

March 9, 2021



Socio-Economic Research and Applications (SERAP)

The Roaring Twenties?

Digitalization and Trade in Central Asia

***This newsletter aims to highlight the importance of regional trade considering global challenges. It addresses connectivity challenges and the role of digitalization as a vital tool for sustainable development and inclusive growth in Central Asian countries.***

Over the past decades, there has been a rising interest in digital technologies. Digitalization has become an important factor in policymaking and as a tool for development. COVID-19 has posed a new set of challenges in supply chains and unprecedented disruptions to regional trade and cross-border connectivity. It is widely believed that digitalization strategies can help governments accelerate economic growth and offer robust recovery to overcome the crisis. In this context, digitalization and digital technologies could serve as a solution for developing countries. Central Asia is one of the least digitally connected regions in the world. Digitally enabled trade can drive economic growth and create jobs for young people, women, and poor communities. It can also help micro, small, and medium-sized enterprises (MSMEs) move from the informal to the formal sector and from domestic to international markets. This change holds immense potential for the development trajectory of central Asia.

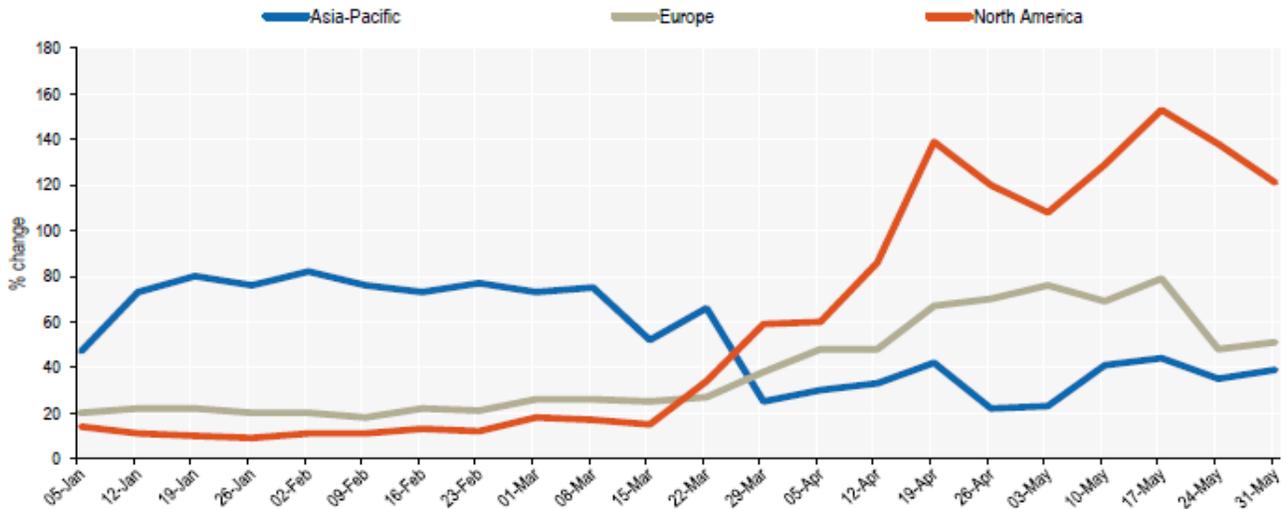
In the wake of COVID-19, digitally enabled services can provide solutions for enhancing public service delivery and increasing access to online services for firms and individuals, thereby improving efficiency in the service sector. In this context, digitalization is essential for achieving the SDG “Goal 9”. It could help mitigate adverse shocks in an uncertain economic environment characterized by limited mobility due to the pandemic and help maintain the population's living standards. However, there are risks for some SMEs’ activities in Central Asia posed by larger firms that can propose cheaper solutions by circumventing investment in digital infrastructure, thereby deepening the gap between rural and urban areas. Therefore, it is crucial for governments, public authorities, and policymakers to reassess development pathways by seizing new opportunities via updated policies. The COVID-19 crisis has resulted in alternative methods; digital technologies and platforms, particularly mobile phones and the internet, are increasingly playing a significant role in overcoming mobility constraints, highlighting the importance of digital connectivity in rural areas.

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## Data & Statistics

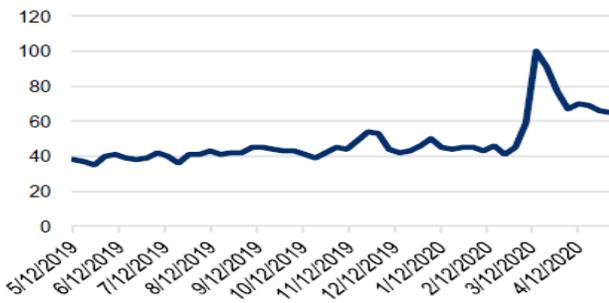
Source: OECD and IMF Reports ([Digitalizing Sub-Saharan Africa: Hopes and Hurdles \(IMF.org\)](#), [Leveraging digital trade to fight the consequences of COVID-19 \(OECD.org\)](#))

1-Growth in goods orders through e-commerce, May 2020

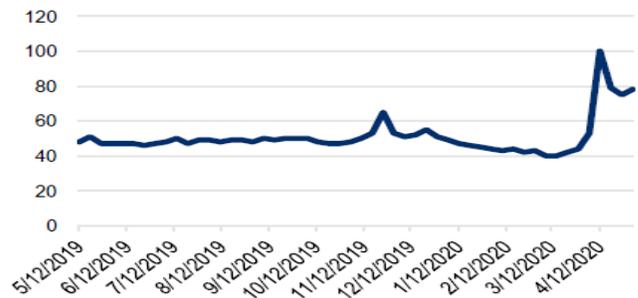


Since the start of lockdown measure in March, there has been an increase in digital trade in North America. The situation is similar to Europe where strict restrictions and lockdown to slow the spread of virus, have also led to the digitalization of all activities. However, in Asia-Pacific, fewer countries have adopted complete lockdown and restrictions. This potentially explains why people don't solely rely on digital avenues for trade and services. This has led to a 50% increase in e-commerce orders in Europe, 70% in Asia - Pacific and a 120% increase in the United States year-on year.

Computer monitor

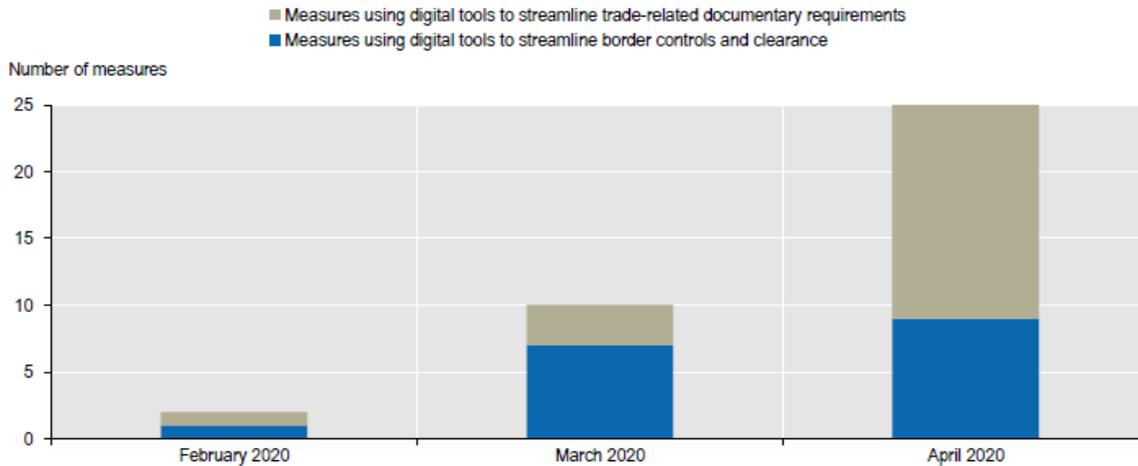


Smartphone



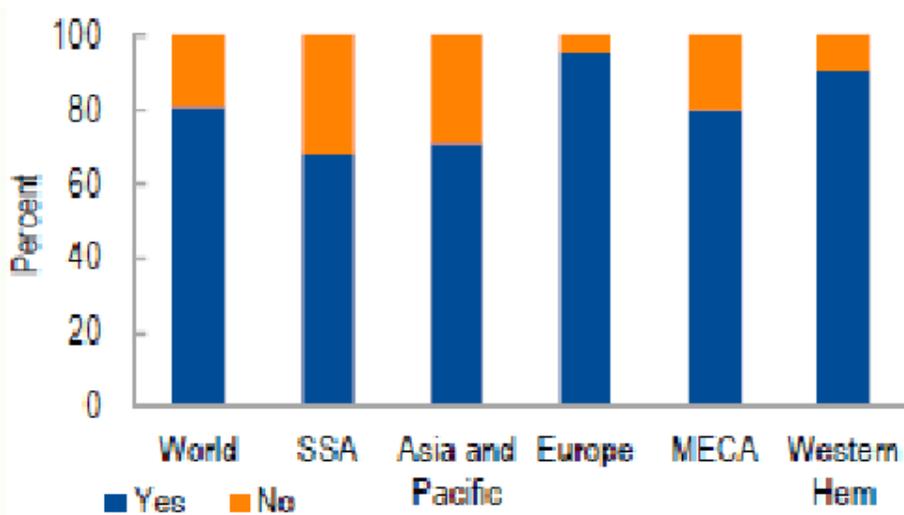
The demand of digital items has increased significantly under the COVID-19 restrictions and lockdowns.

### 3-Countries are using digital tools to streamline border processes during COVID-19



Prior to COVID-19, the measures using digital tools were low and quasi -inexistent. The pandemic has shed light on the need for digitalization under severe circumstances. In this context, restrictions have proven useful for the digitalization process. Digitalization has been useful in streamlining border controls and clearance, and for streamlining trade related documentary requirements.

### 4-Selected Regions: Percent of Countries Reporting Remote Work



“Online orders picked up in Kenya and Nigeria, and the Senegalese authorities set up an e-commerce platform to provide easy access to the websites of small-and medium-sized enterprises that sell essential goods. In Uganda and Kenya, authorities are using social media to share information on where consumers can purchase food with mobile money, and have it delivered through ride-hailing apps.” IMF Report on Corona-Virus, 2020 (Chapter 3)

# Recommendations

Digital transformation in the covid era is necessary to drive job creation, primarily through indirect means. This is particularly crucial when a significant percentage of the population has been deprived of their livelihoods.

**Recommendation 1:** Ensure universal access to digital infrastructure to avoid widening inequalities related to geographic location, gender, level of education, and professional situation.

**Recommendation 2:** Prepare populations in developing countries, particularly those working in the informal sector, to better benefit from digital technologies and take advantage of digital trade. By 2040, the self-employed and family workers will account for 65% of employment if current trends are confirmed, and they will represent no less than 51% even in the most optimistic scenarios.

**Recommendation 3:** Remove obstacles to the adoption of digital technologies and innovation in this area to allow small and medium-sized enterprises to develop and compete in the digital age.

**Recommendation 4:** Accelerating coordination at a continental and regional level is essential to complement national strategies.

## Digitization in Central Asia: A snapshot of progress

### A case study on digitizing hazard data in Afghanistan



The Aga Khan Agency for Habitat in Afghanistan has decided to digitize its data systems. This study elaborates on the increasing need to digitize, particularly with the onset of the coronavirus pandemic. The

Afghan Ministry of Public Health has now acquired the support of AKAH to improve online data management as a response to COVID-19.

[Read more](#)

### Afghan youth-driven IT sector has e-commerce potential



Afghanistan's youth-driven IT sector could have e-commerce potential, considering the dynamic approach towards this burgeoning industry. The role of e-commerce could transcend economics, as it could unlock the gender potential by improving the visibility of

women in the country. Furthermore, investments in the ICT sector can facilitate growth in services such as 3G/4G, which could enhance connectivity overall. [Read more](#)

### Afghanistan Takes a Digital Leap to Tackle Corruption



The digitization of procurement contracts and other official documents could help counteract the high levels of corruption seen in Afghanistan. By improving transparency as an anti-corruption

measure, governments and their respective departments can be held accountable by the people who can access documents online. This level of accountability will hopefully help deter corruption in the years to come. [Read more](#)

### Reaping the Benefits of Digital Technology in Central Asia: Afghanistan



The Ministry of Communications and Information Technologies of Afghanistan has developed a new road map that boasts activities for travelers. The government has been working consistently to create an environment conducive to private sector investment. By updating their

regulations and infrastructure to meet the international standard, the government hopes to attract investment to benefit the economy.

## Reaping the Benefits of Digital Technology in Central Asia: Uzbekistan



The Government of Uzbekistan has launched two new programs to advance digital technologies in the country. Since 2015, Uzbekistan has launched 265 online services and 600 government

agencies within the E-Government program while improving its service quality, e-participation, and transparency in public service delivery. This is being done in order to build a competitive ICT sector that can boost the national economy. [Read more](#)

## Technology, digitization can tackle illicit trade



In Pakistan, the government has begun utilizing National Database and Registration Authority (NADRA) services to target tax evaders. Technology-based solutions and broadband penetration has helped tackle illicit trade in the country, which costs the economy Rs 44 billion for counterfeit cigarettes alone. [Read more](#)

## Pakistan: Stronger Public Financial Management and Digital Services to Support Growth

This article talks about the Punjab government's PRIDE Program and is funded by the World Bank, which will help Pakistan strengthen public financial management systems at the federal and provincial levels. The program focuses on employing technology-based solutions to enhance public service delivery. It will increase online access for firms and individuals while improving efficiency and digitizing key government services. This is meant to improve the experience of public service delivery and have a positive impact on the economy overall. [Read more](#)

## Supporting inclusive development through trade and digitalization in Kazakhstan – with Ready4Trade Central Asia



This article follows the Ready4Trade program, an EU-funded initiative implemented by ITC that is meant to catalyze inclusive and sustainable economic development in Kazakhstan by facilitating international and intra-regional trade. The program is materializing when the country is suffering from the economic regression caused by COVID-19 and will hopefully counteract some of these effects by boosting trade and e-commerce. [Read more](#)

## Kazakhstan rolls out a single window to boost trade



Kazakhstan has implemented a new single-window portal to improve the way goods and services are imported into and exported. Kazakhstan is the world's largest landlocked country, so

these developments for trade are a source of immense economic potential. This window is meant to simplify administrative procedures and improve the business environment via digitization. By making the process of trade smoother, authorities hope the country will attract more trade opportunities. [Read more](#)

## Regional integration, export support, digitalization — how trade industry of Kazakhstan is developing



The government of Kazakhstan has taken active measures to curb the impact of COVID-19 on the country's economy by forming a coherent trade and logistics infrastructure which will work as a national commodity distribution system.

As part of the system, 24 wholesale distribution centers will be connected by a single digital system, thereby optimizing the supply chain of products from the manufacturer to consumer. The reduction in commodity losses will provide farmers with the opportunity to reinvest in their production practices, thereby increasing income and reducing the cost of food products by up to 45%. [Read more](#)

## Kazakhstan's digitization generated \$578 million for the economy in 2018



Kazakhstan has invested in digitization efforts meant to encompass the economy, government, and human capital development. Digitization is being seen as a long-term investment that has already generated \$578

million for the economy. Kazakhstan's trade volume has in e-commerce has multiplied by 1.5, exceeding \$700 million. The Digital Silk Road and innovative ecosystem being developed has had a positive impact on the economy and is set to do more in the coming years. [Read more](#)

## The Roaring Twenties: Central Asia's Digital Decade?



In Uzbekistan, President Shavkat Mirziyoyev has announced an accelerated transition to a digital economy as the country's central priority over the next five years. So far, mobile operators in the country have solidified ties with Huawei to launch 5G networks nationwide. This is part of the digital Governance' and 'Safe Cities' project, which

intends to bring the country up to par with global digitalization standards. [Read more](#)