

# Post-COVID-19 ICT Roadmap: Digital Commerce

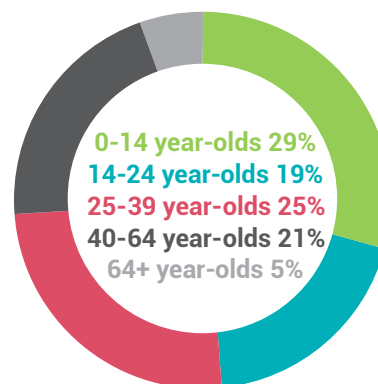
## How the Roadmap came to be

With the growing certainty that COVID-19 is here to stay, the ICT Division of the Government of Bangladesh is developing a roadmap to fight the pandemic and ensuing crisis and to find innovative ways to flourish in the 'new normal'. Digital Commerce is one of the 18 priority sectors selected based on the impact of COVID-19 on the sector and its potential for transformation of the economy and society.

## Why the Digital Commerce Sector

Bangladesh's digital commerce landscape has experienced remarkable growth since its take off in 2013-14. With currently over 102mn active internet users, the nation has seen significant improvement in digital literacy and online spending. Digital commerce is being plugged-in with mobile financial services (MFS) as its mode of payment and e-logistics companies for its deliveries. Both verticals complement each other and have demonstrated exponential growth over the years. According to a study by the e-CAB, the market measure for the sector is expected to equal at Tk. 70 billion (US \$ 826 million) by 2021. The sector has the potential to grow much further if the small and medium enterprises in urban and rural areas can adopt the digital commerce systems and functions. While the unexpected nature of the pandemic has brought major disruptions to the industry, it has also brought opportunities to leverage upon.

■ Around 45% of the total demography are potential e-commerce users



Source: IDLC Monthly Business Review, August 2018

666<sup>cr</sup>

Loss incurred directly in e-commerce sector

fCommerce  
eCommerce  
Ride-Sharing

Top 3 sectors hit badly due to the pandemic/lockdown

82%

eCommerce Businesses have been heavily impacted

## Impact of COVID-19

The unprecedented and aggressive COVID-19 outbreak has not spared the e-commerce sector in its path of havoc and disruption. An e-CAB study involving 1,100 of its member companies outlines a loss of Tk. 666 crore (US\$ 78.6 million) directly to the industry as a whole, with f-commerce and non-essential businesses bearing the brunt of the losses. The third-party logistics company Paperfly, that neither sells groceries nor other necessities online, has experienced a dramatic fall in orders in the ballpark of 90% despite being a market leader. Labor shortages in the sector are on the rise and workers have temporarily migrated out of Dhaka.

## Constraints

With 25% contribution of Bangladesh's GDP coming from the SME sector, it is prime time for small and medium businesses to adopt digital commerce practices. However, due to the lack of technological adoption and platform services to empower the SME sector, a significant portion of the sector has been deprived of the opportunity to take advantage of the digital commerce space. In addition, lack of awareness and exposure to the utilities of e-commerce, misconceptions, knowledge gaps, and transport restrictions are refraining people from rural and peri-urban areas from availing and providing e-commerce services. Conversion of these traditional service providers and customers to digital mechanisms will be key to propelling growth of the sector.

Digital marketing has become an essential tool but the 15% tax on Google, Facebook, and YouTube ads are significant additional costs borne by the businesses, especially amid the pandemic. Lack of a conducive tax and vat policy for the digital commerce space is not only refraining existing investors from making further investments, it is also discouraging new entrants from entering the digital commerce landscape.

\$3<sup>bn</sup>

Estimated Market Size in 2023

1.25<sup>lakh</sup>

Employment in the sector

103<sup>rd</sup>

In B2C e-commerce indes

Source: E-cab and Global E-commerce indes and Statista.com

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## Action Agenda

Taking learnings from local and global best practices and to tackle: (i) the effects of the pandemic, and (ii) the existing systemic and regulatory shortcomings of the digital commerce sector, the ICT Ministry is proposing the following five interventions in the immediate short term:

Title	Develop a COVID-19 code of conduct along with e-commerce policy that promotes the growth of hyperlocal e-commerce for last-mile reach, which could be implemented by 2020	Tax reformation for online shopping and digital advertisement by 2020	Assisted e-commerce services to help people adopt online shopping practices by the end of 2020	ICT Ministry can work on policy level with BTRC to ensure affordable mobile internet prices within 2020	Promote existing digital platform startups and services and introduce new ones for SMEs for digital transformation by the end of 2021
Why (To address:)	Health risk concerns when receiving and delivering of products	With reduced orders and supply chain disruption added to the thin profit margin, the value added tax is becoming a burden for many small and medium sized e-commerce organizations	Lack of awareness and exposure to the utilities of e-commerce is refraining people from rural and peri-urban areas from availing e-commerce services	If mobile internet prices are kept stable or made affordable, the 6 crore mobile subscribers who do not use mobile internet can potentially begin to use data and in turn can be introduced to digital commerce	Platform services for SMEs with end-to-end solutions starting from sourcing to delivery will enable approximately 1% of the 6 million SMEs to adopt e-commerce. Keeping in mind, close to 30% of SMEs have experienced 50% reduction in revenue during the pandemic
What	COVID-19 code of conduct for pickup and delivery. And policy to promote the growth of hyperlocal e-commerce	Tax reformation to ease the expenditure on digital marketing	Tailored business model to empower and educate businesses in the remote regions	Budget reformation to decrease mobile internet prices	Introduction of digital platforms to provide end-to-end e-commerce services to SMEs
Lead Agency	ICT Ministry	National Board of Revenue	ICT Ministry	BTRC	ICT Ministry
Actor	Department of Health under the Ministry of Health and Family welfare and Bangladesh Road Transport Authority	National Board of Revenue, Ministry of Finance	BRAC NGO, UNCDF, SME Foundation	ICT division Mobile operators - Grameenphone, Banglalink, Robi	SME Foundation, Software Development Companies
Coordinator	ICT Division	ICT Division	ICT Division	ICT Division	ICT Division
Facilitator	a2i	E-Cab	a2i	a2i	SME Foundation
Partners	Center for Policy Dialogue. Last-mile delivery solutions: Pathao, eCourier, ShopUp, Chaldal, PriyoShop and Shohoz	E-Cab Will be the representative voice of the digital organizations to determine the extent to which TAX exemption will help in reduction of costs	PKSF, iSocial (Kalyanis), e-Entrepreneurs, Start-up Bangladesh	Additional support from think tanks like CPD can be taken in order to validate the price ranges determined	E-Cab, Digital Start-ups, Consulting Agencies
Financing and modality	Government agencies (Bangladesh road authority, ICT Ministry, DGHS) will be involved in a proactive agreement with private sector entities (e-cab, startups, digital commerce companies) and development partners	The telcos, digital marketing agencies along with the ICT ministry and the BTRC have the scope of working together to determine appropriate tax rates on mobile data, voice and digital ads Government agencies (ICT ministry, NBR) will be involved in a proactive agreement with private sector entities (Telcos, Digital Marketing companies)	PPP; Government agencies (Ministry of Industries, a2i) will be involved in a proactive agreement with digital commerce entities and development partners (UNCDF SHIFT, BRAC)	PPP; Government agencies (ICT ministry, NBR) will be involved in a proactive agreement with private sector entities (Telcos, Digital Marketing companies)	PPP; Government agencies (SME foundation, a2i) will be involved in a proactive agreement with private sector entities (software companies, startups) and development partners