IX. INITIATIVES FOR E-COMMERCE CAPACITY-BUILDING OF SMEs IN UZBEKISTAN

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A. Introduction

The world is experiencing the raping growth of e-commerce as one of the vehicles of the move towards world information society.

E-commerce is helping to remove physical barriers to trade like the distance between the buyer and seller, to increase efficiency of operations and to improve the transparency of transactions.

The purpose of this paper is to give brief overview of the development of e-commerce in the Republic of Uzbekistan. The development of e-commerce should be viewed in the overall context of ICT development in any given country. Therefore the paper starts with the overview of overall ICT development in Uzbekistan and then proceeds to the development of e-commerce.

B. Current situation of e-commerce development and its potential in the country

1. Description of the country

Uzbekistan is one of the Central Asian countries, which gained its independence after the collapse of the former Soviet Union on 1 September 1991. It has the 3rd largest population in former Soviet Union countries, and 41st in the world. The area is 447.4 thousand sq km, which is slightly larger than Germany. The capital city, Tashkent with 2.5 million population, is the largest city in Central Asia. It is very far from oceans, which results in a sharp continental climate.

Despite being relatively young country, Uzbekistan has very long history. Its ancient cities like Samarkand, Bukhara, Khiva were founded more than 2.5 thousand years ago and always have been the centres of ancient civilizations. The Great Silk Road connecting east and west from China to Europe passed through these cities and they were the commercial centres of ancient times.

However, with the opening of sea routes and the collapse of the Great Silk Road the economic situation worsened and the territory started to be more and more isolated from the outside world.

After gaining independence, Uzbekistan – as all of the transition countries – faced economic difficulties like the decline in GDP, high inflation and unemployment rates, shortage of hard currency and others.

However, it had the lowest cumulative GDP decline among transition countries due to its relatively less overindustrialization, energy self-sufficiency and availability of cash crops like cotton and grain.

Uzbekistan is the only double land locked country in the world (with the exception of Liechtenstein in Europe), which results in very high transportation costs and slow rate of exchange of ideas, knowledge
and information. Due to this the development of e-commerce is vital for the future development of the country.

Uzbekistan, as most of the former socialist countries, has relatively better human development indicators (high literacy rate, relatively well established health and education system, etc.) and physical infrastructure compared to other developing countries.

2. The current status and prospects of e-commerce

The development of ICT gained a new impetus in the year 2002 by the Presidential Decree on May 30, which set forth new strategic directions of ICT development in Uzbekistan. Following this decree, the Cabinet of Ministers of Uzbekistan approved by its resolution the Program of ICT Development for the period of 2003-2010.

Presidential Decree also established an ICT Coordination Council, instituted a new position of a Deputy Prime-minister with his Complex on the Issues of ICT Development.

ICT Coordination Council consists of the heads of key ministries like economy, finance, education, trade, industry leaders, representatives of international institution (UNDP), nongovernmental organization and academic. It is chaired by the Deputy Prime-minister on the issues of ICT.

The Program of ICT Development for the period of 2003-2010 analyses the current situation and sets new quantitative and qualitative objectives to be achieved in the near future. It also clearly notes that ICT development is not a self-sufficient goal, it should rather be seen as a means to achieve the primary goal of the country: to improve the quality of people’s life.

The main directions of ICT development in Uzbekistan include the following:

- The development of telecommunications infrastructure
- The development of the national segment in Internet
- The equipment with computers and other necessary hardware
- The development of software industry
- Forming and usage of information resources
- Preparation of ICT specialists
- The creation of competitive environment in ICT sphere
- The improvement of legislative base, standardization and certification

All the above mentioned directions of ICT development should be followed along with necessary security and privacy requirements which include:

- The guarantee that the information is totally accurate while it is being stored, processed and transferred
- Taking care of all attempts to discard, modify, change, copy, block the information without permit and any other ways of illegal interference to information resources
- Ensuring the confidentiality of state secrets and confidential information in electronic form
- Protection of constitutional rights of citizens for privacy and others
The financing of the Programme should be done using all the available sources, which include the resources from the state budget mainly for the projects aimed to form e-government, private sector financing to the projects aimed to develop e-commerce and the resources of international organizations mainly to finance technical assistance and noncommercial projects.

Main quantitative targets of the programme include the following:

- By the year 2005, connecting 100% of all the cities, 100% of regional centres and 90% of all villages of the country with telecommunications network (43.7%, 30.5%, 66.7% accordingly in 2002)
- By the year 2010, connecting 73% of governmental entities to Internet (8.2% in 2002)
- Widening the spread of places of collective internet access (internet cafe) throughout the country so that all the populated places have at least one internet cafe
- Increasing the number of students with ICT specialization by the year 2010 in high schools up to 1.4 mln (0.2 mln in 2002), in academic lyceums up to 160 thousand (17) and in universities up to 490 thousand (220)
- Increasing the number of high schools which prepare ICT specialists from 17 to 51, academic lyceums from 6 to 22 and universities from 21 to 31.

The Program and ICT Coordination Council’s current work plan include the following necessary measures:

- The working out of the drafts of development programmes directed to the development of communications infrastructure, e-government and e-commerce
- The working out of the drafts of the laws about electronic signature, electronic documents and electronic commerce, also making the necessary changes to the existing legislation (the Law on Informatization and the Concept of Informatization of the Republic of Uzbekistan)
- Preparation of the draft of Cabinet of Ministers’ resolution on the additional preferences for the ISPs providing services in the villages and for the educational and scientific organizations
- Reviewing and assessing all governmental ICT resources
- Reviewing and analyzing the list of public services provided by governmental bodies with the aim of step by step provision of those services in electronic way
- The creation of Tashkent Information Technology University
- The working out and implementation of the programmes directed to the creation of local area networks by all the government bodies
- Making the necessary changes to the process of licensing in order to simplify it and remove the unnecessary red-tape
- Implementing the new statistical forms to better asses the developments in ICT
- The preparation of the draft of the law to make better tax conditions for the electronic commerce and others.

In order to achieve the goals set forth by the programme and ICT Coordination Council’s work plan, all the parties involved like government, private sector, citizens of Uzbekistan and the international community should unite their efforts to the development of ICT. Especially, the government officials
should never think of ICT as the issue of one Deputy Prime-Minister team’s responsibility, but they should think of ICT development as their primary task since it covers all the fields of the economy and all the spheres of the lives of society.

3. Government policy for promoting e-commerce market

The main directions of the government policy for promoting e-commerce market are outlined in the draft of the programme for the development of e-commerce for the period of 2003-2010. They are:

• Improvement of legislative base
• Development of e-commerce infrastructure
• Development of goods and services databases
• Governmental support and incentives for e-commerce
• Implementation of pilot projects on e-commerce

Under each main directions, specific actions are formulated which include the following:

(a) Improvement of legislative base

• Review of existing legislative base
• Preparation of drafts of new pieces of legislature
• Preparation of guidelines for effective e-commerce transactions and typical documents used in e-transactions
• Adoption of standards in the sphere of e-commerce

(b) Development of e-commerce infrastructure

• Improvement of corporate interbank network with widening the scope of electronic payment system of national banks
• Forming the internet-banking system
• Wider inculcation of plastic cards in the capital city – Tashkent – and gradually in the regions of the country
• Implementation of the e-commerce insurance system
• Creation of digital signature certification centres
• Improvement of e-trading system of Tashkent stock exchange

(c) Development of goods and services databases

• Development of databases with sectoral an regional focus
• Formation of searching system for commercial information across the databases
• Development of electronic information marketing centres
(d) **Governmental support and incentives for e-commerce**

- Creation of incentives for the development of e-commerce via the provision of tax, customs and other benefits
- Implementation of simplified customs procedures for goods and services sold via e-commerce

(e) **Implementation of pilot project on e-commerce**

- Pilot projects on payments for utilities online, on pension payments, on fee payments, car registration, etc.
- Online government purchases
- United governmental register for real estate sales

C. **Suggestions for creating a more favourable cooperation network in Asian and Pacific region**

The creation of a more favourable cooperation network in Asian and Pacific region is very important task. To achieve it there must be taken further actions both at the national and regional levels.

At the national level, each country should determine the responsible entity and persons who will be representing Uzbekistan on the network and ensure commitment to the policy agreements achieved via the cooperation network.

These people should be in a senior government positions who have an effect to influence the change in this sphere in their respective countries.

On the regional level, the network should connect all the representatives of the countries using e-mail and common forum at the special web site. The working committee of the network should support the discussions and form the agenda of further meetings.

The regional network should also hold annual or semiannual conferences inviting the highest officials in order to increase the awareness of respective governments.

The transparency and nondiscriminatory approach should be followed in the policy-making process and during the discussions.

D. **Conclusion**

E-commerce is vital for the development of the country, the region and the world as a whole. It promotes better competition and transparency in transaction. Therefore it is very important for the developing countries to catch up and achieve higher rates of growth by the means of e-commerce.

SMEs are in the heart of any country’s economic well-being. E-commerce is considered as one of the vehicles for further development of SMEs since most of the e-commerce start-ups are such enterprises. This puts even more importance for the immediate cooperative actions towards the development of e-commerce.

On the other hand, e-commerce is rapidly growing in developed countries due to the well established infrastructure and availability of internet users. This is resulting in ever increasing “digital divide”, which should be encountered by mutual cooperative actions on the regional and universal levels.