

5.9 E-COMMERCE ECO-SYSTEM SOLUTION FOR RURAL TRANSFORMATION (PLATFORMS TO REACH LAST MILE HOUSEHOLDS)

What problem is the solution trying to address?

Lack of or limited access to markets are obstacles facing rural communities and are identified as one of the main problems resulting from market inefficiencies. Small profit margins for small farmers who sell to many buyers disincentivize current and potential new farmer entrants as well as potential investments which will increase productivity levels and increase post-harvest storage and management. In Sub-Sahara Africa, post-harvest losses alone exceed 30% of total crop production and represents more than USD 4 billion in lost value every year. Smallholder farmers and small and medium enterprises (SMEs) in food value chains (agriculture, fisheries, forestry, livestock, processing, distribution) are disproportionately affected as their gains do not effectively offset existing transaction costs and the risks of engagement. Subsistence and resource poor farmers, women and youths (along with other marginalised groups) who do not have access to sustainable livelihoods because of economic pressures, lack of infrastructure and networks and poor governance arising from non-functioning food systems will benefit. Increased food availability contributes to addressing vulnerability in times of conflicts; climate extremes; economic shocks and pandemics.

What, in brief, is the solution?

The e-commerce ecosystem solution has four key components.

- Component 1: Increase the e-commerce **preparedness of farmers** and the competitiveness of their products.
- Component 2: Strengthen **e-commerce ecosystems**, including e-commerce platforms to be more accessible for farmers and e-commerce ecosystem broader actors who will provide supportive services such as payment, credits, storage, marketing, packaging, transportation and delivery services.
- Component 3: Increase **last-mile connectivity**.
- Component 4: Enable governments and institutions to develop **proactive policies and create an enabling environment for businesses**.

E-commerce solutions provide the opportunity to leverage technology to reach women, youth, poor farmers thus addressing the SDG agenda of leaving no one behind by empowering women and youth by strengthening their income opportunities through new job opportunities in the farming and food-system support sectors (such as R&D, packaging, digital marketing, logistic and financial services).

Three models are proposed, namely

- The private sector driven model - Private e-commerce firms-led with government interventions and development partner support
- The public sector driven model - Government-led investment with private sector and development partner participation
- The development partner driven model – Development agency with an exit strategy

Models 1 and 2 are a combination of public/private partnerships.

Complements other game changing solutions in other Action Tracks - E-commerce solutions are complementary to other proposed game changing solutions in other Action Tracks, such as: social accountability; community development collectives; capacity strengthening networks; the AT4 proposed Global Matching grant fund for capital investment in small and family agriculture; the effort for “fair markets, fair prices and fair wages”; local procurement and increasing investment in rural infrastructure.

Target groups: smallholder farmers, small and medium enterprises in food value chains (agriculture, fisheries (including fish farming), forestry, processing, distribution), women and youth.

What was/were the source(s) from which this solution emerged?

The solution emerged from the public survey of Action Track 5 for game changing solutions and from two member states. The World Food Programme as anchor agency for AT5 has also recommended this solution and is developing programmes with and for several African countries. WFP has also received requests and is in the early stages of exploratory discussions for support in developing e-commerce solutions from Latin America and Southeast Asia.

What is the theory of change?

Use of e-commerce within the agricultural sector increases the sector's contribution to the economy through an increase in GDP brought about by a diversified economy. It can attract investments to make the economy robust and it facilitates private investments necessary for infrastructure, architecture and services to support the solution. Employment opportunities will be created through an increase of skilled and unskilled jobs for youth and women in rural, peri-urban and urban areas.

When used in an integrated manner, the e-commerce ecosystem solution offers opportunities for all players in the food system to collaborate. Development partners can support governments in their objective of rural transformation that will in turn strengthen food systems. Governments can use the opportunity to drive growth in the agricultural sector while improving livelihoods of small-scale farmers and SMEs and to raise revenue to invest in the social sector. Entrepreneurs, who are profit driven can enter the market at the end of the value chain, through bulk buying to serve local, regional and international markets and/or investing in logistics and storage facilities.

Assumptions:

The number of countries that can engage in e-commerce depends on the facilities that are available in country, particularly in developing countries. Countries that have high digital readiness, mobile internet penetration, improved or improving logistics, reliable energy supply and a strong regulatory and fiscal environment are strong candidates for e-commerce platforms.

Inputs:

- Efficient and affordable internet connectivity which would allow buyers and sellers to connect over online platforms;
- Regular and sustainable energy supply or access to energy which reduces the farmers' input costs;
- An enabling policy and regulatory environment, particularly in the telecoms and finance sector;
- Infrastructure, such as roads, warehouses and storage facilities;
- Fiscal policies that do not deter the entrepreneur and will encourage key investors to enter the market;
- Availability of new research technologies in a timely manner such as food and commodity crops that are high yielding and can provide high returns; are nutritious and can satisfy demand and consumer requirements;
- Enhanced technical support for farmers and buyers to keep farmers updated on changing food trends for diversified crop production;
- Safeguarding the environment/availability of agricultural land – protections for the small-scale farmer that agricultural land is not bought up by large corporations as evidenced by rising global interest in available African farmland, for example;
- Grants for small scale farmers from donors/development partners to support farmers' capacity building in business skills training;

- Increased donor/development partner loans on favourable terms to farmers and SMEs such as the World Bank's credit facilities for entrepreneurs;
- Donor/development partner support to provide grants - for capacity building of small-scale farmers in ICT, for small scale farmers to organise and form co-operatives with expert help to organise and aggregate farmers' produce for sale on the platform and negotiate with potential buyers;
- A financial intermediary for the payment system – depending on the local context it could be a development partner, such as WFP, who will take on the risk until the volumes of produce sold can attract a private financial provider as an intermediary (see model 3).

Outputs:

- Increased supply of affordable, safe and nutritious food that will create increased demand;
- A strengthened national food system because of increased investment in the economic and social sectors;
- Increase in potential investors attracted to the sector providing services and facilities for the farmer and to create jobs such as in transportation, ICT, logistics;
- Greater availability of finance products to farmers and SMEs because of collateral and assured markets;
- More independent finance institutions offering credit to SMEs and other potential investors.

Why does this solution align to the definition and criteria for a 'game changing solution' developed by the Summit

The e-commerce solution is not a new concept and pioneer experiments have already been established in urban areas. However, the e-commerce ecosystem has not yet realised its potential to reach and empower small-scale farmers and vulnerable communities. It addresses the SDGs for long term sustainable growth to meet the 2030 objectives and contributes to transformation of food systems. A World Bank report in 2019 found that e-commerce in rural areas can empower vulnerable populations, diversify rural economy, narrow the gap in entrepreneurship between men and women, and create new jobs in non-farming sectors including processing, packaging, marketing, delivery, payment and financial services. When scaled up the solution can open other markets at the national level and regional levels, can strengthen regional integration by promoting peace and stability through trade within regional economic areas. It also provides the opportunity to extend public/private partnerships where governments can be encouraged to provide pro-active policies to leverage private sector investments.

What is the current and/or likely political support for this idea?

The government of China is ready to support this global effort for e-commerce solutions and the government of Turkey contributed the proposal for virtual markets to the AT5 public survey. A few African countries have expressed strong interest in e-commerce solutions. These countries are namely Ethiopia, Ghana, Kenya, Senegal, Malawi, Burundi, Rwanda, Togo and Côte d'Ivoire. These African countries and El Salvador are currently working with WFP and are at different stages to explore establishing e-commerce marketing. A pilot project by WFP in Zambia in 2017 proved successful within its limitations and provided support to 2,500 farmers. Other countries that may be of interest for partnership with WFP in e-commerce solutions include: Vietnam, Malaysia, Thailand, Indonesia and the Philippines. These countries are working with Alibaba on e-commerce training for entrepreneurs. WFP has country presence in Indonesia and the Philippines and would seek to explore collaboration with these two countries on e-commerce marketing.

Are there certain contexts for which this solution is particularly well suited, or, conversely, contexts for which it is not well-suited at all?

The solution is well-suited to all geographies and in country contexts where there is high internet penetration and digital infrastructure. It will also suit countries with a degree of political stability and commitment and where produce can be mobilised and farmers can be organised. In addition, e-commerce solutions facilitate COVID adaptation and mitigation efforts by facilitating efficiencies and transactions in the value chain without creating greater risks for individuals and communities during health shocks.

The solution will not be well-suited in contexts where local financial intermediaries are unwilling to take on the payment guarantee risk and conduct due diligence of both the buyer and seller (farmer). In such cases, the example of the WFP Manoo App – model 3 - that was piloted in Zambia, though limited can be used as a transition mechanism.

What do you think are the key actions required to address this solution?

The key action to be taken is for the following to be addressed before the solution is implemented:

Public policies to address:

- High logistics costs, weak ICT access, low literacy, including digital literacy, and ICT skills, limited purchasing power, low energy supply and lack of resources and capacity for business building.
- Insufficient advice on crops selection – those that have ready markets and can be easily traded on the platform;
- Lack of finance for farmers to invest in their businesses; and
- Land tenure/land allocation.

Corporate actions/development partners to address:

- Weak ICT access and low internet penetration, weak payment infrastructure, low literacy and ICT skills;
- Lack of resources and capacity for business building;
- Low digital literacy and relevant training for grassroots communities, including smallholder farmers and farmers co-operatives;
- Establishment of produce aggregation facilities so that small farmers do not lose out and train local aggregators to represent farmers. The WFP Manoo - Virtual Farmers Market which was launched in May 2017 targeted 2,500 farmers and 50 ambassadors were selected to aggregate on behalf of their communities;
- Support to farmers to form collectives for selling their produce on the platform, thus aggregating produce with their peers.