommerce platforms (like Amazon, eBay etc along third party processors like PayPal) |
| Payment Systems and Solutions | - Develop national UPF  
- Facilitate international payment receipts  
- Clarify policy position on TPP, Promote CAI, Review MDR, Develop segmented Digital Payments Strategy (targeting MSMEs, informal sector), expand the ambit of need based facility for forex to enable international on-line purchases |
Way forward..

Also watch out for emergent disruptions and opportunities
• Emerging technology paradigms: blockchain
  – Supply chain: Ensuring trust, brand integrity by enabling provenance, for eg.

• Rise of cryptocurrencies: policy clarity?

• Participation of LDCs/DCs in global e-commerce platforms
WTO angle >> Work Programme on e-Commerce (eg implications of a fully liberalized e-commerce regime for DC)

- Proposal to negotiate new rules (2016)...........
  - i) No Customs Duties/Non Discrimination: A new trade route that is completely liberalised
  - ii) Enabling Cross-Border Data Flows
  - iii) Promoting a Free and Open Internet
  - iv) No Localisation Barriers
  - v) No localisation of servers/ Enabling Cross Border Data Flows
  - vi) No local/ commercial presence
  - vii) No local content requirements in technology

(Source: ATPT/South Center)
Conclusion

• E-commerce holds tremendous potential for expanding market outreach and enhancing trade

• Remains a challenging proposition, however – building trust, navigating sea of compliance reqmnts (cross-border), carving a niche in the face of global giants, aligning regulatory instruments

• Need focused strategies to promote cross-border ecommerce
  – Key success factors, identification and authentication framework
  – Facilitating cross-border payments

• Effective trade logistics and cross-border facilitation measures
  – simplified customs duties and clearance procedures for low-value items
  – Leveraging international e-commerce platforms
  – Great scope of PPP....
Thank you.