Note

The State of E-Commerce in Afghanistan

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Summary

This note reviews the existing e-commerce laws, policies, and regulations in Afghanistan. It also identifies studies and repots conducted on the same topic by either international orgarnisations or NGOs. Lastly, the note highlights some of the challenges faced by MSMES, regulators and the government in taking part in e-commerce in Afghanistan.

Table 1: Existing e-commerce policies and regulations

Policy/regulation title	Date of its entry into force	Objective of the policy/regulation	Link to the policy/regulation
Law on Commercial Contracts and Selling of Property	2014	Regulate Affairs of the Economic and Commercial Contracts. Assure the rights and legal interests of the parties of the Contract. Achieve assurance in the Economic and Commercial transactions.	https://bit.ly/3of7IFH
Electronic Transactions and Electronic Signatures Act	2020	Ensures that electronic transactions and electronic signatures have legal recognition	https://bit.ly/3ofCtue
Draft of Electronic Transactions and Digital Signature Law	N/A	Develop a safe, secure, and effective environment for electronic transactions, To promote the understanding and acceptance of and growth in the number of electronic transactions in Afghanistan, Ensure that electronic transactions in Afghanistan conform to the highest international standards.	https://bit.ly/2YeJ6SK
Draft Cyber Security Plan	2015	Highlight the risks associated with digital technology to maximize the benefits. Develop cybersecurity awareness programmes.	https://bit.ly/39WUNTE
Information and Communication Technology Policy	2003	Facilitate the broad adoption of ICTs to improve all aspects of Afghan life, including education, health, employment and access to information. Support growth in the local ICTs industry to foster investment and employment generation in this area. Facilitate the use of ICT to improve government efficiency and to improve social services effectively.	https://bit.ly/36aPuin

Table 2: Existing reports and studies published on e-commerce in the country

Title of the report/study	Objective of the report/study	Link to the report/study
Afghanistan Rapid e-trade readiness Assessment Author: UNCTAD Year: 2019	• Highlight how to harness the digital economy in Afghanistan in support of the 2030 Agenda for sustainable development. • Raise awareness, enhance synergies, and increase the scale of existing and new efforts by the development community to strengthen developing countries' ability to engage in and benefit from e-commerce.	https://bit.ly/2YcC01m
Embracing the e-commerce revolution in Asia and the Pacific Author: UN-ESCAP Year: 2018	• Review the current state and dynamic potential of business to consumer e-commerce in the region. • Present a new comprehensive framework better to examine the development of B2C e-commerce in the region. • Provide a systemic way of understanding different facets and factors that define and affect the industry's evolution.	https://bit.ly/36abwBH
UNCTAD e-commerce week report Author: UNCTAD Year: 2019	• Focus on critical digital issues including the digital divide, digital skills, digital data, gender, trade and logistics, online platforms, consumer trust and new technologies. • Highlight efforts made by countries (Afghanistan and Bangladesh) to create a more favourable environment for e-commerce.	https://bit.ly/3ccnQoW
Import Export Solutions Country Profiles Author: Import Export Solutions Year: October 2020	• Highlight the state of e-commerce in Afghanistan; the number of people who have access to the Internet. • Focus on the challenges of e-commerce in the country.	https://bit.ly/3qKbzfm
E-commerce adoption in SMEs in Afghanistan: Bypassing Challenges Author: Nesar Ahmed Nori Year: December 2018	• Survey and analyze e-commerce challenges in Afghanistan. • Enable SMEs in Afghanistan to adopt e-commerce by bypassing challenges. • Explore the requirement for e-commerce adoption in Afghanistan	https://bit.ly/2Ya7ox8
Study of E-banking services and products in Afghanistan Author: Karimi Abdul Matin Year: 2016	• Analyze the e-banking sector in Afghanistan. • Study and evaluate the individual's perception toward e-banking platform. • Identify the challenges faced by the e-banking sector.	https://bit.ly/3ojmgE6

Afghanistan Electronic Government Procurement Readiness Assessment and Roadmap Author: World Bank Year: June 2007	● Provide a road map that sets out the incremental to potentially be used to introduce e-Government Procurement tools according to the reform agenda's speed and development. ● Focus on the degree of readiness of the Government of Afghanistan's (GoA's) current public procurement environment for making a transition from traditional paper-based, manual methods of procurement transaction processing and communication to electronic government procurement (e-GP).	https://bit.ly/2KJV6IQ
Online business in Afghanistan, Current Trend and Challenges ahead: A conceptual study Author: Abdul Fareed Delawari Year: 2019	● Review the development of the online-business sector in Afghanistan. ● Critically examine the challenges that the sector faces in Afghanistan.	https://bit.ly/2YeHMPX
Issues affecting internet use in Afghanistan and other developing countries in the Middle East Author: Elham Gashghai and Rosalind Lewis Year: 2002	● Identify the fundamental issues affecting ICT and internet use in developing countries in the Middle East. ● Highlight social and cultural factors that contribute to the "digital divide" in the Middle East. ● Find out whether bridging the digital divide important to the continued economic and social development of the Middle East	https://bit.ly/3c5ncJX
E-Commerce Adoption in SMEs in Afghanistan: Bypassing challenges Author: Nori, Nesa Ahmed Anutariya, Dr Chotiporn Year: 2019	● Identify SMEs e-commerce adoption challenges in Afghanistan. ● Provide solutions to e-commerce challenges in Afghanistan.	https://bit.ly/3c8e7jr
E-commerce law around the world: A concise handbook Author: Stephen Eroll Blythe Year: 2011	● Analyze e-commerce laws and regulations around the world	https://bit.ly/3odGeA3

Current challenges regarding e-commerce in the country

Based on reports, interviews, media releases, below is a description of the main challenges/issues regarding e-commerce, faced by the different stakeholders concerned (i.e. business including MSMEs, government, regulators, etc.).

There is a massive mismatch of skills for the digital economy. For customers to purchase online, they should have basic IT knowledge and skills that most people in Afghanistan lack. According to the Ministry of communication and information (2018), only 10% of the population has access to the Internet. [1]

Security challenges across Afghanistan continue to impede scaling up e-commerce operations. Since 2001, the Government of Afghanistan has emphasized institutionalizing reforms to improve its overall business, investment climate, and enhancing Afghanistan supply-side competitiveness. However, Afghanistan continues to face security challenges that are inhibiting these promising efforts. Such conditions exert downward pressure on the economy, resulting in a registered decline in 2018 GDP- 2.4 % in 2018 and 2,7% in 2017. As a post-conflict country in reform, the country faces a wide variety of challenges that it needs to overcome. [2] According to data being recorded in Global Terrorism Database (2017), around 500 nonmilitary attacks such as attacks to private citizens & property, media, education institutions, public transportation, highways & bridges, water, and electricity supply system and other infrastructures. Delawari (2018) found that insecurity hurts the Foreign Direct Investment in Afghanistan. [3]

Inadequate trade facilitation and logistics frameworks also impede e-commerce development. Challenging movement restrictions in Kabul both favour e-commerce and create an impediment to order fulfilment and last-mile delivery. Intra- and inter-provincial transportation infrastructure is a significant impediment to e-commerce growth. [4] Afghanistan's longest border with Pakistan, more than 2,400 km and with Iran, more than 1,000 km have been subject to many border closures, insurgency/ terrorist activities and drug/human trafficking. This instability, corruptions and lack of transparency have left the country with a significant challenge in its transit/transport sector and its overall trade expansion and economic development. [5] Finally, Afghanistan does not have an exact official e-address which creates a severe problem for both customers, regarding the timely delivery, and online platforms, regarding delivery cost. [6]

Access to finance for MSMEs is one of the weakest links in Afghanistan's e-commerce ecosystem. The early stages of e-commerce development in an already financially challenged lending environment means that lenders are less familiar with e-commerce companies seeking capital. Weak banking network outside Kabul and the provinces makes e-commerce businesses in the rural areas struggle with access to finance. Overall, financial intermediation and consumer

[1] Abdul Fareed Delawari ; Online Business in Afghanistan, Current Trend and Challenges ahead: a conceptual study available at
file:///C:/Users/bells/Downloads/4_JEEIR_2019_FAREED1%20(1).pdf

[2] Afghanistan : Rapid e-trade readiness assessment, available at - https://unctad.org/system/files/official-document/dtlstict2019d5_en.pdf

[3] Abdul Fareed Delawari – Online Business in Afghanistan, Current Trends and Challenges Ahead: A conceptual study, available at
file:///C:/Users/bells/Downloads/4_JEEIR_2019_FAREED1%20(1).pdf

[4] Rapid e-trade readiness assessment available at https://unctad.org/system/files/official-document/dtlstict2019d5_en.pdf

[5] Professor Abdul Wassay Haqiqi: Challenges of Transport and Logitsics: A case study of Afghanistan available at
https://www.unescap.org/sites/default/files/2.%20tfforum_bs1_haqiqi.pdf

[6] Abdul Fareed Delawari ; Online Business in Afghanistan, Current Trend and Challenges ahead: a conceptual study available at
file:///C:/Users/bells/Downloads/4_JEEIR_2019_FAREED1%20(1).pdf

confidence in the formal banking sector is also constrained.[7] Financial inclusion can significantly impact the poor's living standards through several channels, including microcredit, micro-insurance, as well as traditional and low-cost savings, payments, and remittance arrangements. In Afghanistan, however, nine out of ten Afghan adults are financially excluded. As per the 2017 Global Financial Inclusion (Findex) survey, at least half of the Afghan adults do not have an account and cite the considerable travel distance to the nearest financial institution amongst the main barriers. Most bank and Microfinance Institutions (MFIs) branches are concentrated in only a few provinces in Afghanistan.[8]

There are various cybersecurity concerns in Afghanistan. According to the International Telecommunication Union in 2012, two contributing factors relate to e-procurement by the government and cybersecurity in Afghanistan: (a) inadequate mechanisms to detect, identify and deter cyber threats; (b) some government agency computers are not equipped with cyber protection software. Afghanistan does not also have adequate cybersecurity legal framework or standards strategy in force. The low literacy rate further worsens this problem among the country, creating a digital divide in the country and others.[9]

The damage to the backbone satellite, microwave and satellite network by the Taliban have caused Poor IT Infrastructure and services. The security threats also deter contractors, consultants, and government workers seeking to operate in Afghanistan's ICT industry. Mobile-penetration rate stands at 67.4 per cent, while the mobile broadband subscription base is a low 16 per cent.

Fewer than 12 per cent of the population uses the Internet. After 23 years of conflict, under-investment and neglect, the ICT infrastructure was left in despair with no national and international connectivity. Pakistan country codes were used in many border areas, and Afghans had to travel to neighbouring countries to make and receive phone calls.[10]

Overreliance on cash-based transactions is another challenge in Afghanistan. Mobile broadband, an essential ingredient of e-commerce, is slow in Afghanistan because of the low number of internet users. According to a study conducted by ITU, the mobile cellular subscriber rate in Afghanistan stands at 64% while mobile broadband subscription stands at less than 16%.[11] According to the 2017 Global Findex survey, only 15 per cent of adults in Afghanistan have a transaction account that allows for payments and value storage. Financial institutions held these accounts. Only 1 per cent of adults use mobile phones to access their accounts. Account ownership and usage are different: some may own some but may not use them. Only 58 per cent of adults with a bank account made a single withdrawal in the past year.[12]

Insufficient legal and regulatory framework are impeding full e-commerce development in the country. A fundamental gap exists in the form of an e-transaction law, and a draft act based on the United Nations Commission on International Trade Law (UNCITRAL) model law on e-commerce.[13] Afghanistan economy majorly relies on foreign aid and public expenditure. With a decline in donor flows, Afghanistan private sector

[7] Afghanistan: Rapid e-trade readiness assessment, available at https://unctad.org/system/files/official-document/dtlstict2019d5_en.pdf
[8] World Bank Report on Afghanistan, available at http://documents1.worldbank.org/curated/en/903431556503441520/pdf/Afghanistan-Payments-Automation-and-Integration-of-Salaries-in-Afghanistan-PAISA-Project.pdf
[9] Khosraw Salamzada et al. A framework for cybersecurity strategy for developing countries; A case study of Afghanistan, available at https://core.ac.uk/download/pdf/33344388.pdf
[10] Larry Wentz et al Information and Communication Technologies for Reconstruction and Development :

Afghanistan Challenges and Opportunities available at https://apps.dtic.mil/sti/pdfs/ADA477267.pdf
[11] Rapid e-trade readiness assesment available at https://unctad.org/system/files/official-document/dtlstict2019d5_en.pdf
[12] World Bank report on Afghanistan available at: http://documents1.worldbank.org/curated/en/903431556503441520/pdf/Afghanistan-Payments-Automation-and-Integration-of-Salaries-in-Afghanistan-PAISA-Project.pdf
[13] Rapid e-trade readiness assessment available at https://unctad.org/system/files/official-document/dtlstict2019d5_en.pdf

contribution to the revival of the economy is also constrained by unnecessary regulatory barriers and challenging access to finance for vulnerable groups and small enterprises. Prioritizing the sectors with the most significant capacity to support growth, job creation, exports, and government revenues would be essential to boost economic growth.[14]

[14] World Bank report on Afghanistan available at http://documents1.worldbank.org/curated/en/903431556503441 520/pdf/Afghanistan-Payments-Automation-and-Integration-of-Salaries-in-Afghanistan-PAISA-Project.pdf

CUTS International, Geneva

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