

<b>Date:</b>	24 May 2022
<b>Responsible / Unit /</b>	Nanno Mulder, International Trade Unit, ECLAC Gerardo Mendoza, Chief Project Management Unit, UNECLAC  Tengfei Wang and Witada Anukoonwattaka, Trade, Investment and Innovation Division, ESCAP
<b>Total Budget (inc. PSC)</b>	US\$ 659,355

## (A) Title of Project

Support the strengthening of policies to monitor and promote the participation of MSMEs in cross-border goods and services e-commerce for an inclusive and sustainable pandemic response and recovery in East Asia and Latin America.

## (B) Link with the Programme of Work of Division

This project contributes directly to the Programmes of Work of the Divisions in ECLAC and ESCAP related to cross-border e-commerce and the digital trade, in terms of preparing databases, drafting documents, organizing workshops, and promoting capacity building and technical assistance to member countries.

## (C) Current Situation and description of the problem

The COVID-19 pandemic and containment measures to prevent its spread have strongly impacted many economies of the Forum for East Asia–Latin America Cooperation (FEALAC), altering the activities and business models of companies, especially micro, small, and medium sized enterprises (MSMEs), and shopping habits. In this context, electronic and digital commerce showed unprecedented growth as businesses and consumers turned to digital channels to maintain their activities. For many MSMEs, e-commerce was essential to sustain their income during the crisis and in some cases allowed them to expand their business.

For many MSMEs in the FEALAC countries, exporting through e-commerce platforms and other digital channels to neighboring and other countries is a major opportunity to contribute to their recovery, accessing new markets and consumer segments. In fact, the proportion of MSME exports that is directed to the regional market is much higher than that of large companies. Moreover, marketplaces on other continents may also be attractive for MSMEs, especially when they receive support to overcome specific export barriers.

Important bottlenecks in Latin America and some East Asian countries, however, have restricted the push towards digital trade in general and the participation of MSMEs in particular. Some of these were

shared by most countries around the globe given the magnitude of the crisis, but most reflected structural deficits that hinder digital trade. Notwithstanding substantial cross-country differences, most of Latin America and some parts of East Asia trail the OECD on its preparedness to reap the benefits from e-commerce. Some of these factors include the difficult and expensive access to internet, with large gaps between rural and urban areas. In many countries, trade facilitation measures are not coordinated between border agencies and private operators, while companies and consumers are slow in adopting new technologies. Moreover, last-mile delivery remains costly and unreliable. Most preferential trade agreements include few provisions to facilitate digital trade, both in goods and services. Often informality and low financial inclusion prevent the expansion of digital cross-border payments, compounded by outdated regulations. Also, gaps in digital skills and the uptake of digital technologies persist among firms, especially MSMEs.

In this context, there is an urgent need for governments -with support from international organizations like the Regional United Nations Commissions ECLAC and ESCAP- to step up their assistance to businesses, in particular MSMEs, to reap the benefits from the rapidly growing domestic and international ecommerce markets. Given ECLAC and ESCAP's expertise, this assistance could be particularly useful in three areas that represent major challenges for cross-border e-commerce in the FEALAC economies.

The first challenge refers to the lack of timely data that allow for the monitoring of trends in both domestic and international e-commerce marketplaces. So far only few countries produce official data on e-commerce, while private sources are also scarce and very costly to access. In this context, ECLAC is currently collaborating with the UN International Trade Centre (ITC) to develop a user-friendly online database and dashboard on business to consumer (B2C) and consumer to consumer (C2C) marketplaces selling goods for 33 Latin America and Caribbean countries. This dashboard will provide total monthly visitor traffic data from January 2019 to early 2022 together with annual (2019, 2020 and 2021) disaggregated visitor statistics (including by country of origin and gender). Some marketplace characteristics (such as whether these are transactional or not and the presence of foreign sellers) and key data on the national pillars of e-commerce will also be added to the dashboard. The update of this tool for Latin America and the Caribbean, the inclusion of service sector marketplaces, and the construction of a similar dashboard for East Asia would allow FEALAC member governments to better monitor the development and dynamics of their domestic and international e-commerce landscape and identify areas for policy intervention.

To better assess the supply and demand of domestic and cross-regional e-commerce, it would also be useful to strengthen the technical capacity of national statistical offices in selected countries to collect domestic and cross-border e-commerce data.

A second issue relates to regulations surrounding cross-border e-commerce. In collaboration with OECD and the European University Institute (EUI), ECLAC and ESCAP have collected and analyzed data on 22

Asia-Pacific and 13 Latin American economies.<sup>1</sup> The expansion of the regulatory analysis to cover more countries both in East Asia and Latin America as well as deepening the analysis on e-commerce regulations would allow stakeholders in FEALAC member countries to better understand the digital-trade regulatory environment in their own- and partner economies. It could help governments to design effective policies and actions to assist domestic firms, MSMEs in particular, to fully utilize opportunities created by digital technology and e-commerce.

A third crucial area to develop is the identification of challenges for MSMEs in cross border e-commerce. ECLAC and ESCAP have been monitoring policy initiatives related to promoting the participation of MSMEs in e-commerce. Many governments supported this category of firms going online for the first time or increasing their online presence. Some introduced specialized websites providing guidance, information, recommendations, and training. In other countries, governments introduced a marketplace or mobile application for MSMEs to sell their products. Elsewhere, dedicated programs were developed for specific sectors, like creative industries or professional services. These interventions are often done in coordination with the private sector, both with large companies and local business associations. Most initiatives seem to focus on the home market. Only few strategies were identified that targeted digital exporters or women digital entrepreneurs. A more complete inventory and analysis of these policy initiatives would allow FEALAC countries to better benchmark their own initiatives to those of their peers and fill in possible gaps in their support system.

Findings of the studies will be disseminated through multiple forums to ensure the visibility of the results and their policy implications. Finally, the project will include capacity building activities to ensure that analysts and policymakers from FEALAC countries are equipped with the right tools to efficiently use them to formulate better policies to enhance more sustainable and inclusive cross-border e-commerce strategies.

## **(D) Objectives**

The project's objectives are twofold:

- 1) To deepen the understanding of policymakers, businesses, researchers and other stakeholders in FEALAC countries regarding the micro and macro dynamics of e-commerce goods and services marketplaces and the challenges and opportunities for MSMEs to participate in this new area of domestic and foreign trade.
- 2) Propose policy recommendations - based on a review of policies and regulations on cross-border e-commerce in FEALAC countries – on how to monitor and promote the participation of MSMEs in cross-border goods and services e-commerce.

## **(E) Beneficiaries**

---

<sup>1</sup> <https://www.unescap.org/projects/dtra>

This project benefits FEALAC member countries in both Southeast and East Asia and Latin America, building on existing work carried out by ECLAC and ESCAP. In the case of ECLAC, it has recently surveyed implemented e-commerce policies in Latin America, particular since the start of the COVID-19 pandemic, showing that 9 out of 18 surveyed countries had a national strategy to promote and develop e-commerce. Of the other half, Argentina, Costa Rica, and Mexico indicated that the pandemic prompted the development of a national strategy, while the rest reported that a strategy was in progress.<sup>2</sup> Moreover, ECLAC has worked on regulation on e-commerce in 13 countries in the region. This project would allow for the deepening and geographical broadening of its analysis of implemented policies and regulations.

In the case of ESCAP, it has, mainly in collaboration with the Asian Development Bank and OECD, jointly carried out research and analysis to provide policy advice to governments<sup>3</sup>. Furthermore, ESCAP in collaboration with ADB and OECD have organized capacity building activities. The work on expanding and deepening digital trade regulatory analysis in FEALAC member States in Asia will significantly contribute to reducing regulatory distance and enhancing the opportunity of cross-border digital trade between all FEALAC economies. This project will also provide an opportunity to explore the impacts of COVID on the development of e-commerce in FEALAC member states in Asia and their policy implications.

## (F) Logical Framework

Outcome <i>"OUTCOMES: Why we do it. Outcomes are the behavioral changes that result from the projects outputs."</i>	Indicator	Base	Goal
	1. FEALAC member governments can comprehensively review domestic and cross-border e-commerce activity in the FEALAC region through better and timely information on visitor traffic and other elements of B2C and C2C e-commerce goods	Currently no public databases are available that allow this.	Through user-friendly dashboards with monthly traffic data on domestic and cross-border e-commerce activity in goods and services, analytical documents and

<sup>2</sup> For more information, see [online]

[https://www.cepal.org/sites/default/files/publication/files/46858/S2100269\\_en.pdf](https://www.cepal.org/sites/default/files/publication/files/46858/S2100269_en.pdf)

<sup>3</sup> For example, 1) Selected issues in cross-border e-commerce development in Asia and the Pacific.

<https://www.unescap.org/publications/studies-trade-investment-and-innovation-no-91-selected-issues-cross-border-e-commerce>; 2) Embracing the E-commerce Revolution in Asia and the Pacific,

<https://www.adb.org/publications/ecommerce-revolution-asia-pacific>

## ECLAC FEALAC PROGRAMME PROJECT PROPOSAL 2021

	and services marketplaces.		training activities, governments can better monitor cross-border e-commerce activity.
	2. Enhanced capacity of national institutions to formulate policies to promote sustainable and inclusive e-commerce using databases on the determinants of cross-border digital trade and MSME support policies, as well as examples of micro-based business process analysis case studies	Currently little systemic data and information is available on the determinants of cross-border digital trade and MSME support policies	Through databases, analytical documents, and training activities, national institutions can more effectively implement policies to promote cross-border e-commerce and the participation of MSMEs in this part of international trade.

Outputs <i>"OUTPUTS: What we produce. Outputs are the tangible products or services produced as a result of the activities, are tangible and can be counted. Usually expressed as nouns."</i>	Activity (see Annex for more details)	Budget
1. Comprehensively review cross-border e-commerce activity in goods and services in the FEALAC region	1.1 A virtual workshop to a) take stock of recent trends in both domestic and cross-border e-commerce, b) present work in this area by ECLAC and ESCAP; and c) discuss and coordinate the project's activities. The co-chairs of the steering committee will also participate in this workshop.	US\$ 5.000
	1.2 Development of the B2C and C2C goods and services East Asia Marketplace Explorer (ME) and expansion of the Latin America ME to services	US\$ 103.500
	1.3 Studies on the development of domestic and cross-border goods and services e-commerce marketplaces, including factors shaping bi-regional (East Asia and Latin	US\$ 20.000

## ECLAC FEALAC PROGRAMME PROJECT PROPOSAL 2021

	America) visitor flows to these platforms	
	<b>1.4</b> Two regional virtual workshops for national statistical offices and central banks to discuss trends and good practices regarding the measurement of domestic and cross-border e-commerce sales and consumption.	US\$ 10.000
<b>2.</b> Analysis of the eco-system related to cross-border e-commerce in goods and services, with a focus on MSMEs	<b>2.1</b> User-friendly database on the regulatory environment for cross-border e-commerce	US\$ 85.000
	<b>2.2</b> Studies comparing regulations on cross-border e-commerce and digital trade in goods and services between countries in both regions and exploring options to increase regulatory similarity.	US\$ 30.000
	<b>2.3</b> Virtual expert group meeting to discuss the database and reports, as well as recommendations for future work in this area	US\$ 5.000
	<b>2.4</b> Two studies on opportunities and challenges for MSMEs to participate in cross-border goods and services e-commerce in selected FEALAC countries, including policy recommendations.	US\$ 30,000
	<b>2.5</b> Two studies with country comparisons of support measures to promote the participation of MSMEs in cross-border e-commerce in the goods and services sector.	US\$ 30.000
	<b>2.6</b> Workshops and presentations on results of 2.4 and good practices identified in 2.5, including during FEALAC events.	US\$ 67.500
	<b>2.7</b> Case studies on detailed business process analysis (BPA) on MSME goods exports through cross-border e-commerce platforms	US\$ 70.000
<b>3.</b> Training workshops to promote the effective use of databases and other materials by FEALAC government officials	<b>3.1</b> Capacity building workshops to support the effective use of the information generated by the project for the development and implementation of effective policies to promote inclusive and sustainable cross-border ecommerce	US\$ 77.500

## ECLAC FEALAC PROGRAMME PROJECT PROPOSAL 2021

	<b>3.2</b> Development and diffusion of online databases developed in this project	US\$ 50.000
Programme Support Costs (13%)		US\$ 75,855
<b>TOTAL</b>		<b>US\$ 659,355</b>

### (G) Budget Requested

Ítem	Amount
Staff and other personnel costs	US\$ 392,500
Contractual Services	US\$ 40,000
Travel	US\$ 105,000
Equipment, vehicles and furniture	US\$ 18,000
General operating and other direct costs	US\$ 28,000
Programme Support Costs (13%)	US\$ 75,855
<b>TOTAL BUDGET</b>	<b>US\$ 659,355</b>

### Annex: Description and timeline of activities

1.1 The project starts with the organization of a virtual workshop. This event brings together representatives from governments, regional organizations, e-commerce associations and MSMEs organizations to a) take stock of recent trends in both domestic and cross-border e-commerce, b) present work in this area by ECLAC and ESCAP; and c) discuss and coordinate the project's activities. Its program would have three short sessions, each focusing on core areas of the project. The first session would report trends in domestic and cross-border e-commerce in both regions using some scarce official and private data sources. Also, some observations could be presented on the determinants of recent trends in e-commerce. The second session would focus on policy measures and private support initiatives during the pandemic to facilitate the growth and participation of MSMEs in domestic and cross-border e-commerce. Also, it will include preliminary results on regulations on cross-border e-commerce and digital trade in goods and services in both regions. The third session would present some work done by ESCAP regarding business process analysis applied to other sectors and propose an adapted version to monitor challenges faced by MSMEs when engaging in cross-border e-commerce. The co-chairs of the steering committee also participate in this workshop.



1.2 This activity focuses on improving the measurement of domestic and cross-border goods and services e-commerce. This is urgent, as almost no publicly available data are available on this, which makes it very difficult to design, monitor and evaluate policy interventions. In this context, ECLAC and ESCAP would collaborate with the United Nations International Trade Centre (ITC) to build an East Asia Marketplace Explorer (ME) and expand a similar tool for Latin America.<sup>4</sup> Both tools would provide monthly, quarterly, and annual visitor data on most goods and services-related B2C and C2C e-commerce marketplaces in each of the FEALAC member countries. The annual visitor data for each ME can be decomposed by country of origin –together with sex and age groups– to assess whether its transactions are national or cross-border. In this latter part, special attention is paid to visitors from the two regions of FEALAC. Moreover, the ME would include data on several characteristics of marketplaces: age, product offering, and services offered (like logistics and payments) and -to the extent possible- the participation of MSMEs as sellers. In addition, the MEs would include data on determinants of domestic and cross-border e-commerce to explore real-time correlations. The tool will also offer limited download options of cross-section or time series data.

1.3 The datasets underlying the MEs will be used to write two reports (one for East Asia and another for Latin America) on a) the development of domestic and cross-border goods and services e-commerce marketplaces, b) factors determining visitor traffic to these platforms, and c) the contributions of domestic and cross-border e-commerce to digital trade in general. These factors under b) relate to different elements of the e-commerce ecosystem, including access to internet and broadband, logistics, and payment solutions. Each report will also review visitor traffic between East Asia and Latin America marketplaces. Moreover, each report will include provide policy recommendations on how to improve the development of marketplaces in each region and in particular their cross-border components.

1.4 Two regional virtual workshops for national statistical offices and central banks to discuss trends and good practices regarding the measurement of domestic and cross-border e-commerce sales and consumption. These good practices will be both from FEALAC countries, as well as countries elsewhere.

2.1 The data construction and analysis done in the previous component will be complemented with work on the regulatory environment for cross-border e-commerce in the FEALAC economies.

2.2 On the basis of this new and extended data, two papers (one on East Asia and another on Latin America) will be prepared to compare regulations on cross-border e-commerce and digital trade in goods and services between countries in both regions and exploring options to increase regulatory similarity, both within and between the two regions.

2.3 A virtual expert group meeting is organized to discuss the database (outcome of 2.1) and reports (outcome of 2.2), as well as recommendations for future work in this area.

---

<sup>4</sup> A similar tool is already available for Africa, see [online] <https://ecomconnect.org/page/african-marketplace-explorer>.



2.4 This activity includes two regional reports (one on East Asia and another on Latin America) on the opportunities and challenges for MSMEs to participate in cross-border goods and services e-commerce in selected FEALAC countries including policy recommendations to enhance linkages between the ECLAC and ESCAP region. Whenever relevant, the role of the start-ups will be covered in this report.

2.5 This activity considers the in-depth interviews with FEALAC member governments regarding implemented support measures -partly designed during the pandemic- to promote the participation of MSMEs in cross-border e-commerce in the goods and services sector. Some references to this issue are included in work done by ECLAC and ESCAP as part of the “UN Global Survey on Trade Facilitation and Paperless Trade Implementation”<sup>5</sup> and a recent ECLAC report “Post pandemic covid-19 economy recovery: Enabling Latin America and the Caribbean to better harness e-commerce and digital trade”.<sup>6</sup> However, this project would collect more complete and updated information on this issue. Based on these data, two reports (one for East Asia and another for Latin America) will be drafted including country comparisons and highlights of best practices from both regions.

2.6 Workshops on support measures to promote the participation of MSMEs on cross-border e-commerce in goods and services based on studies in 2.4, and 2.5. A similar workshop or presentation will take place on the occasion of FEALAC events, including Cyber Secretariat workshops and the FEALAC SOM.

2.7 As more work is required to understand the challenges MSMEs encounter in cross-border e-commerce. For this purpose, this component proposes three case detailed business process analysis (BPA) case studies on MSME goods exports through cross-border e-commerce platforms: one between two Asian countries; one between two Latin America countries, and a third between one East Asian and one Latin American countries. These BPA studies will provide a detailed understanding of international trade transactions surrounding e-commerce. ESCAP has a large experience in carrying out BPA studies since 2009.<sup>7</sup> These studies will point to possible new trade facilitation measures to promote the participation of MSMEs in cross-border e-commerce.

3.1 Capacity building workshops will be carried out to support the effective use of the information generated by the project for the development and implementation of effective policies to promote inclusive and sustainable cross-border ecommerce. The workshops will focus on the use of the Marketplace Explorers, regulatory issues and MSME support measures for e-commerce for the formulation and monitoring of supportive trade and industrial policies. The organization of the capacity buildings activities will be coordinated closely with the governments of the FEALAC countries through the Cyber Secretariat.

---

<sup>5</sup> For more information, see [online] <https://unnex.unescap.org/content/un-global-survey-trade-facilitation-and-paperless-trade-implementation>.

<sup>6</sup> For more information, see [online]

[https://repositorio.cepal.org/bitstream/handle/11362/46858/1/S2100269\\_en.pdf](https://repositorio.cepal.org/bitstream/handle/11362/46858/1/S2100269_en.pdf).

<sup>7</sup> For examples of BPA case studies done in Asia and the Pacific, see [online]

<https://unnex.unescap.org/content/business-process-analysis-simplify-trade-procedures-case-studies>



# ECLAC FEALAC PROGRAMME PROJECT PROPOSAL 2021



## Timeline of the project

	Activities	2022		2023			
		Q3	Q4	Q1	Q2	Q3	Q4
1.1	Virtual workshop to review e-commerce trends and coordinate project activities	X					
1.2	Develop East Asia Marketplace Explorer + expand Latin America ME		X	X	X		
1.3	Studies on domestic and cross-border e-commerce and determinants			X	X		
1.4	Two regional virtual workshops on the measurement of e-commerce			X			
2.1	Databases on cross-border e-commerce regulations	X	X				
2.2	Studies comparing regulations between countries and options for convergence			X	X		
2.3	Virtual meeting to discuss the database, analysis & recommendations				X	X	
2.4	Studies on the MSMEs' participation in cross-border e-commerce			X	X		
2.5	Studies on measures to promote MSMEs in cross-border e-commerce				X	X	
2.6	Workshops on results of 2.4 and good practices identified in 2.5					X	
2.7	Studies on business process analysis (BPA) of MSME cross-border e-commerce		X	X	X		
3.1	Capacity building workshops					X	X
3.2	Development and diffusion of online databases developed in this project				X	X	X
	<b>Key milestones and M&amp;E activities</b>						
	Project inception meeting	X					
	Project mid-term review with results of 2.1 and 2.7			X			
	Presentation of end-results at a FEALAC meeting					X	
	Post-project evaluation						X