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ALLIANCE FOR ETRADE DEVELOPMENT

ACCELERATING MSME ECOMMERCE IN ECUADOR

September 30, 2021

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ALLIANCE FOR ETRADE DEVELOPMENT

ACCELERATING MSME ECOMMERCE IN ECUADOR

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I. INTRODUCTION

The COVID-19 crisis has hit Ecuador hard. The country's GDP plunged 7.5 percent in 2020 and some 20,000 formal sector firms have had to close permanently.¹ The country's businesses have lost some \$14.5 billion in revenue, one of the worst crises in history for the country's productive sector.² The country's tourism industry lost an estimated \$1.2 billion in 2020 to the crisis.³

At the same time, ecommerce – the sale and purchase of goods and services online – is booming in Ecuador and its key export markets, opening new opportunities for Ecuadorian micro, small, and medium-sized enterprises (MSMEs) to grow their sales and exports, diversify their markets, and create new jobs.

The purpose of this report, prepared in the context of the U.S. Agency for International Development-supported Alliance for eTrade Development II (“eTrade Alliance” composed of Cargill, DHL, Element, Etsy, Google, Latin American eCommerce Institute, Mastercard, PayPal, Ringier One Africa Media, UPS, and Visa), is to use firm-level survey and enterprise registry data to explore how Ecuadorian MSMEs are leveraging ecommerce in their businesses and growth, and contribute to Ecuadorian government and private sector leaders' ongoing implementation of an ecommerce strategy. This report will:

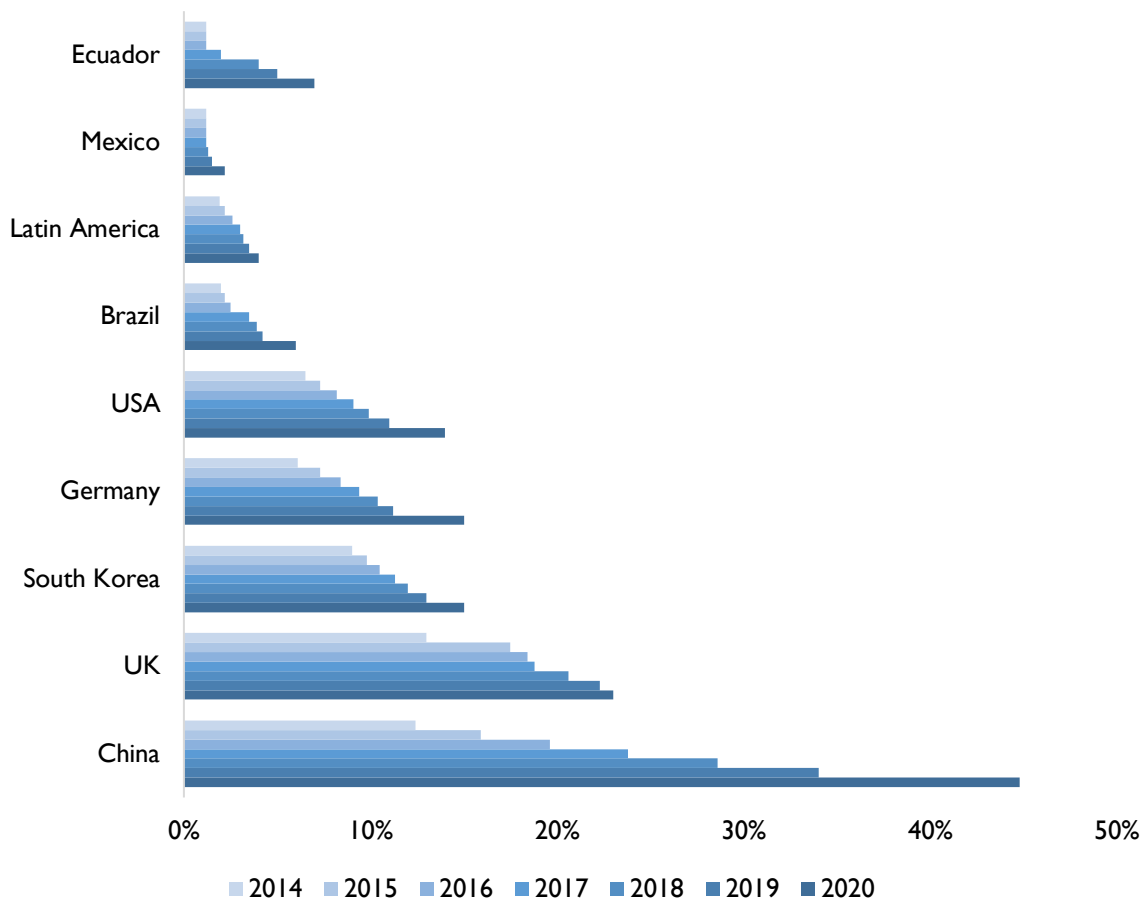
- Present new survey data on how different types of Ecuadorian MSMEs engage in ecommerce, how they benefit from ecommerce, and what challenges they face in growing their domestic and cross-border online sales;
- Map out and assess the service providers in the Ecuadorian ecommerce ecosystem that support MSMEs engaged in ecommerce;
- Review Ecuador's adoption of policies and regulations conducive to MSME ecommerce in a comparative perspective; and
- Put forth ideas on policy and technology solutions for enabling Ecuadorian MSMEs' to grow through ecommerce.

The following section discusses the growth of ecommerce in Ecuador, how Ecuadorian MSMEs use ecommerce and digital services in their businesses, and the challenges they face to growing through ecommerce. Section three discusses how the Ecuadorian government is already addressing these challenges and enabling MSME ecommerce. Section presents policy proposals for accelerating Ecuadorian MSMEs' use of ecommerce and growth of their online sales. Section five concludes.

II. HOW ECUADORIAN MSMES USE ECOMMERCE AND WHAT CHALLENGES THEY FACE

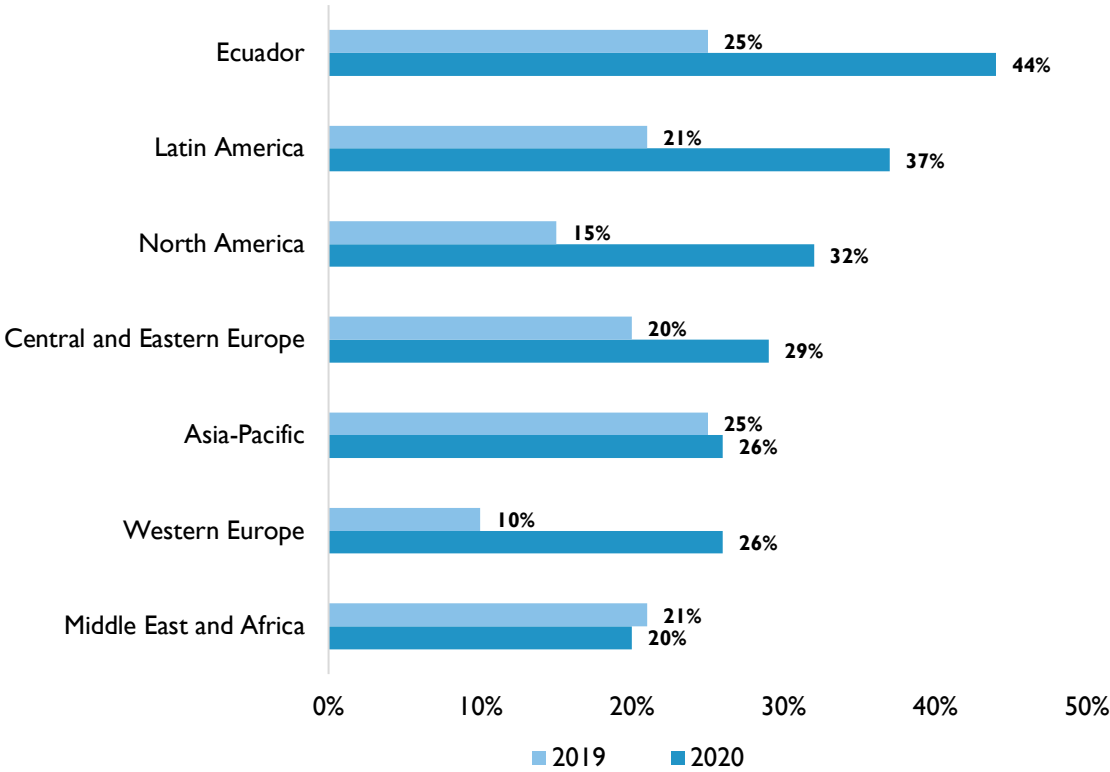
Compared to their peers in the world’s leading ecommerce markets such as China, UK, and Brazil, Ecuadorian consumers have been cautious in using ecommerce. Online sales have traditionally, as in other Latin American countries, been below 5 percent of all retail sales (figure 1). However, these data according to some estimates are rapidly changing. Ecuador has been amid an ecommerce boom in the past two years. Ecuador’s online retail sales grew by 25 percent and further by 44 percent during 2020, as consumers migrated online amid COVID-19 (figure 2).

Figure 1: Online Purchases as % of Retail, by Country or Region



SOURCE: EMARKETER; AUTHORS' CALCULATIONS O ECUADRIAN CENTRAL BANK DATA.

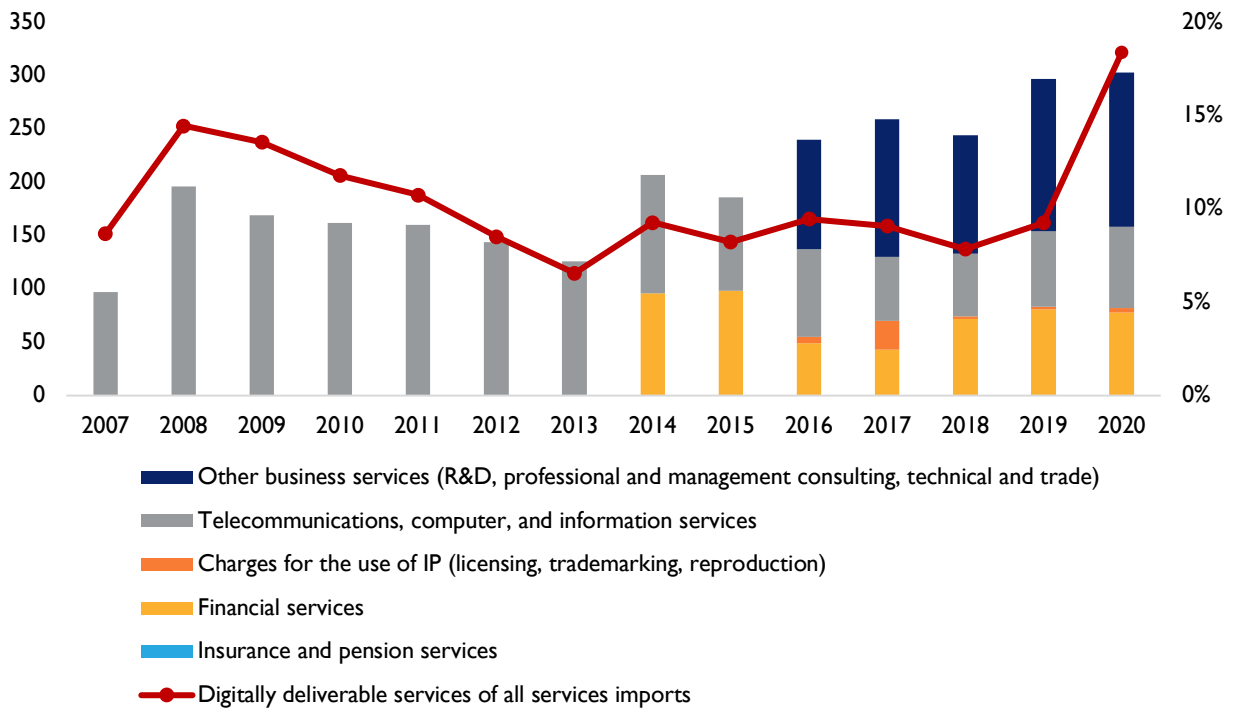
Figure 2: Growth of Ecommerce Purchases in 2019-2020, by Country or Region



SOURCE: EMARKETER, ECUADORIAN CHAMBER OF ECOMMERCE (CECE).

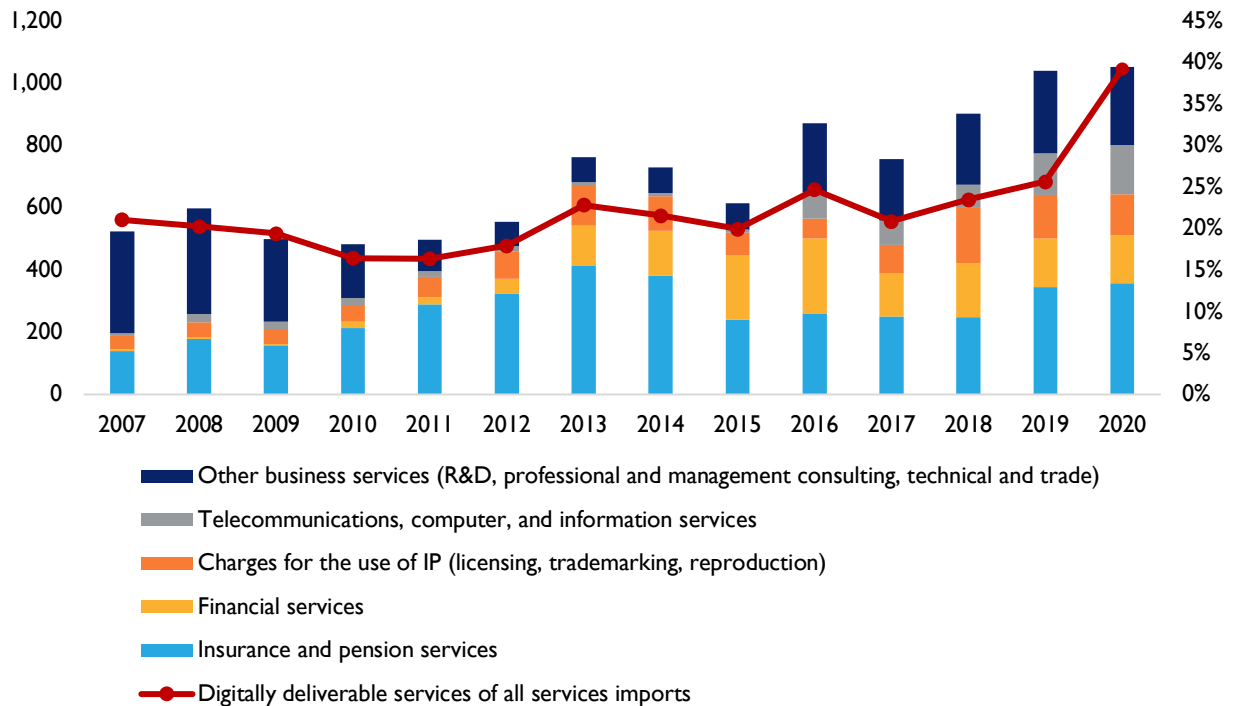
There is little comprehensive data on cross-border ecommerce in goods in Ecuador or other emerging markets. There is however much more comprehensive data on cross-border ecommerce in digitally deliverable services. Digitally deliverable services exports grew at an average rate of 9 percent per year and imports at 6 percent per year in 2007-2020 to make up 18 percent and 39 percent of all services exports and imports, respectively (figures 3 and 4).⁴

Figure 3: Exports of Digitally Deliverable Services in Ecuador, 2007-20 (millions of USD)



SOURCE: AUTHORS BASED ON WTO SERVICES TRADE DATA.

Figure 4: Imports of Digitally Deliverable Services in Ecuador, 2007-20 (millions of USD)



SOURCE: AUTHORS BASED ON WTO SERVICES TRADE DATA.

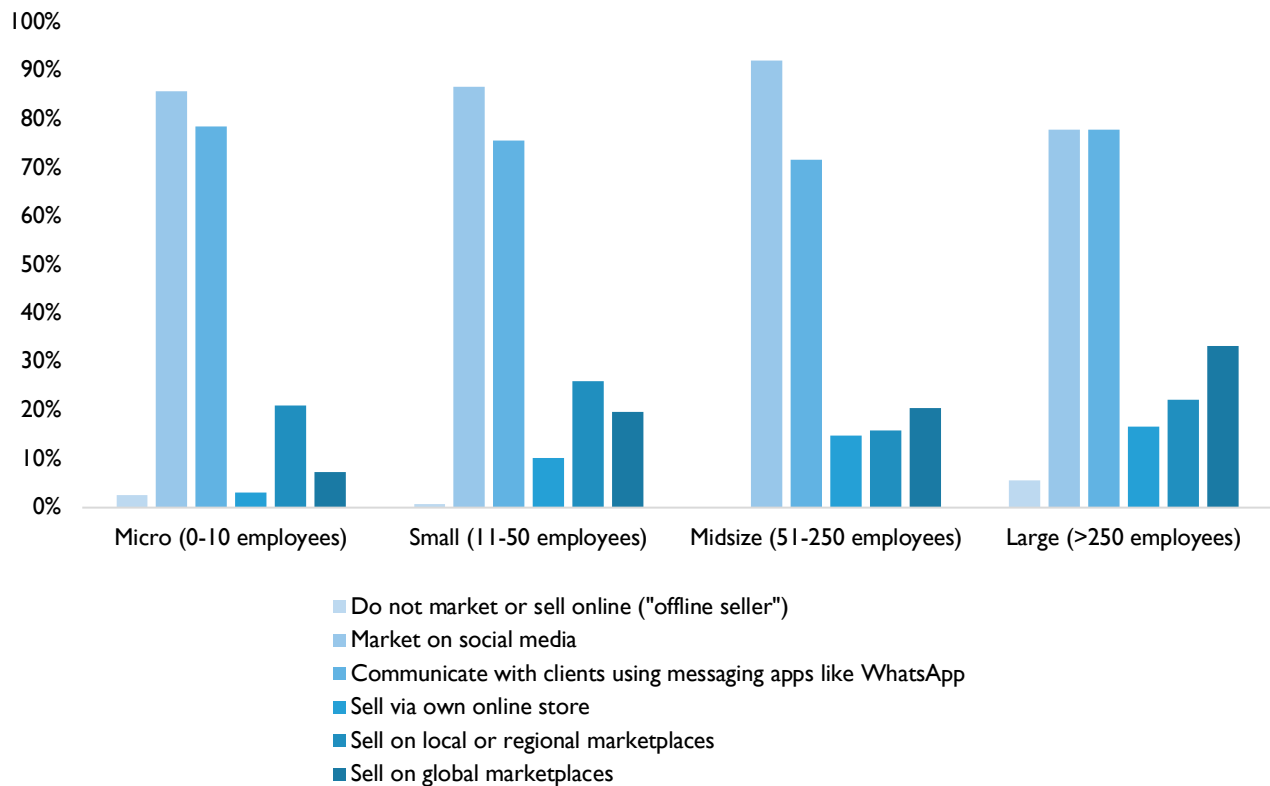
A. ECUADORIAN MSMEs IN ECOMMERCE: 12 TRENDS

Behind the growth of ecommerce are millions of Ecuadorian consumers and tens of thousands of Ecuadorian firms that have set out to sell and buy goods and services online. However, little to date is known on how exactly Ecuadorian MSMEs use ecommerce and what challenges they face. The following seeks to bridge this knowledge gap by analyzing firm-level data from an online survey supported by USAID on 6-10 August 2021 with 423 Ecuadorian firms across sectors and geographies (see Annex I for the sample). There are twelve main patterns:

I. ECUADORIAN MSMEs ARE ALREADY SELLING AND BUYING ONLINE

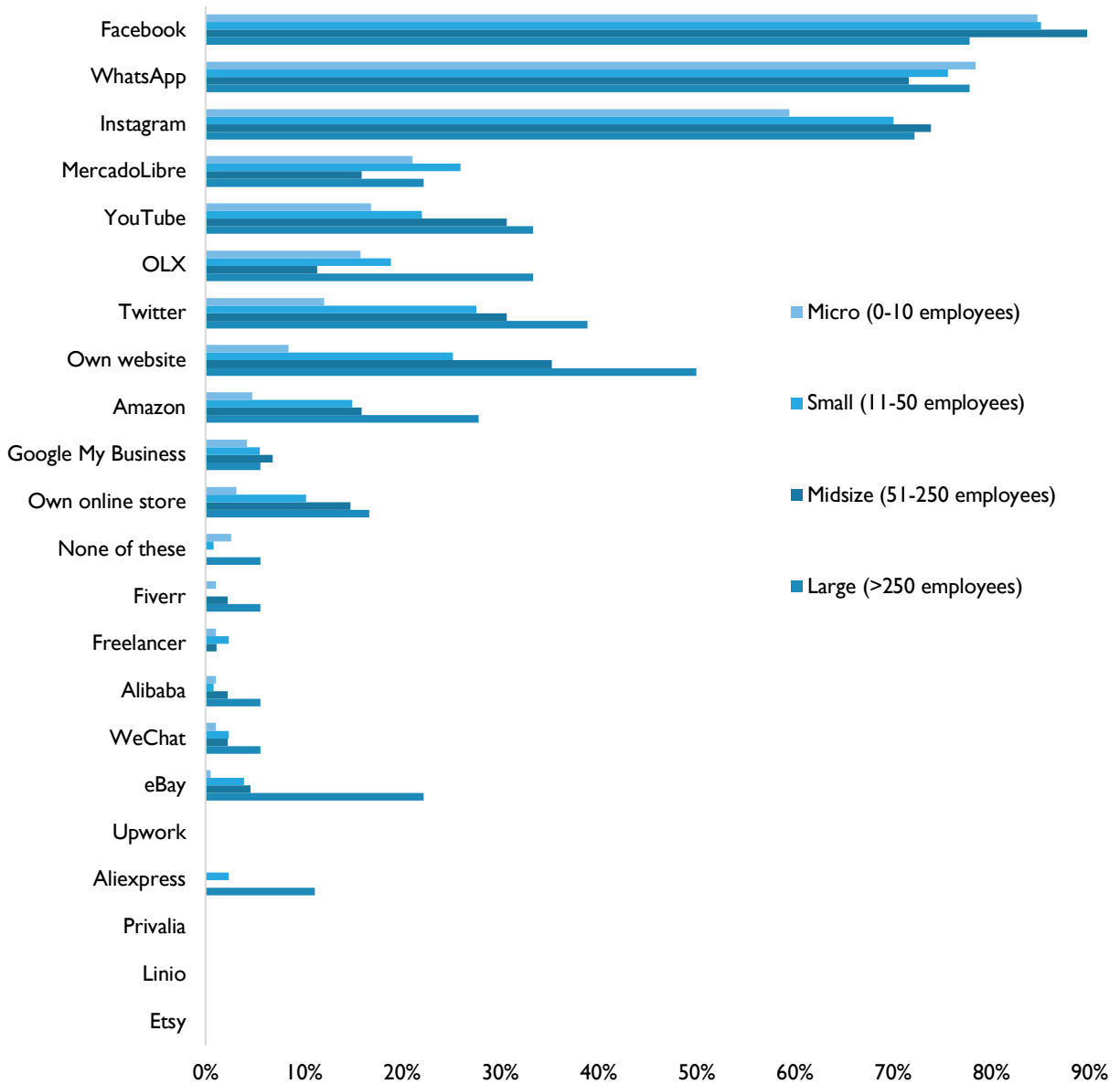
Ecuadorian firms are well on their way to selling online. As in several other surveys with firms in Latin America and beyond, the use of online channels varies by firm size. Micro and small firms are likely to be social sellers that market their goods and services primarily on social media platforms and interact with customers using WhatsApp and other messaging tools. Large firms are more likely to sell on global marketplaces (figure 5).

Figure 5: Ecuadorian MSMEs' Use of Ecommerce in 2021, by Channel



Micro and small firms are less likely than midsize and large firms to have their own online stores and websites and use global marketplaces that enable firms to become visible to hundreds of millions of customers in new markets (figure 6). Some 20 percent of all firms use local and regional marketplaces such as Mercado Libre, but fewer than 10 percent of micro and small firms use global marketplaces such as eBay and Amazon, while a quarter of larger firms have already onboarded these global marketplaces.

Figure 6: Ecuadorian MSME's Use of Platforms and Marketplaces, by Firm Size








2. ECUADORIAN MSMEs CAN BE CATEGORIZED INTO FIVE ARCHETYPES BASED ON THEIR ECOMMERCE MATURITY

Ecuadorian MSMEs vary quite notably in their ecommerce maturity. There are at least five “archetype” groups of sellers (table 1):

- **As: Global marketplace sellers:** Fast-growing small, mid-size and large B2B and B2C sellers that use global online marketplaces and derive more than 25 percent of their revenue from ecommerce. These are rather young and quite technology-intensive firms. Some 35 percent of these firms export and over a quarter derive more than 25 percent of their revenue from exports. These firms are typically located in first-tier cities and see growing their ecommerce sales as a priority. Only a fifth of these firms have majority female executive teams.
- **Bs: Local and regional marketplace sellers:** Small to mid-size fast-growing B2C sellers that have their own online stores, use domestic or regional marketplaces such as Mercado Libre as well as social media, often derive 10-25 percent of their revenue from online sales, and typically export. These firms tend to see growing their ecommerce sales as a top priority and are willing to invest in their ecommerce development. These firms are typically located in first-tier cities.
- **Cs: Sellers with own online stores:** MSMEs that have their own online stores to market their goods and services and transact online, and typically also use social media intensively. These firms are more mature; 62 percent have operated five or more years. Majorities of these firms also export, and a quarter derive more than 25 percent of their revenue from exports. These firms also tend to see investing in ecommerce capabilities as an important priority.
- **Ds: Social sellers:** Micro and small firms that market their goods and services on social media such as Facebook and Instagram and may interact with their clients using WhatsApp, but typically close sales with cash. These firms see investing in ecommerce as important, but do not necessarily prioritize it. These firms are present nation-wide, including in rural areas.
- **Es: Offline sellers:** Micro and small firms in second- and third-tier cities and rural areas that are often in B2C and B2B services and do not see ecommerce or exporting as a priority. Women-led firms tend to be smaller than men-led firms and are thus more prevalent in this category.

Table I: Archetypes of Ecuadorian MSME Sellers

Archetype	Appr. % of firms (overlapping categories)	Size	Typical sectors	Located in	% of firms >5 years old & <2 years old	Technologies used	Firms that grew >10% / firms with negative growth in 2020
 Global marketplace seller	15%	Small, midsize and large; 22% are micro; 10% are large	Electronics, textiles and apparel, food products, B2B IT services, jewelry and accessories	65% in first-tier cities; 13% in rural areas	30% / 27%	Online banking, mobile payments, electronic signature and payments, procure-to-pay systems, accounting software, digital marketing tools, inventory management software, ERP, cloud services for data storage, online job portals to find talent	27% / 24%
 Local and regional marketplace seller	22%	Micro, small, and midsize; 55% are micro; 2% are large	Electronics, textiles and apparel, food products, B2B IT services, beauty products and cosmetics, jewelry and accessories, engineering services	71% in first-tier cities; 8% in rural areas	33% / 28%	Online banking, mobile payments, electronic signature and payments, accounting software, digital marketing tools, inventory management software, cloud services for data storage, online job portals to find talent	14% / 51%
 Sell through online store	8%	Small and midsize; 24% are micro; 4% are large	B2B IT services, textiles and apparel, beauty products and cosmetics, jewelry and accessories, industrial products	First- and second-tier cities; 44% in first-tier, 7% in rural areas	62% / 13%	Online banking, mobile payments, electronic signature and payments, procure-to-pay systems, accounting software, digital marketing tools, inventory management software, ERP, cloud services for data storage, online job portals to find talent, online lending	19% / 31%
 Social seller	87%	Micro, small, midsize; 48% are micro; 3% are large	Food products, textiles and apparel, electronics, beauty products and cosmetics, jewelry	All regions: 65% in first-tier; 11% in rural areas	35% / 38%	Online banking, mobile payments, electronic payments, accounting software, inventory management software	16% / 42%
 Offline seller	6%	All; 33% are micro; 8% are large	Food products, textiles and apparel, IT services, business services	All regions: 67% in first-tier; 8% in rural areas	54% / 33%	Online banking, electronic signature and payments, inventory management software, accounting software	16% / 38%

Archetype	Export participation	% of firms with >25% of revenue from exports	Typical foreign markets	Import participation	% of firms with women CEOs	% of firms looking to invest in 2021 in ecommerce capabilities and digital marketing
A Global marketplace seller	35%	27%	South America; 38% Colombia, 34% Peru, 27% USA, 19% Spain, 5% Japan, 4% China	48%	38%	57% & 70%
B Local and regional marketplace seller	27%	10%	Mostly South America; 18% Colombia; 8% Peru, 10% USA, 3% Spain, 3% Japan	69%	40%	57% & 75%
C Sell through online store	57%	31%	Mostly South America; 42% Colombia, 34% Peru, 22% USA, 17% Spain, 5% Japan	71%	32%	63% & 80%
D Social seller	31%	14%	Mostly South America; 20% Colombia, 15% Peru, 9% USA, 4% Spain, 2% China	40%	38%	44% & 62%
E Offline seller	29%	21%	Mostly South America; 13% Colombia, 17% Peru, 25% USA, 4% Japan, 4% China	41%	25%	13% & 25%

SOURCE: AUTHORS ON THE BASIS OF SURVEY DATA

The above data reflect pure archetypes. The archetypes of course are not exclusive: except for offline sellers, practically all firms with their own online stores use social media as well, and most regional and global marketplace sellers that sell goods almost inherently have their own online stores (figure 7). Firms with their own online stores and marketplace sellers in general use ecommerce more intensively than do social sellers. While about 30 percent of social sellers derive more than 25 percent of their revenue from online sales, 60 percent of firms with their own online stores and nearly 50 percent of regional and global marketplace sellers receive more than 25 percent of their revenues from online channels (figure 8).

Figure 7: Overlap among Surveyed Ecuadorian Archetype MSME Sellers

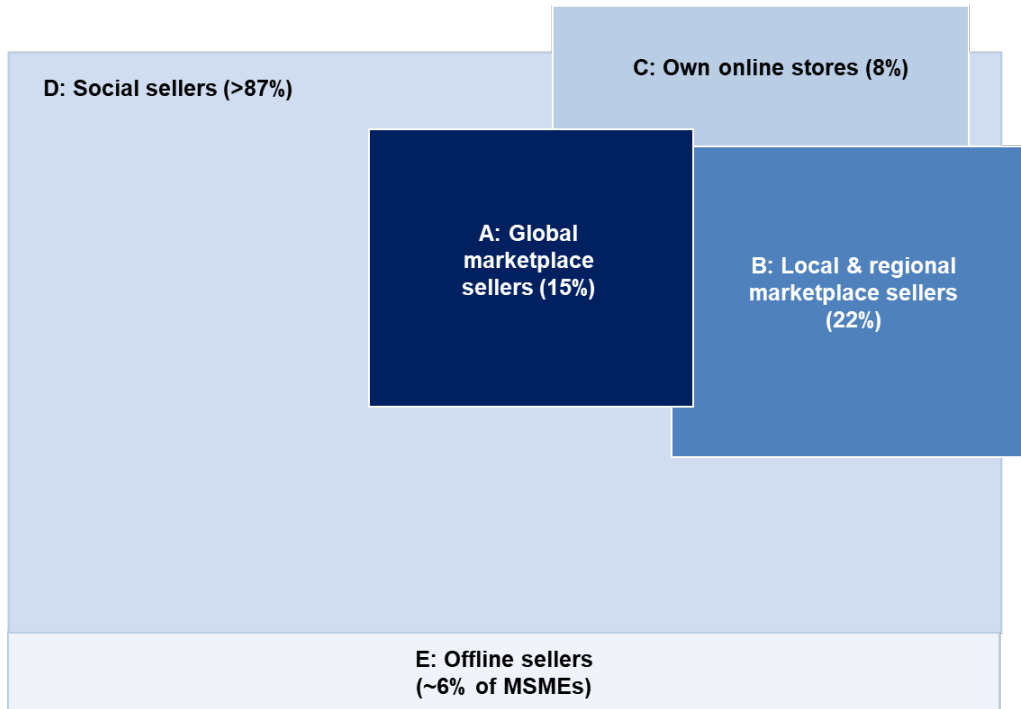
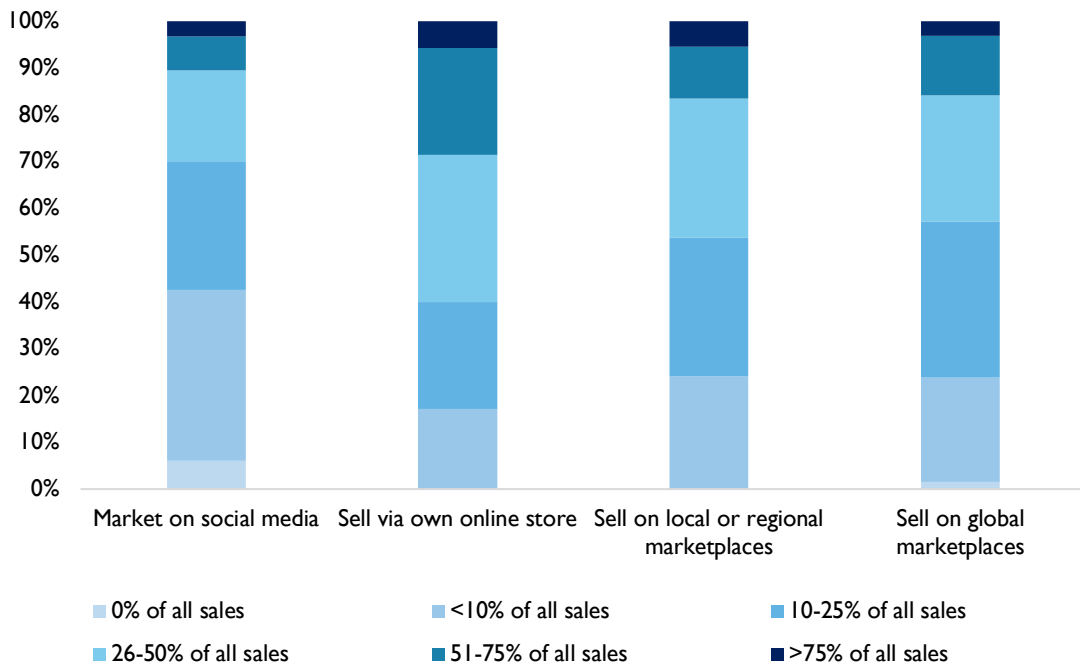


Figure 8: % of Surveyed Firms by Revenue from Online Sales and Sales Channel Used



3. ECUADORIAN ONLINE SELLERS FAVOR DIGITAL PAYMENTS

Firms that derive a strong share of their revenues from ecommerce accept diverse digital payment methods – while sellers that rarely sell online mostly accept cash and cheques. In domestic transactions, firms with high ecommerce intensity favor bank transfers and cards to cash, while a third also use mobile payments and PayPal. Sellers that do not sell online much lean heavily on cash for domestic payments (Figure 9). In international transactions, sellers who sell more via ecommerce accept bank wires, credit cards, and PayPal, and those firms that sell less via ecommerce still use cash as one of the main accepted payment methods (figure 10).

Figure 9: Payment Methods for Accepting Payments from Domestic Customers, by Importance of Ecommerce to All Sales

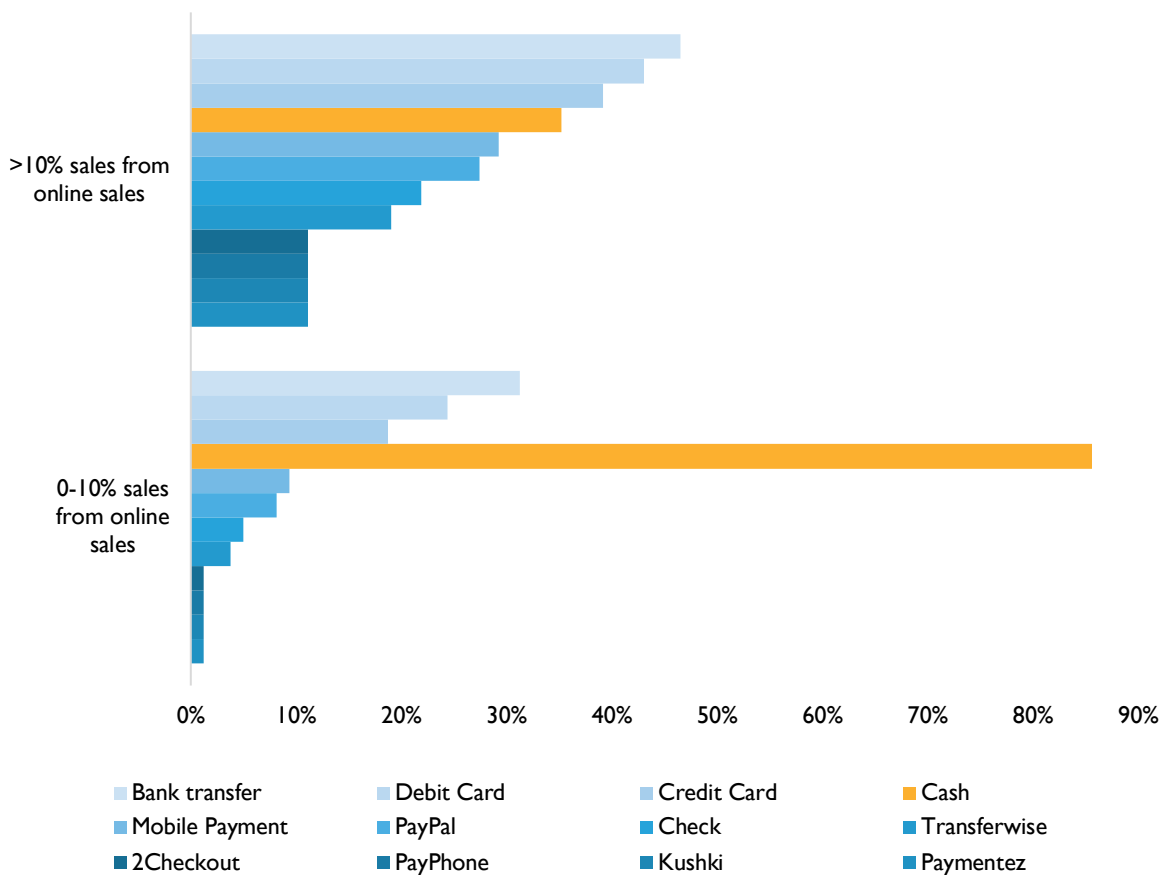
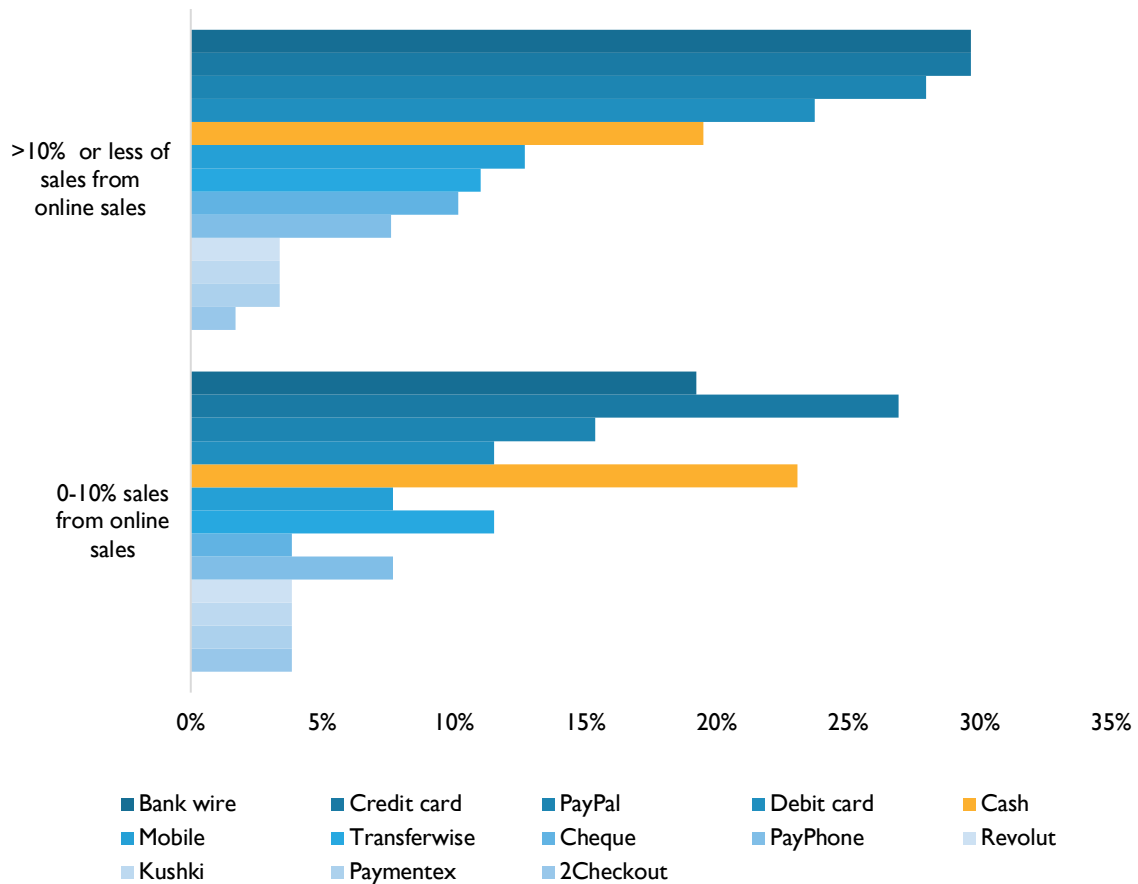


Figure 10: Payment Methods for Accepting Payments from International Customers, by Importance of Ecommerce to All Sales



4. ECUADORIAN FIRMS THAT SELL ONLINE ARE LIKELIER TO EXPORT, IMPORT, AND GROW THROUGH TRADE

Firms of all sizes that have an online presence are much more likely to export compared to offline firms. While 15 percent of the surveyed microenterprises and 41 percent of small firms that do not sell online export, 36 percent of micro enterprises and 64 percent of small firms that sell on global marketplaces export (figure 11). Online seller-exporters are also likelier to export to many markets and to extra-regional markets than social sellers (figure 12, table 2). In addition, firms that export online tend to sell many products, as opposed to firms that do not export and sell online (figure 13). This can have two explanations. First, firms that have many products are likelier to find export market niches for them in different markets. Second, exporters and marketplace sellers are likelier to discover new needs in international markets, and innovate and introduce new products and services than are domestic firms.⁵ Online sellers are also likely to use online channels for identifying vendors and suppliers; over three quarters of global marketplace sellers also import (figure 14).

Granted, ecommerce use does not necessarily *cause* firms to export – the correlation between exporting and ecommerce use may simply mean that existing exporters have self-selected into

ecommerce. However, our other surveys suggest that about 40-50 percent of online sellers start to export *after* starting to use ecommerce. Ecommerce enables MSMEs to trade in part because it essentially reduces the geographic distance that has for centuries curtailed visibility, trust, and trade between buyers and sellers located far apart.⁶ Online stores and marketplaces’ customer reviews, payment tools, and dispute settlement mechanisms give the buyer a sense of trust, the lubricant of trade that previously took several repeated transactions between buyer and seller to build.

Figure 11: % of Surveyed Ecuadorian Firms that Export, by Online Activity and Size

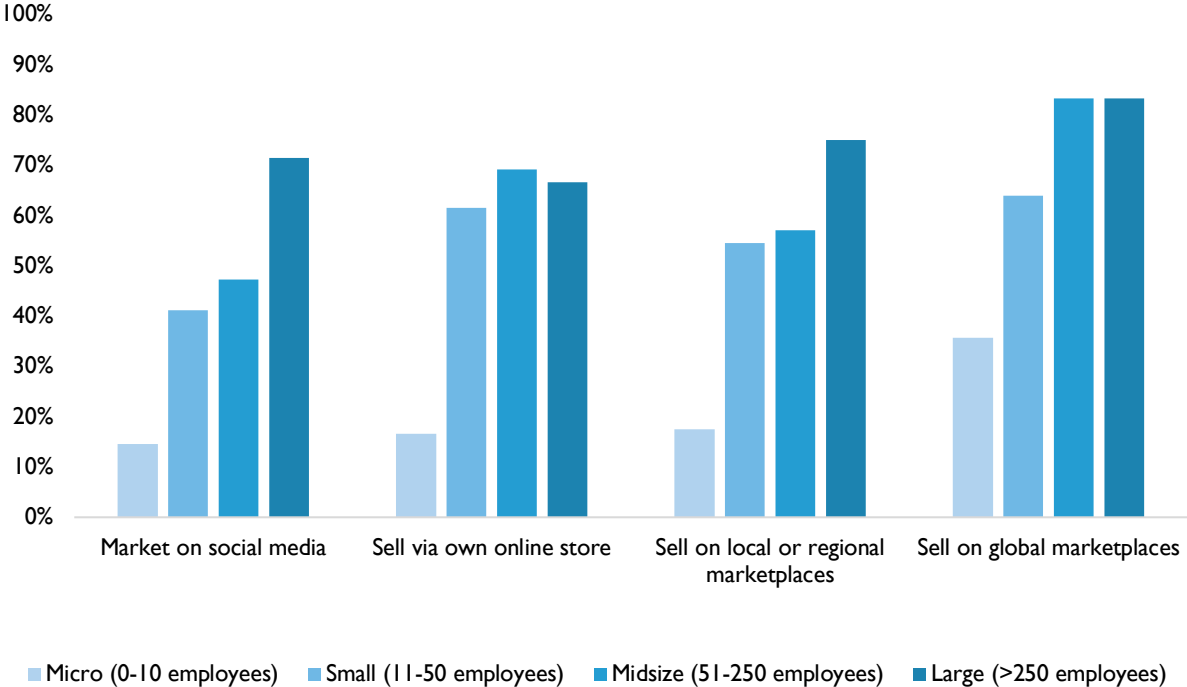


Figure 12: Number of Export Markets and Sales Channels

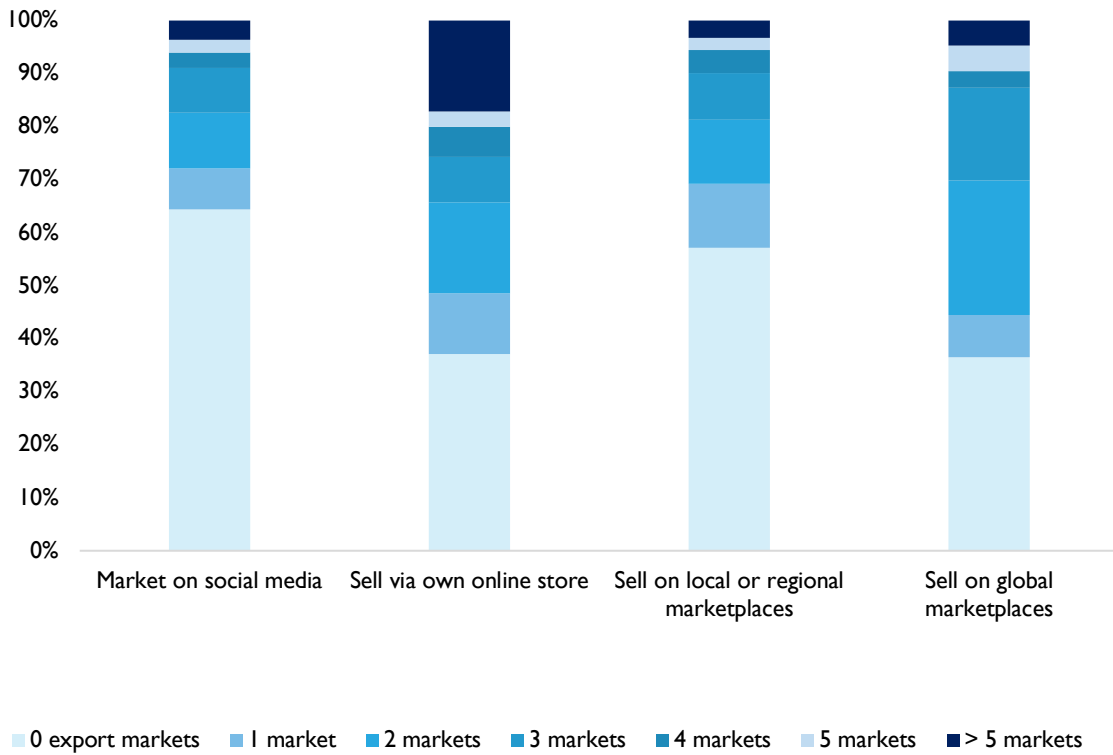


Table 2: Selected Export Markets, by Online Sales Activity (% of exporters making sales)

Country	Market on social media	Sell on local or regional marketplaces	Sell on global marketplaces
USA	69%	88%	84%
Canada	20%	32%	33%
Colombia	11%	14%	15%
Brazil	7%	11%	13%
Argentina	7%	9%	13%
Spain	10%	14%	22%
UK	2%	6%	7%
China	3%	11%	10%
Japan	6%	12%	10%
Korea	4%	5%	6%

Figure 13: Number of Products Sold by Firms, by Online Sales and Export Participation

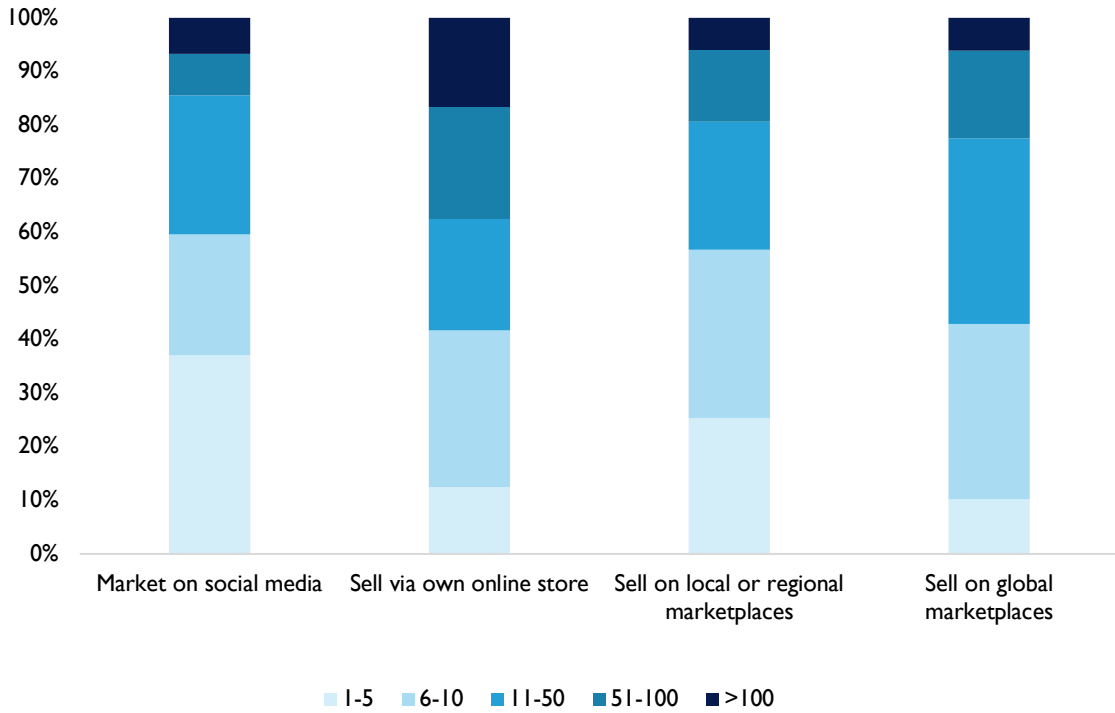


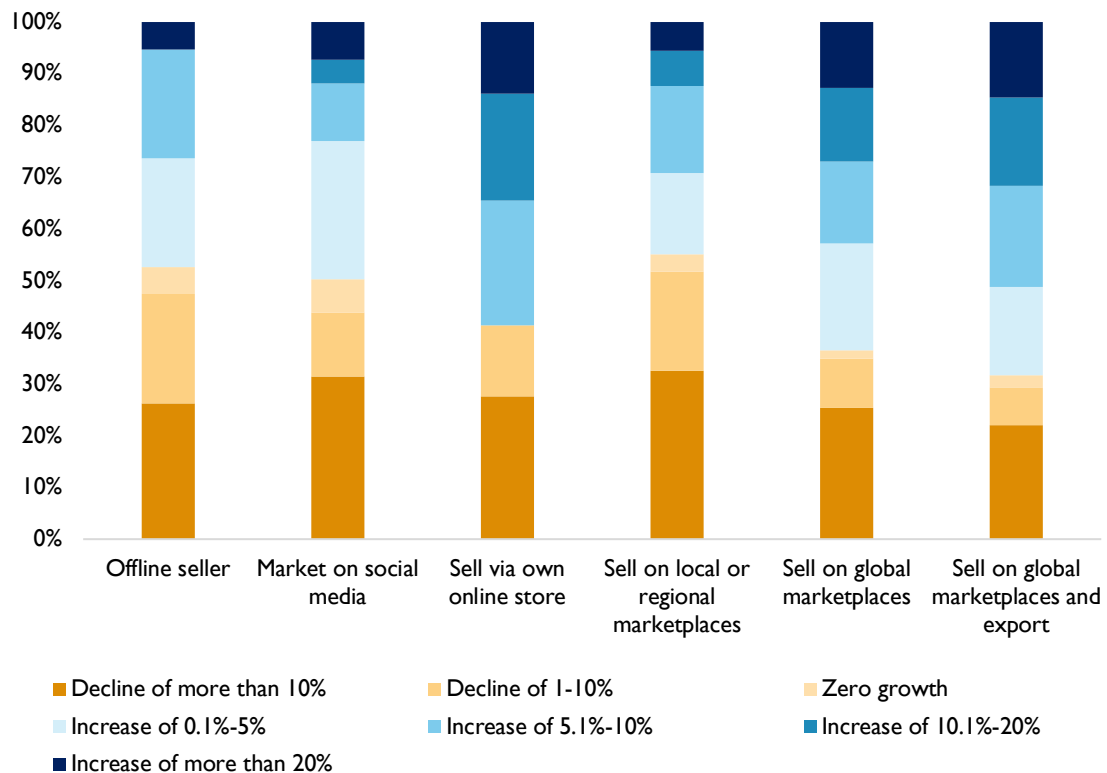
Figure 14: % of Surveyed Ecuadorian Firms that Import, by Online Activity and Size



5. ECUADORIAN MSMEs REPORT SIGNIFICANT REVENUE AND EXPORT GAINS FROM ECOMMERCE

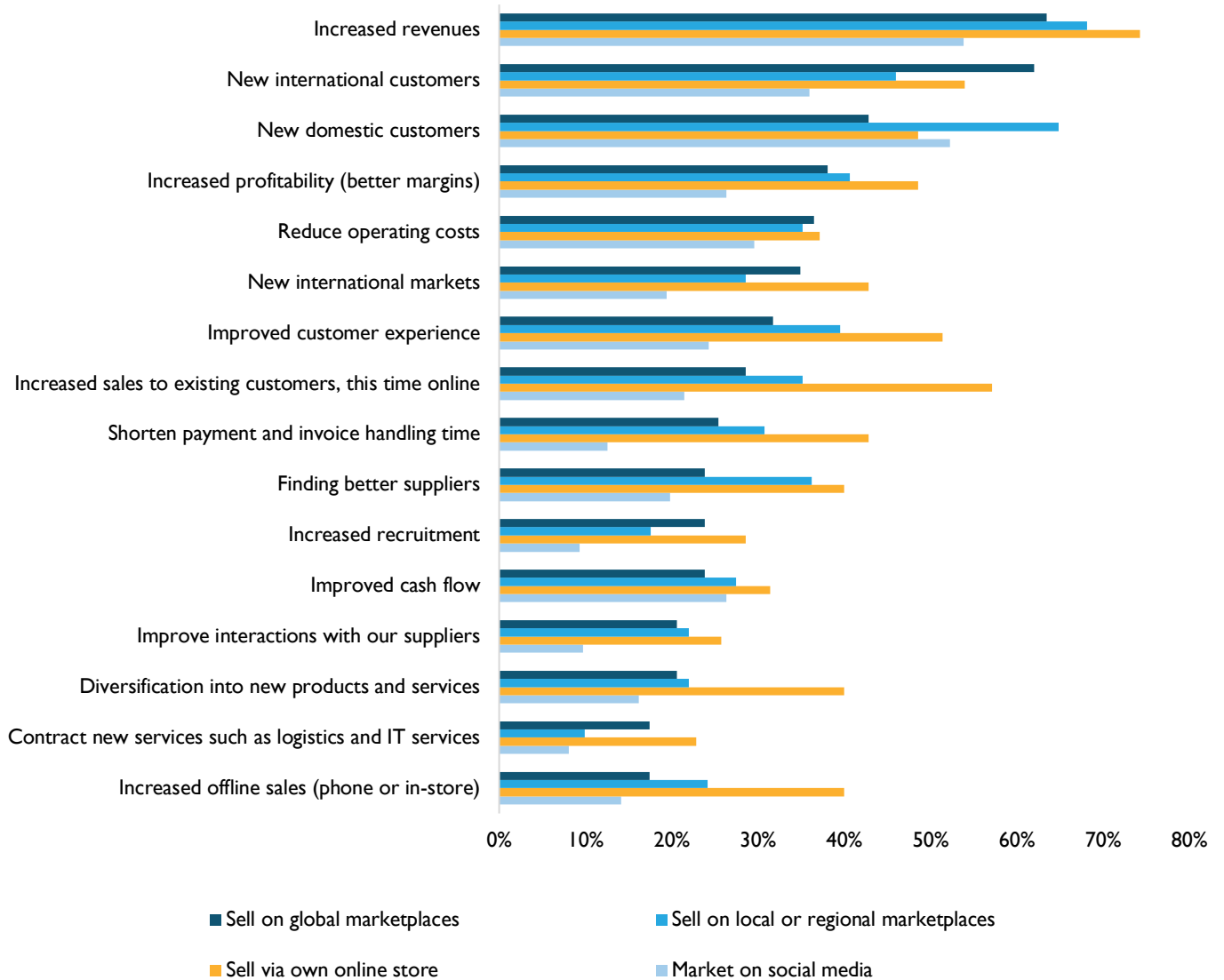
Marketplace sellers grow faster than firms that use analogue or social channels. Around one-third of global marketplace sellers grew more than 10 percent from 2018 to 2019. Meanwhile only 10 percent of social sellers and fewer than 5 percent of offline sellers attained above 10 percent growth in 2019 (figure 15).

Figure 15: Surveyed Ecuadorian Firms' Growth of in 2018-19, by Online Activity



Marketplace sellers and sellers with their own online stores also report strong gains from ecommerce, in terms of new domestic and international customers, revenues and profitability, reduction in operating costs, and export opportunities (figure 16). Online sellers also appear to generate benefits to their communities: about a quarter of marketplace sellers have increased hiring due to ecommerce, and a fifth has contracted new IT, logistics, and other services. Social sellers report gains as well, albeit to a lesser degree given their more limited online sales activity.

Figure 16: % of Surveyed Ecuadorian Firms that Report Benefits from Use of Ecommerce, by Firm Size and Ecommerce Maturity



6. WOMEN-LED FIRMS PERFORM JUST AS WELL IF NOT BETTER THAN COMPARABLE MEN-LED FIRMS IN ECOMMERCE

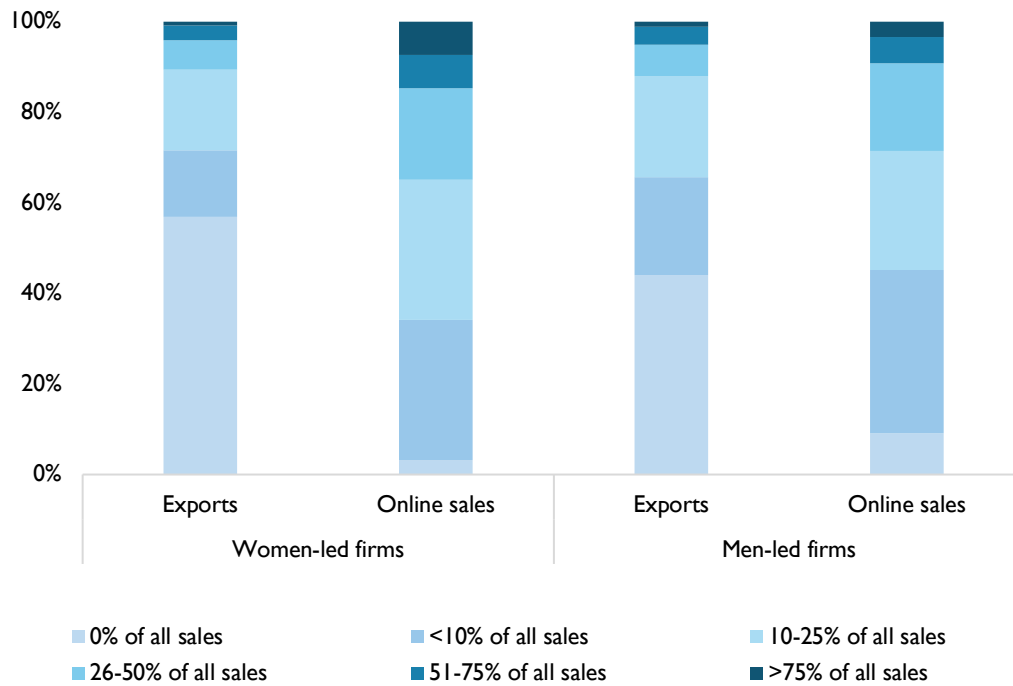
Ecuador is a country of female entrepreneurship. According to the World Bank’s Enterprise Surveys, over 70 percent of Ecuadorian firms have some female ownership, compared to the Latin America and the Caribbean average of 50 percent, and 25 percent of small firms are led by a woman, compared to 22 percent for the LAC region.⁷ Women-led firms are however typically on smaller and in the informal sector; large firms are disproportionately owned and run by men. In our survey, female-led firms are similarly likelier to be found among micro enterprises – they make up 38 percent of all surveyed firms, 39 percent of the CEOs of micro enterprises, and 28 percent of CEOs of large companies. There are however few disparities among *comparable* women and men-led firms (or firms of same size and

geographies): comparable women-led and men-led firms use online channels in a highly similar manner (figure 17). The ecommerce and export intensities of women- and men-led firms are also similar. This may suggest that ecommerce can be an equalizer between men- and women-led firms, if only more women-led firms would be formed and access basic technologies to get and sell online (figure 18).

Figure 17: Online Channels and Performance of Firms Led by Female and Male CEOs, by Firm Size



Figure 18: Ecommerce and Export Intensities of Micro and Small Firms led by Female and Male CEOs



7. NEW ECUADORIAN FIRMS ARE BORN DIGITAL AND BORN GLOBAL

COVID-19 has caused firms to shut down – but also, survey data suggest, propelled the creation of firms as people have been laid off or realized the opportunities amid the crisis. In an exciting development, over a third of the firms formed in the past two years are “born digital” – they have their own online stores and use marketplaces (figure 19). These firms are also quite likely to export (figure 20). To the extent that online sellers continue to be likelier to become exporters, these born digitals could bode well for Ecuadorian MSME exports.

Figure 19: % of Firms that Sell on Marketplaces or via their Own Online Stores, by Firm Age and Gender of CEO

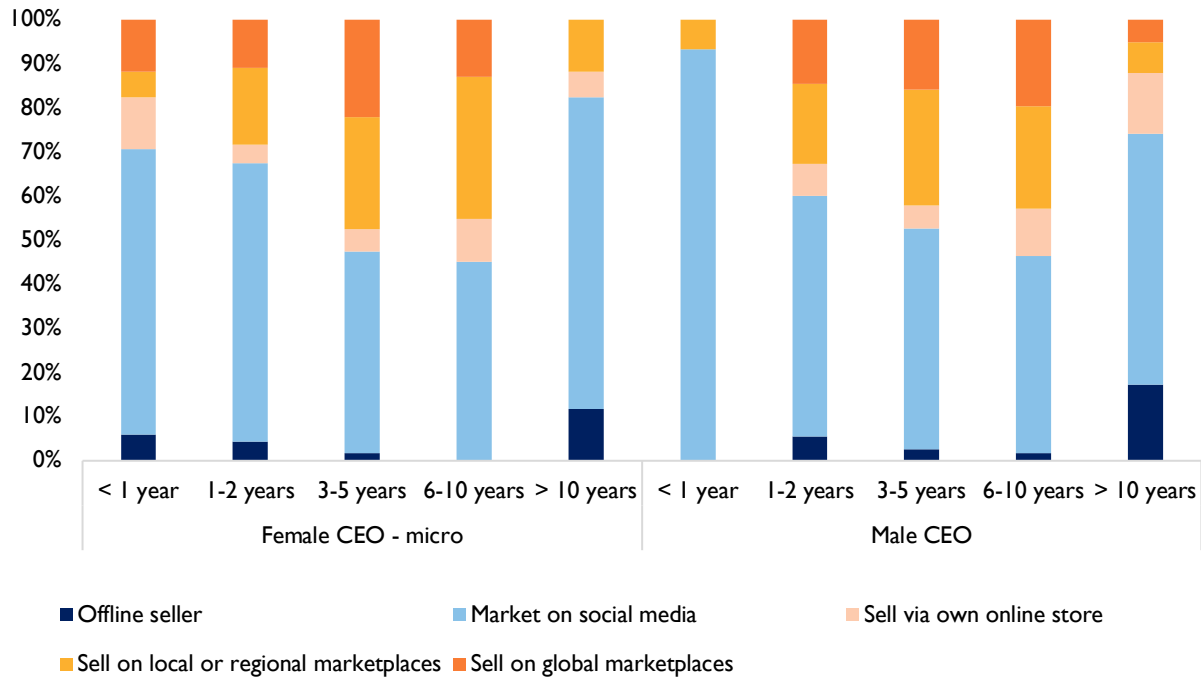
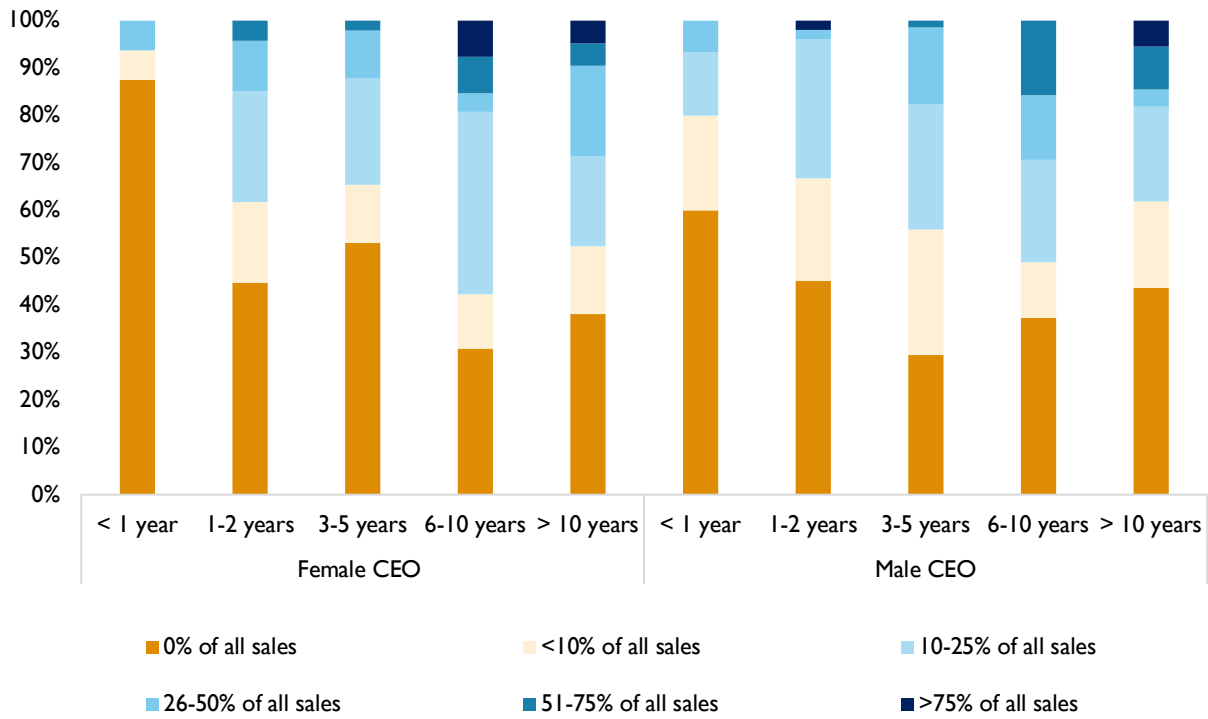


Figure 20: Export Intensities, by Firm Age and Gender of CEO



8. THE MOST SUCCESSFUL MARKETPLACE SELLERS SHARE CHARACTERISTICS: THEY ARE DIGITALLY MATURE ENTERPRISES WITH HIGH HUMAN CAPITAL

Ecuadorian marketplace sellers are fast-growing, dynamic firms. This may simply mean that well-performing firms self-select to sell online. However, as suggested by survey data, selling on marketplaces has also enabled firms to reach new customers and grow their revenue. In addition, marketplace sellers outperform social sellers and offline sellers likely because marketplace sellers are avid users of technologies that streamline their operations and sales cycles and generate new efficiencies. Asked about the use of various technologies in their businesses, marketplace sellers tended to report using online banking and mobile and electronic payments, cloud computing services, and software and online tools for marketing, accounting, inventory management, and enterprise resource planning (ERP) (figure 21, table 3).

The categories of social seller, marketplace seller, and so on are of course not static – many firms start out as offline sellers or social sellers and “graduate” to having their own online stores and marketplace sellers. Looking at the data this way suggests that the gateway for Ecuadorian firms into the digital economy is electronic payments and online banking. After adopting these tools, firms grow into more frequent users of online accounting tools and social media channels, followed by using software to automate and streamline their operations. To enable a larger set of firms to realize the gains from digitization, public policy should focus on enabling firms to move forward on this digital journey, such as via raising firms’ awareness about available technologies and helping to finance their adoption of these technologies.

Figure 21: Use of Digital Technologies at Different Levels of Ecommerce Maturity

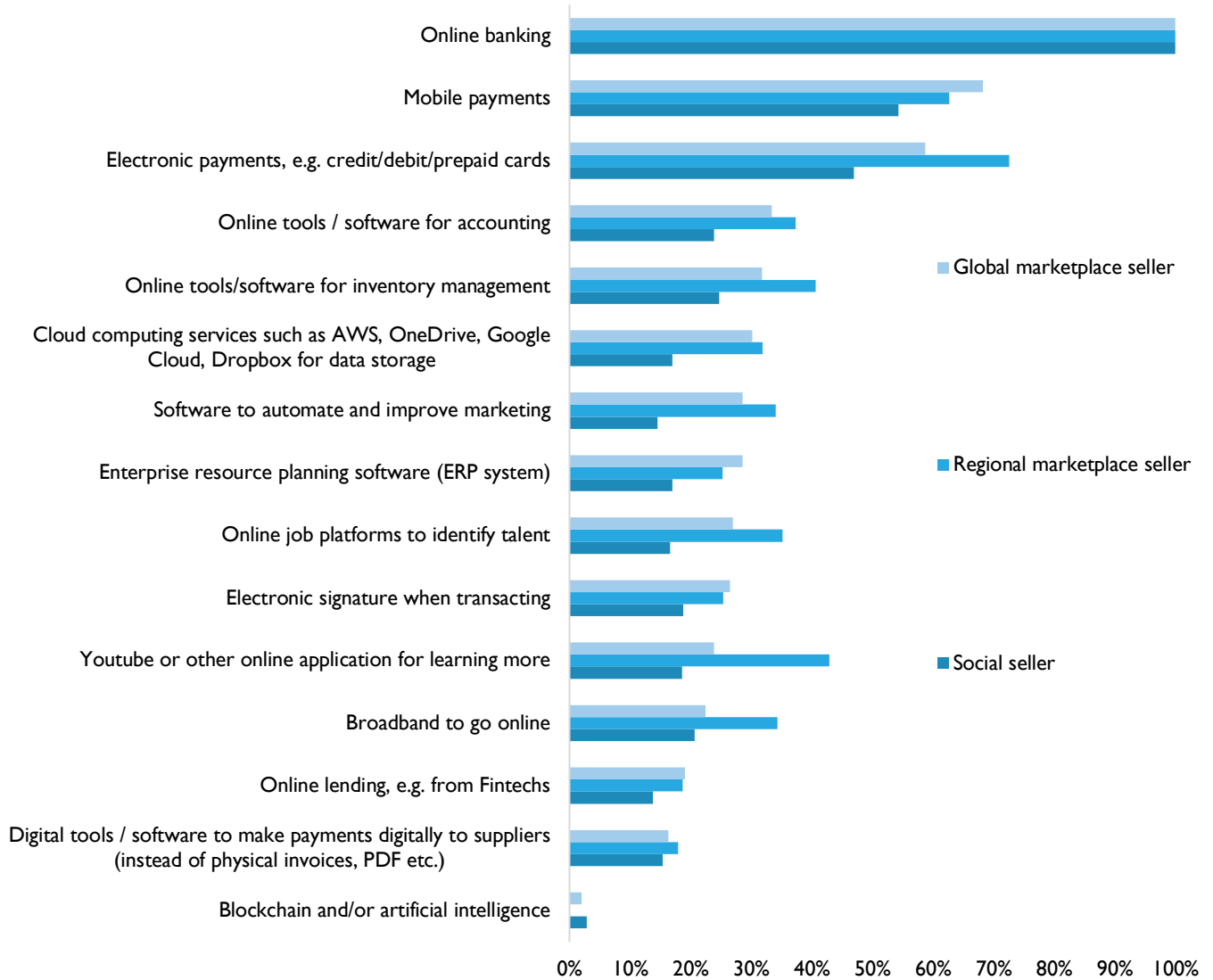


Table 3: Complementarities in the Surveyed Firms' Use of Digital Technologies

	Digital signatures	Broadband	Digital payments	Online lending	Software for inventory management	Software for managing suppliers	ERP systems
Digital signatures	1.00						
Broadband	0.32	1.00					
Digital payments	0.14	0.15	1.00				
Online lending	0.12	0.03	0.06	1.00			
Software for inventory management	0.24	0.24	0.18	0.11	1.00		
Software for managing suppliers	0.20	0.33	0.07	0.12	0.44	1.00	
ERP systems	0.14	0.21	0.16	0.30	0.29	0.26	1.00
Accounting software	0.25	0.29	0.18	0.13	0.36	0.31	0.20
Online marketing tools and software	0.18	0.20	0.13	0.11	0.24	0.17	0.18
Cloud computing	0.13	0.23	0.09	0.08	0.30	0.30	0.13
Blockchain and/or AI	0.01	0.00	0.02	0.15	0.17	0.13	0.14
Online videos for learning	0.02	0.14	0.08	0.01	0.08	0.09	0.08
Online talent platforms	0.09	0.12	0.13	0.15	0.22	0.18	0.23
Global marketplaces	0.05	0.01	0.03	0.01	0.00	0.01	0.03
Regional marketplaces	0.05	0.11	0.20	0.00	0.13	0.00	0.01
Own online store	0.02	0.05	0.15	0.01	0.08	0.05	0.10

	Accounting software	Online marketing tools and software	Cloud computing	Blockchain and/or AI	Online videos for learning	Online talent platforms	Global marketplace	Regional marketplace
Digital signatures								
Broadband								
Digital payments								
Online lending								
Software for inventory management								
Software for managing suppliers								
ERP systems								
Accounting software	1.00							
Online marketing tools and software	0.32	1.00						
Cloud computing	0.37	0.21	1.00					
Blockchain and/or AI	0.09	0.08	0.11	1.00				
Online videos for learning	0.17	0.08	0.28	0.10	1.00			
Online talent platforms	0.23	0.29	0.28	0.26	0.28	1.00		
Global marketplaces	0.02	0.03	0.04	0.01	0.01	0.02	1.00	
Regional marketplaces	0.00	0.13	0.05	0.07	0.23	0.12	0.26	1.00
Own online store	0.04	0.14	0.13	0.03	0.02	0.20	0.12	0.15

Firms have learned about the various technologies especially online via YouTube or from other business owners or colleagues; the government has been a top-3 source for about a fifth of firms (figure 22). Firms have also sought financing for their digital transformation projects; marketplace sellers have been most avidly seeking financing and have been quite successful; most offline sellers have either not sought financing of this kind or been unsuccessful in securing it (figure 23).

Figure 22: How Firms Have Learned About Digital Technologies for The First Time

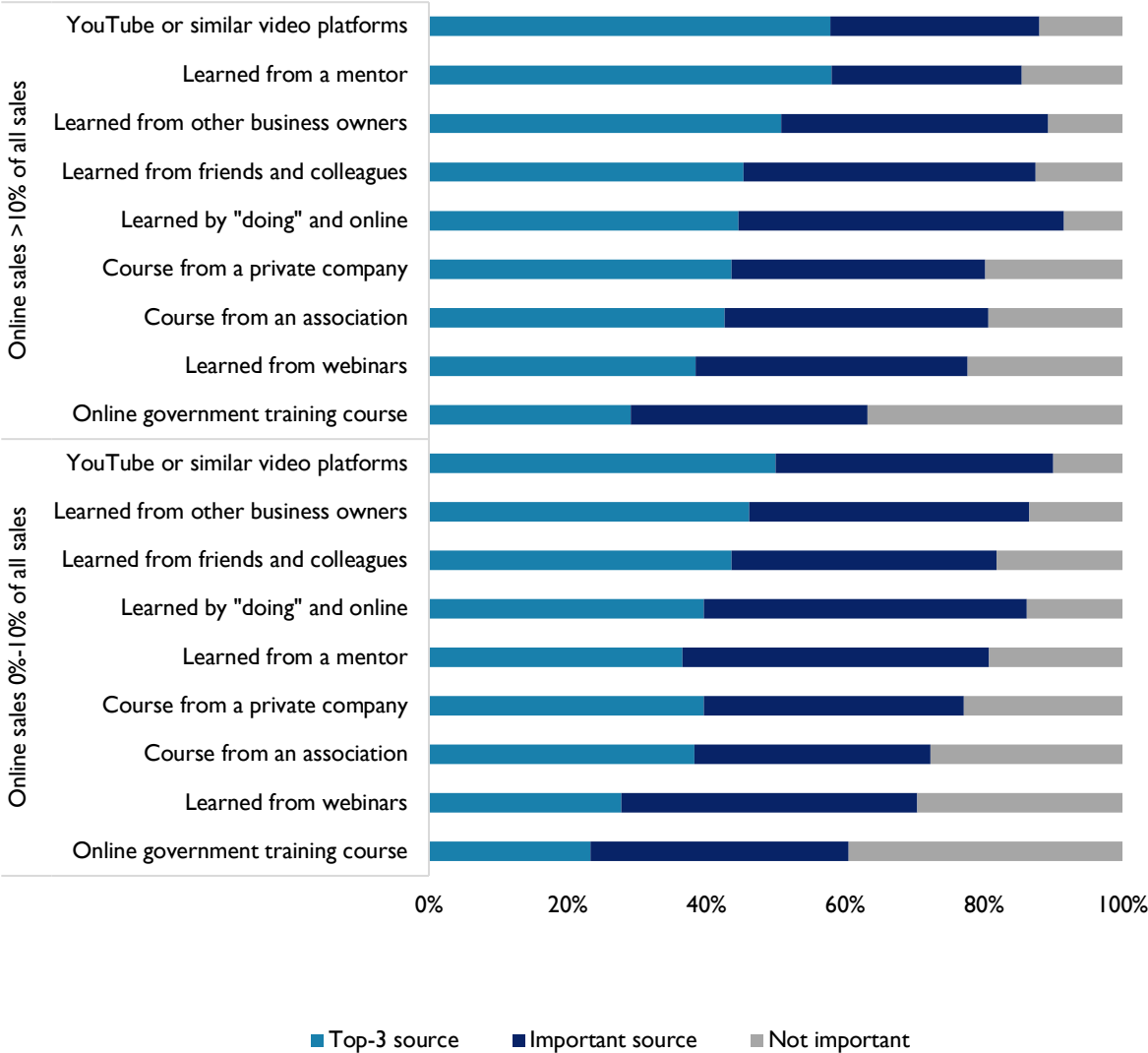
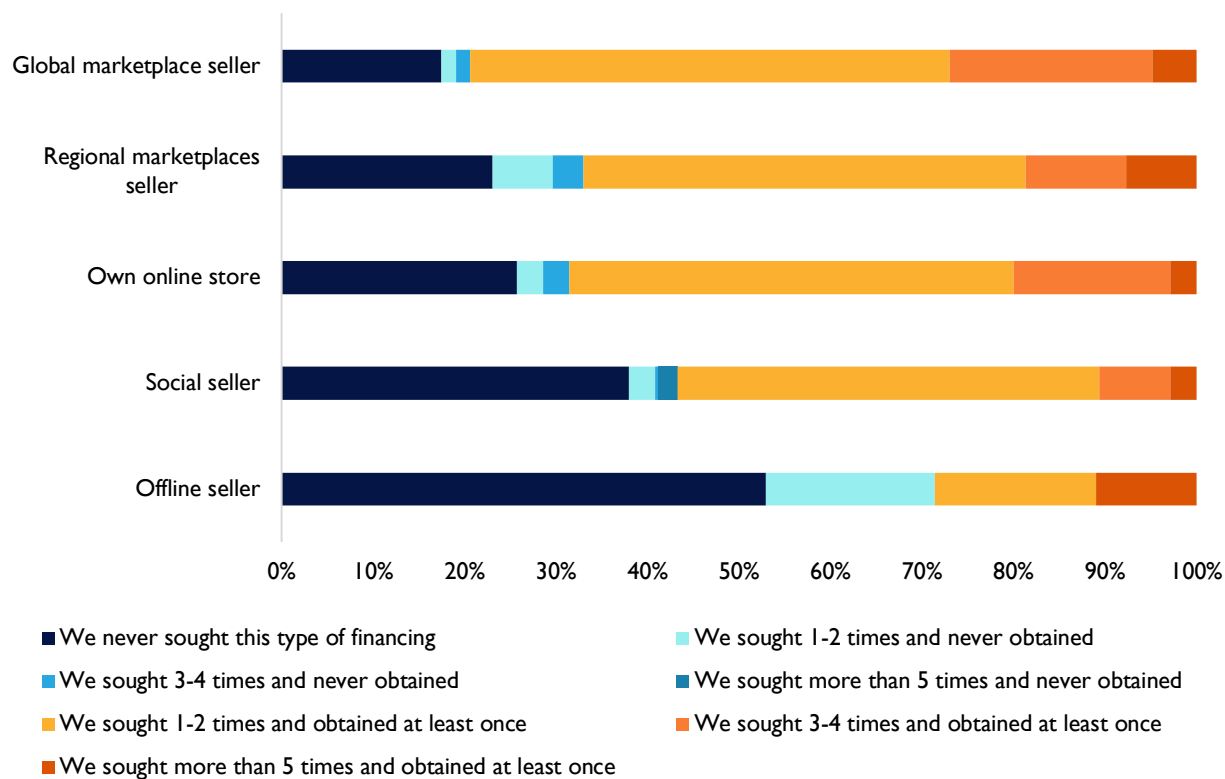


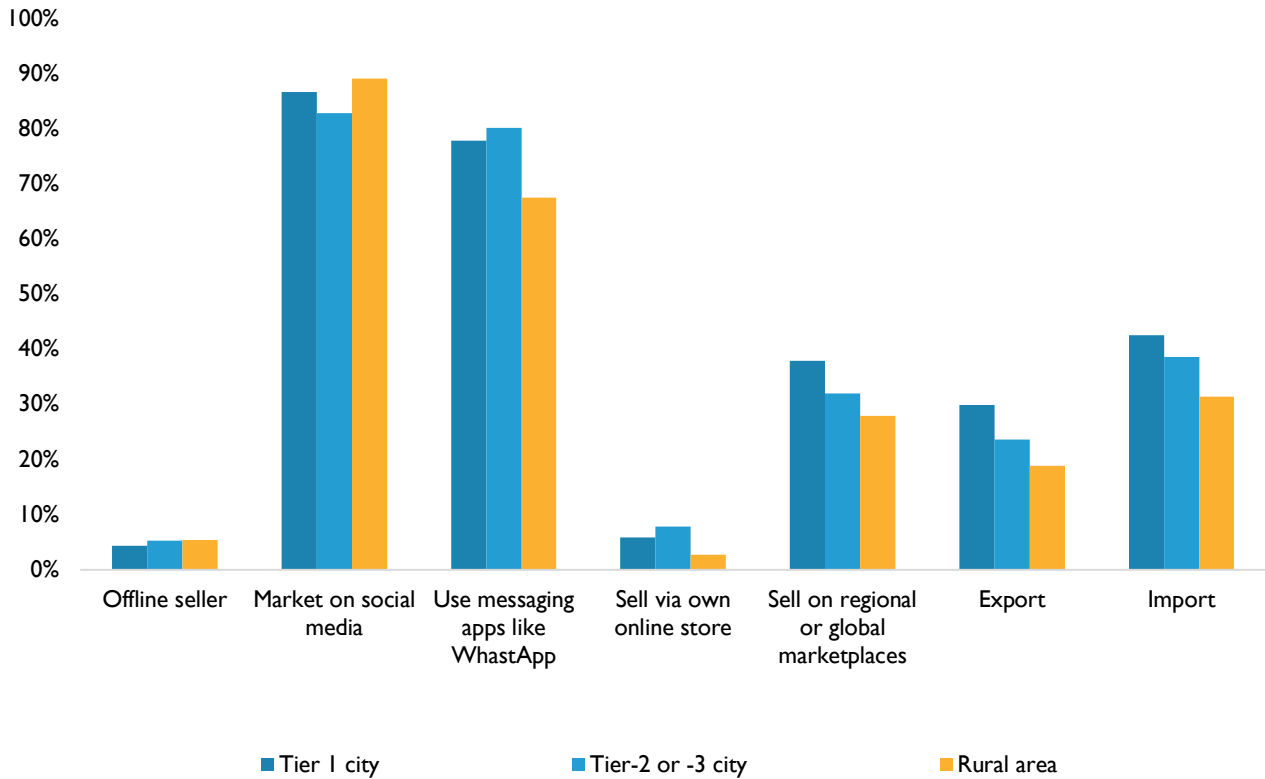
Figure 23: % of Surveyed Firms Reporting Experiences to Access Financing for Digital Transformation



9. ECUADOR'S REGIONAL ECONOMIC DISPARITIES ARE REFLECTED IN MSMEs' ECOMMERCE USE AND ONLINE SALES

There are considerable regional disparities within Ecuador, correlated with regional development levels, in firms' ecommerce use and gains from ecommerce. Small firms in rural areas are more likely than their urban peers to sell exclusively on social media and are less likely to export and import (figure 24). Small firms also face greater challenges with accessing high-quality Internet connections and world-class talent and digital services than their urban peers. Less digitized and rural firms are also less likely to use and trust online services such as Fintechs.

Figure 24: % of Surveyed Ecuadorian Micro and Small Firms' Use of Online Channels, by Firm Location



10. DIGITAL MARKETING, CUSTOMS PROCEDURES, AND CYBERSECURITY CONCERNS CONSTRAIN ONLINE SALES GROWTH

Asked about their main impediments to doing ecommerce, Ecuadorian online sellers of all sizes report challenges to maintaining a strong online presence, addressing cybersecurity challenges, and doing digital marketing. Over a half also find taxes to be a significant impediment. Marketplace sellers report greater challenges likely because they are more eager to grow their online businesses and have more intense preferences and needs than social sellers, for example for accessing capital for digital transformation and information on digital transformation technologies, and paying for digital services. These firms also struggle to attract talent. Social sellers also report challenges with access to capital for digital transformation as well as for fulfilling orders, and managing customer interactions and post-sale (figure 25). Customs procedures, delays, and delivery costs are also a challenge for firms that are exporting and importing; about 30 percent of firms that buy online report waiting 14 days or more for items from abroad while a majority received their domestic shipment within a week, often within 1-3 days (figure 26).

Figure 25: % of Surveyed Ecuadorian Firms Citing Areas in the Enabling Environment for Ecommerce as “Huge Challenge” or “One of the Main Challenges” for Growing their Ecommerce Business, by Online Channel Used

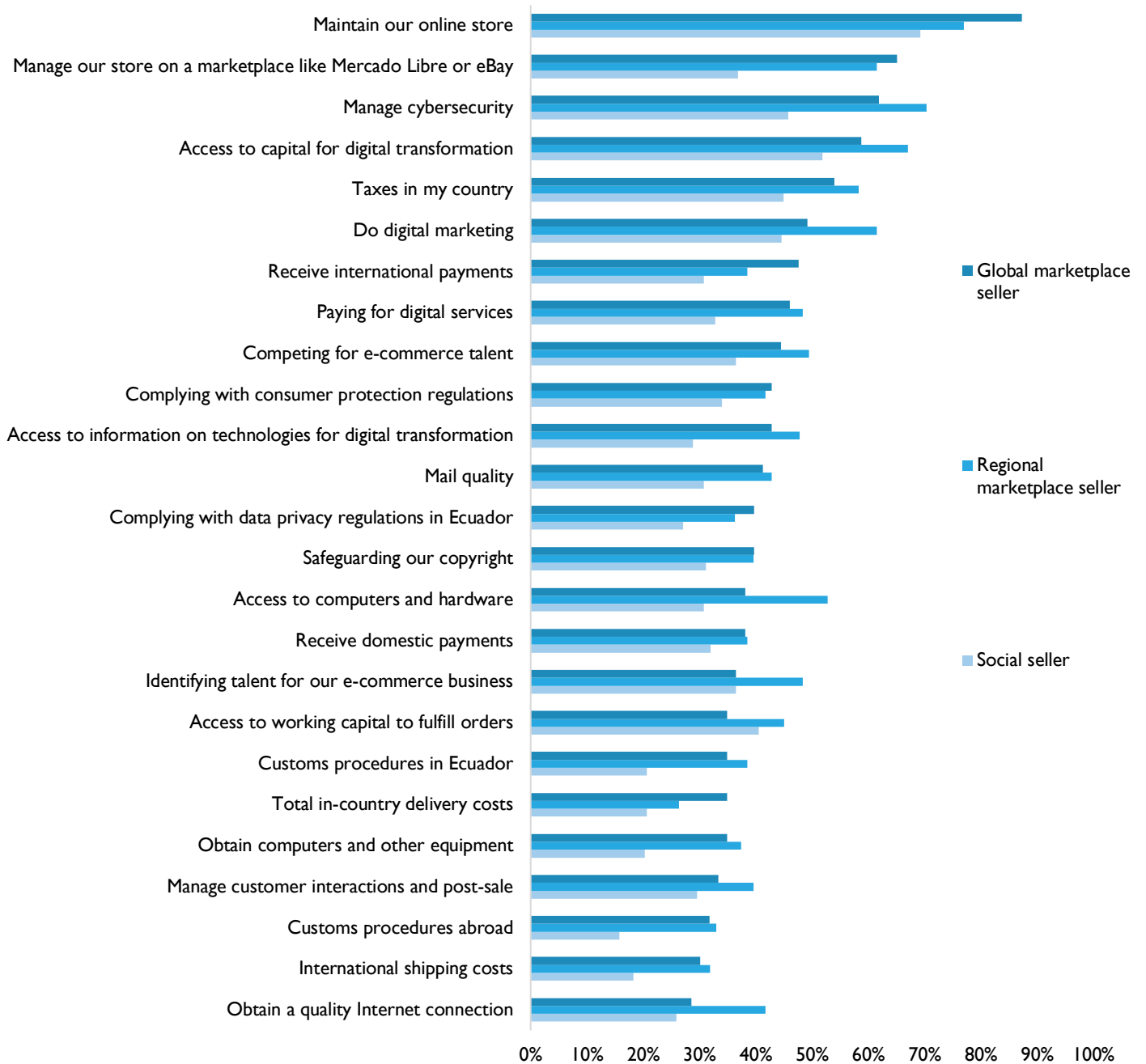
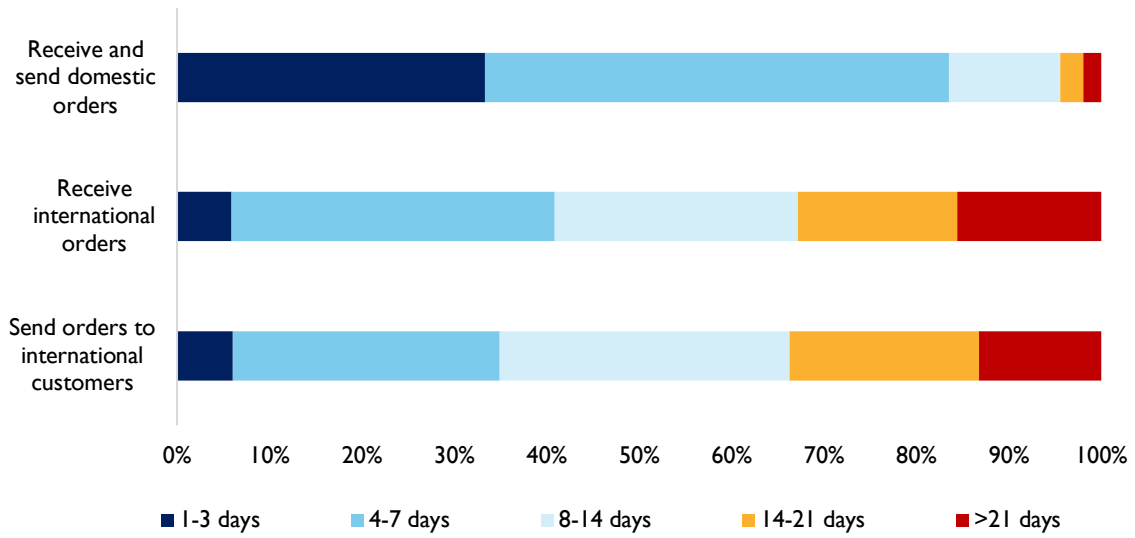
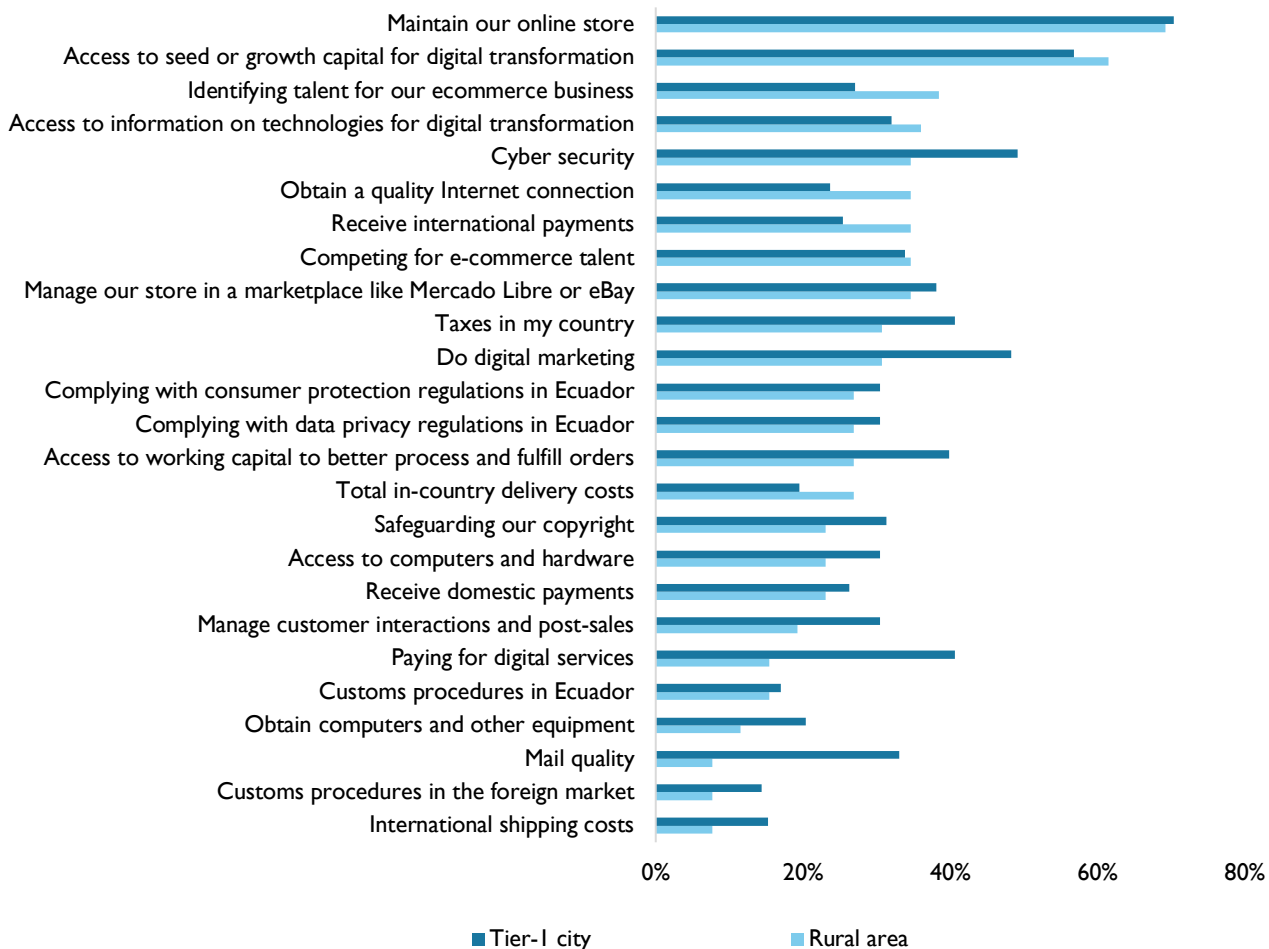


Figure 26: % of Surveyed Firms Reporting Their Experiences with Typical Delivery Times in Domestic and International Ecommerce Delivery



The rank ordering of challenges for micro and small firms in urban and rural areas is quite similar. Rural micro and small firms especially find it challenging to identify ecommerce talent, obtain quality internet connections, and accept international payments (figure 27).

Figure 27: % of Surveyed Ecuadorian Micro and Small Firms Citing Areas in the Enabling Environment for Ecommerce as “Huge Challenge” or “One of the Main Challenges” for Growing their Ecommerce Business, by Firm Location



II. COVID-19 CRISIS HAS FUELED INVESTMENTS BY FIRMS IN ECOMMERCE AND PROPELLED FIRMS’ NEED FOR AND INTEREST IN INVESTING IN ECOMMERCE CAPABILITIES

COVID-19 has taken a heavy toll on Ecuadorian MSMEs, and posed new challenges for firms to manage online businesses— such as extended delivery times, order volumes, online fraud concerns, and stiffening competition (figure 28). However, COVID-19 has also cemented Ecuadorian firms’ interest in building online capabilities. Over one-half of all firms look to invest in better Internet connections, digital marketing capabilities, and finding better suppliers. Over 40 percent seek to invest in ecommerce capabilities in 2021-22 (figure 29).

Figure 28: Impacts of COVID-19 on Ecommerce Businesses

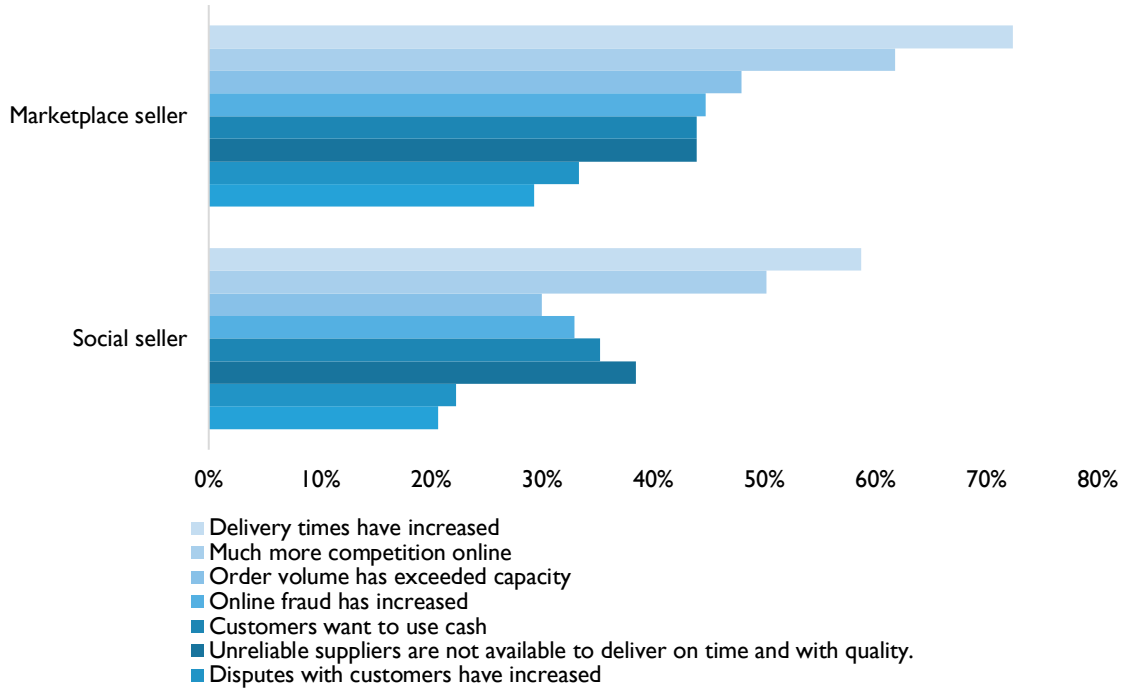
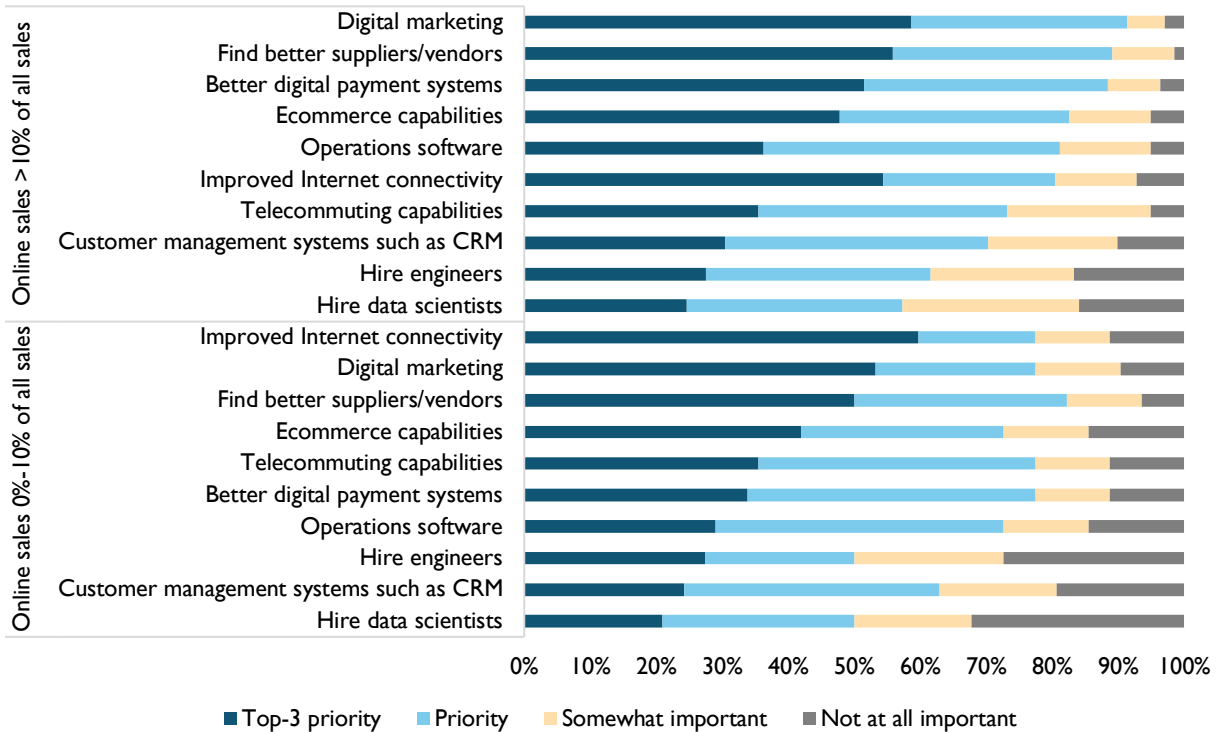
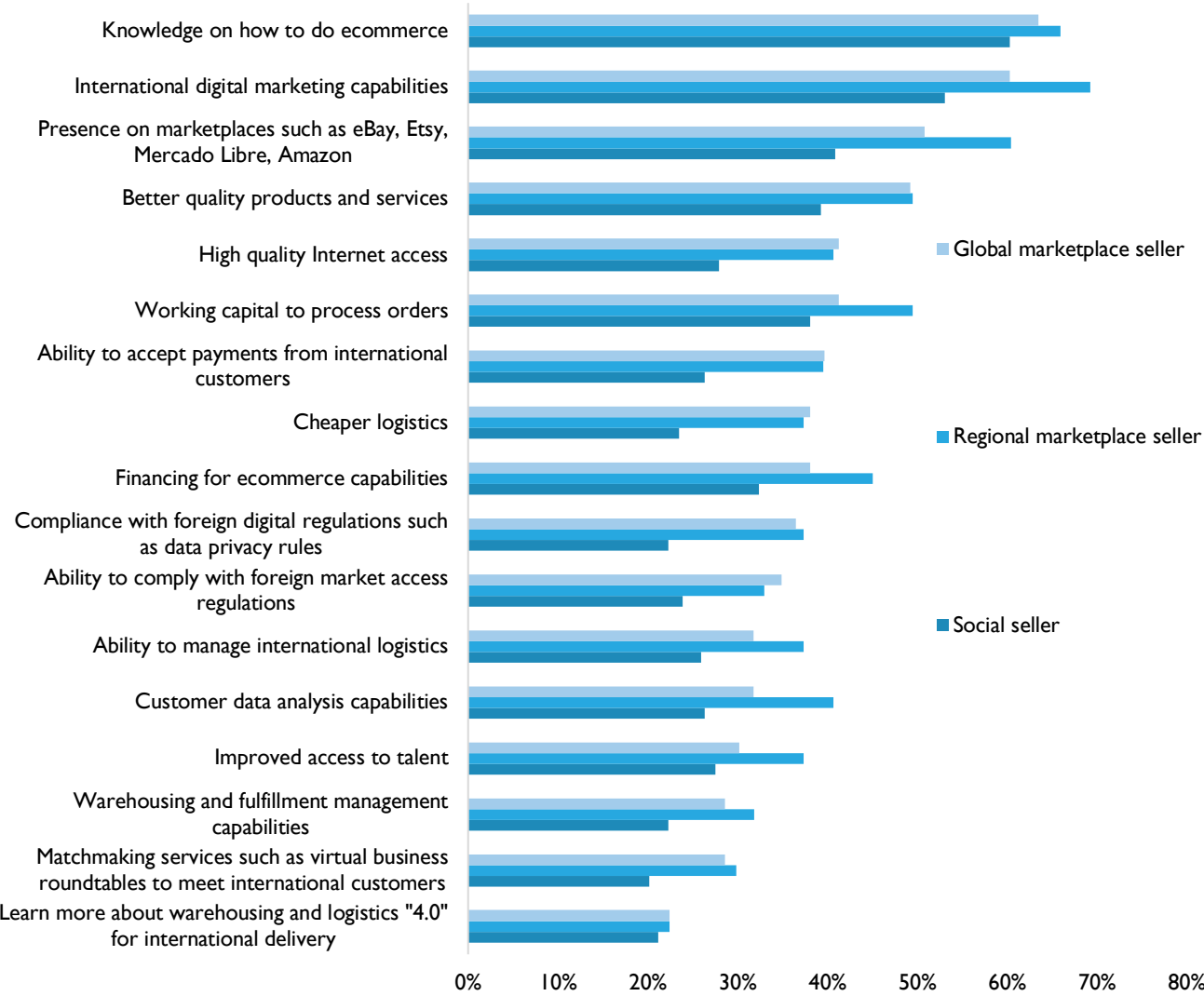


Figure 29: Firms' Main Planned investments in 2021-22



Asked about their needs for new capabilities to grow their ecommerce sales, sellers of all sizes highlighted a need for knowledge on how to do ecommerce, enhanced digital marketing capabilities especially internationally, better presence on marketplaces, and higher quality products and services (figure 30). Over a third of firms expressed a need for working capital and for financing for ecommerce capabilities.

Figure 30: % of Firms Needing a Capability a “Great Deal” to Grow Ecommerce Sales, by Firm Size



12. ECUADOR'S ECOMMERCE ECOSYSTEM HAS GROWN SOPHISTICATED, SUPPORTING ONLINE SELLERS INCREASINGLY WELL

Ecuador's digital ecosystem that serves online sellers has been growing more sophisticated over the past few years. There are players such as Kushki, Paymentez, and PagoEfectivo, in payments, Deliveroo and Picker in logistics, Mensajea and Jelou in AI powered digital services, and BlackSip which specializes in ecommerce enablement consulting services (table 4). YaEsta is the most established local ecommerce marketplace and the regional Mercado Libre marketplace has presence in Ecuador as well.

Table 4: Digital Ecosystems in Ecuador, by Number of Firms by Dominant Sectors

Name of company	Location	Year founded	Category	Description	Target clients
Corpei	Guayaquil	1998	Business services	Corpei is a private, non-profit consulting agency that aims to promote the development of Ecuadorian businesses and to increase exporting and Foreign Direct Investment into Ecuador. The organization works together with governmental and donor institutions to enhance and optimize human and financial resources, and also serves as a source of commercial and financial support for businesses including factoring services and access to investment.	Businesses
BlackSip	Founded in Colombia with operations around Latin America	2013	Consulting	BlackSip offers expert consulting services for ecommerce enablement, including in digital transformation, ecommerce and omnichannel commerce, digital marketing, user experience, sales and CRM, customer service, and data analytics.	Businesses
MujeresWow	Guayaquil	2019	Credit	Mujeres Wow was founded to increase access to funding for women entrepreneurs through AI assisted alternative credit rating and loans. Factors considered in credit rating include demographics, social network data, peer ratings, and business information.	Women entrepreneurs
Kompai	Loja	2018	Credit	Kompai offers alternative credit scoring for individuals based on mobile and social data, and uses the OCEAN psychometric model to assess the certainty of fulfilling financial obligations by looking at the following aspects of one's personality: Openness, Conscientiousness, Extraversion, Agreeableness, Neuroticism.	Individuals
HazVaca	Quito	2015	Crowdfunding	HazVaca offers a crowdfunding platform for individuals to seek funding for projects and ideas. The platform is split into a public forum, where anyone can view the project and contribute money, or a private forum for only friends and family.	Individuals, entrepreneurs
Mensajea	Quito	2016	Digital services	Mensajea offers an AI-powered chatbot builder for a variety of industries including banks and financial institutions, retail, restaurants, and ecommerce sites. Use cases include virtual assistance for improved customer experience, lead generation from collection and analysis of data, notifications and alerts, electronic invoices, and internal HR uses such as to reserve meeting rooms or request vacation.	Businesses
Jelou	Guayaquil	2017	Digital services	Jelou provides AI powered tools including chatbots for 24/7 customer communication, a multi-agent panel to integrate human employees with AI for greater efficiency and reduced costs, an ecommerce platform connection (such as Woocommerce, Shopify) with WhatsApp which includes payments, delivery and order alert, and electronic signatures through WhatsApp.	Businesses
ICOMM	Presence in Latin America and U.S.	2006	Digital services	ICOMM offers an email and marketing automation cloud solution. The platform allows businesses to send over 2 million communications per hour, build automation decision flows, connect with consumers across multiple channels (email, push notifications, SMS, surveys), analyze and debug database analysis, integrate with 3rd party businesses such as Facebook, VTEX, Tecnom, Tokko Broker, and PrestaShop in real-time.	Businesses

Tipti	Quito	2016	Grocery delivery	Tipti offers a website and mobile app for consumers to purchase groceries and household items. Orders are sent to a network of shoppers who visit local retailers and shops who have joined the site/app, and then deliver the goods to the consumer.	Individual consumers, grocery retailers
Servientrega	Founded in Colombia with operations around Latin America	1982	Logistics	Servientrega offers collection, transport, distribution and door-to-door delivery of goods, covering urban, regional, national and international routes.	Businesses
Deliveroo	Quito	2016	Logistics/Delivery	Deliveroo offers a platform through API integration where businesses can connect with motorcycle delivery drivers in their city through the deliveroo app, for last mile delivery to their customers.	Large companies in food, retail, and pharmaceutical sectors, as well as ecommerce entrepreneurs
Picker	Guayaquil	2018	Logistics/Delivery	Picker provides a last mile delivery service through API integration that can connect to a website, app, ecommerce platform, POS and CRM. The platform allows for real-time quotes so a customer automatically knows their final price, and GPS tracking for the customer to see the status of delivery.	Businesses and consumers
Urbano	Quito	2000	Logistics/Delivery	Urbano is a total logistics company that includes warehousing, distribution, end-to-end traceability with GPS tracking and a delivery photo, and specialized payment on delivery for online sales. The company also offer an URBANO 360 app for the final client to keep track of and monitor deliveries.	Businesses
YaEsta	Quito	2013	Marketplace	YaEsta is an ecommerce marketplace founded in Ecuador where individual sellers and businesses can connect with buyers all over the country. Popular products include TVs, smartphones, furniture, kitchen appliances, apparel, and toys. The site sees around 130,000+ visitors per month.	Individual consumers
Mercado Libre	HQ in Argentina, presence in 18 countries in Latin America	1999	Marketplace	Mercado Libre is a regional marketplace founded in Argentina with presence in 18 Latin American countries. The platform does not charge for listings or sales made; however sellers have an option to pay for better visibility. Communication is encouraged between buyer and seller if there are any questions, payments are made via cash, check, or bank transfer, and the seller arranges for delivery.	Businesses
Kushki	Quito	2017	Payments	Kushki offers payment processing that handles one-time and recurring payments, card tokenization, and bank transfers. It allows for domestic and international payments and receiving money in local currency, on website, mobile app, and social media platforms, through one API.	Businesses
PayPhone	Cuenca	2015	Payments	PayPhone provides a mobile wallet without having to have a bank account, and includes cash transfers as well as debit and credit transactions. Anyone who downloads the app can transact with anyone else who has also downloaded the app and with merchants that accept PayPhone. There are no fees except for cash withdrawal.	Consumers and businesses
Paymentez	HQ in Miami, operations in Mexico, Ecuador, Venezuela, Colombia, Brazil, Chile	2008	Payments	Paymentez offers a complete online payment solution for businesses to receive local payments through debit cards, credit cards and prepaid cards from all banks in the country, as well as bank transfers and cash payments at collection points. The company also offers a "Link to Pay" option to generate a payment link and send through email, WhatsApp, Facebook, Instagram, SMS and other social networks without the need for a website.	Businesses
PagoEfectivo	Lima, with operations in Ecuador	2006	Payments	PagoEfectivo is a means of payment to buy online and pay in cash (without using a credit card) through an 8-digit code. A customer can choose PagoEfectivo as the desired way to pay at checkout, and then a CIP (Payment Identifier Code) is generated, and the customer can present the code to complete the purchase at any authorized payment agent.	Businesses

The number of firms in the country’s overall digital ecosystem has been growing over the past few years; firms that specialize in IT services, programming, and software are also serving international customers, deriving as much as a third of their sales from exports (table 5).

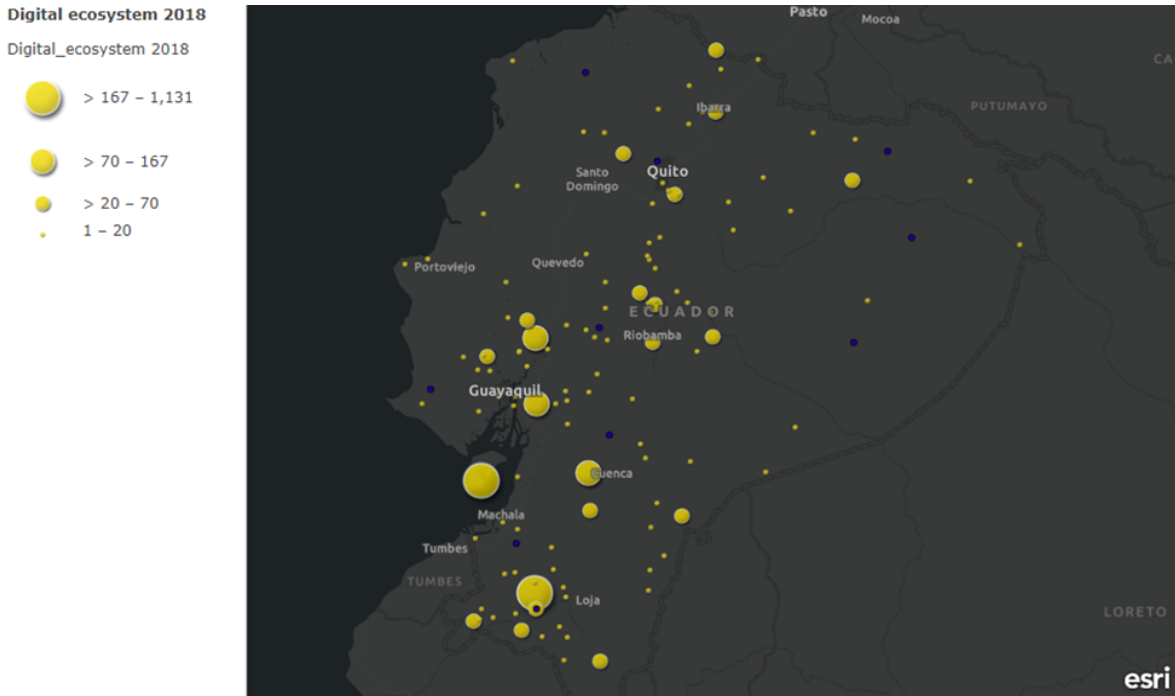
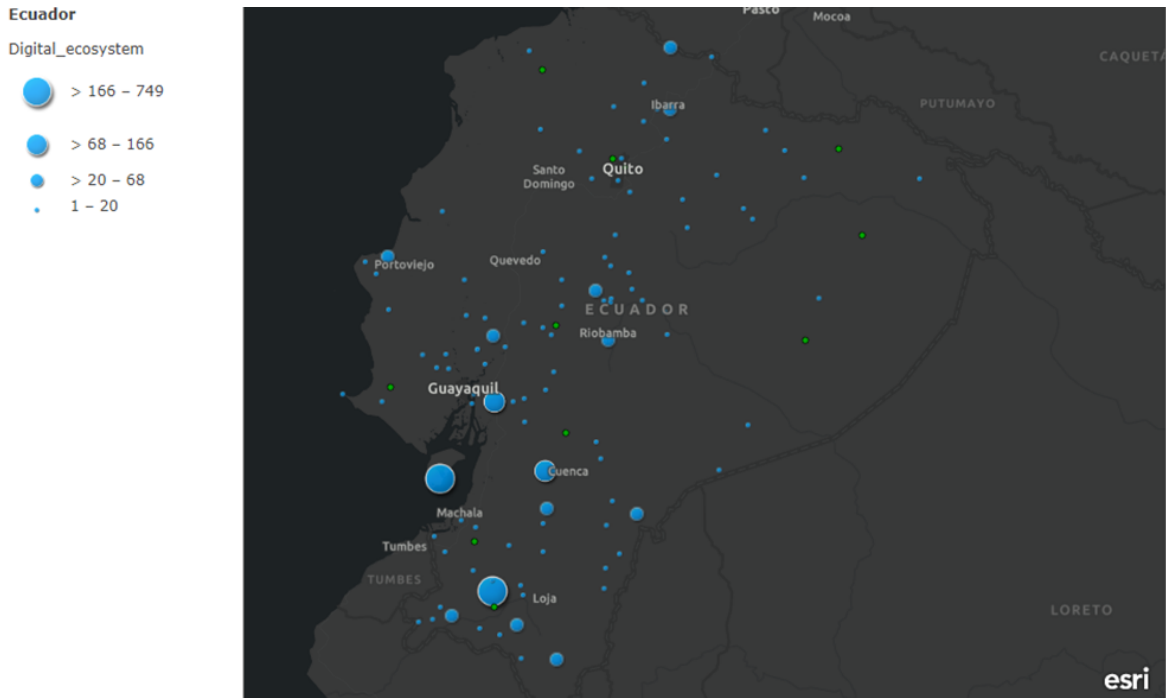
Table 5: Firms in Digital Ecosystem in Ecuador, 2018

	Number of firms	Sales per firm - average	Net exports of revenue - average	Number of employees - average
All firms	899,208	\$438,488	18%	6.2
IT services	665	\$580,133	10%	10.8
Software	36	\$730,995	33%	12.8
Web portal	36	\$248,660	0.4%	5.9
Programming	1,798	\$182,034	15%	4.7
Data processing	504	\$222,671	0.4%	3.8
Online retail	1,079	\$138,842	3%	2.2
Manufacturing	75,354	\$1,127,914	23%	8.8
Retail	260,770	\$345,810	1%	3.0

SOURCE: AUTHORS ON THE BASIS OF THE ECUADORIAN ENTERPRISE REGISTRY

The companies that service online sellers are concentrated in the main cities and wealthier regions. Postal code-level data from the Ecuadorian enterprise registry shows that digital hubs with concentrations of IT services, graphic designers, data processing services, and pureplay online sellers (retailers with no physical stores) are especially pronounced in Guayaquil region (figure 31). There are more basic web design services across the country, but more sophisticated services are centered around a few hubs with strong Internet connections, technical talent, and superior services (that the talent can enjoy). Logistics and financing services too are more prevalent in the top-3 cities. This is nothing new that companies have for decades clustered in major cities as such hubs typically have valuable talent, ideas, and knowledge spillovers that are still easier to capture in person.

Figure 31: Digital Ecosystems in Ecuador, 2012 and 2018

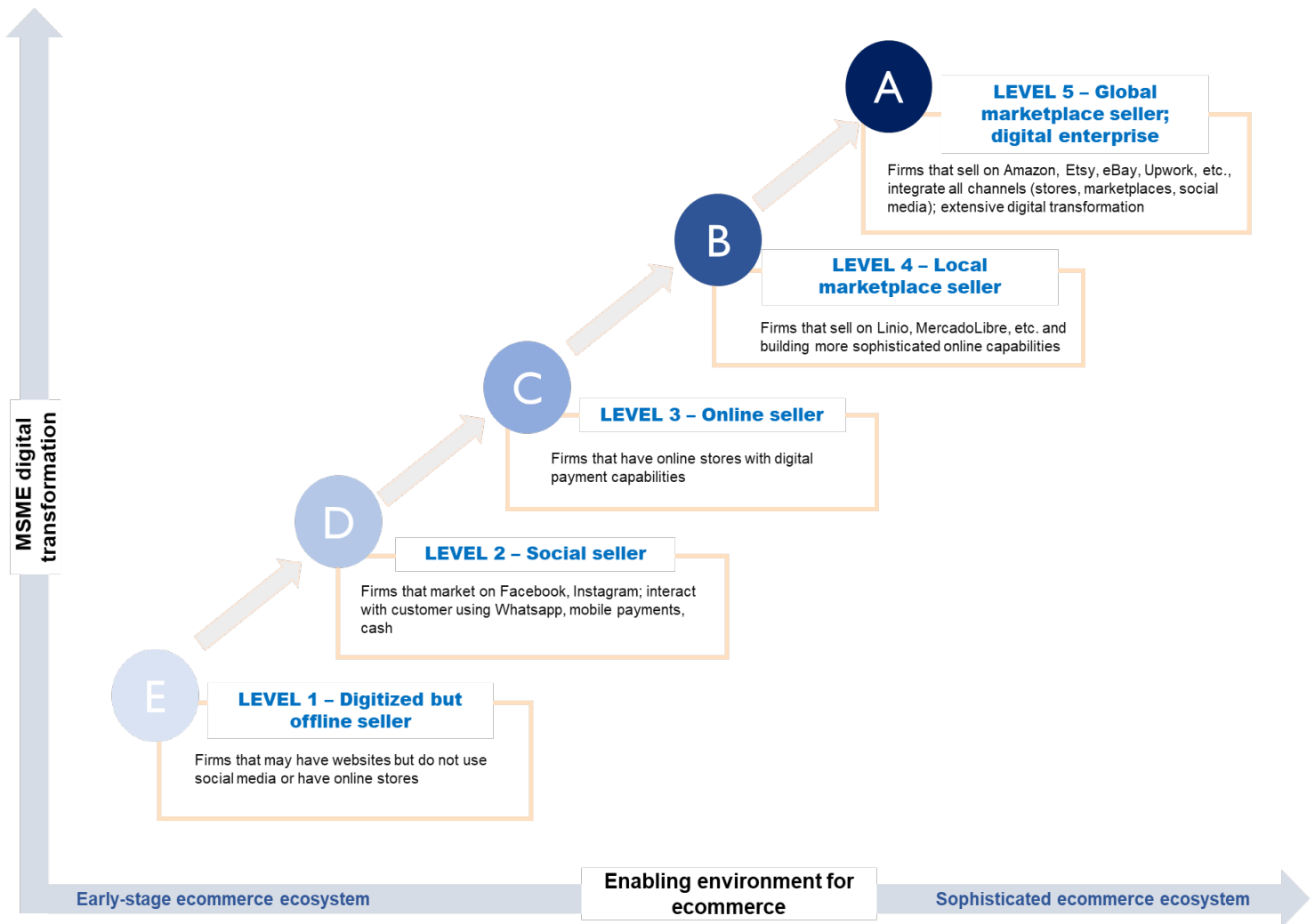


SOURCE: AUTHORS ON THE BASIS OF THE ECUADORIAN ENTERPRISE REGISTRY

III. ECUADOR’S ADOPTION OF POLICIES CONDUCTIVE TO MSME ECOMMERCE

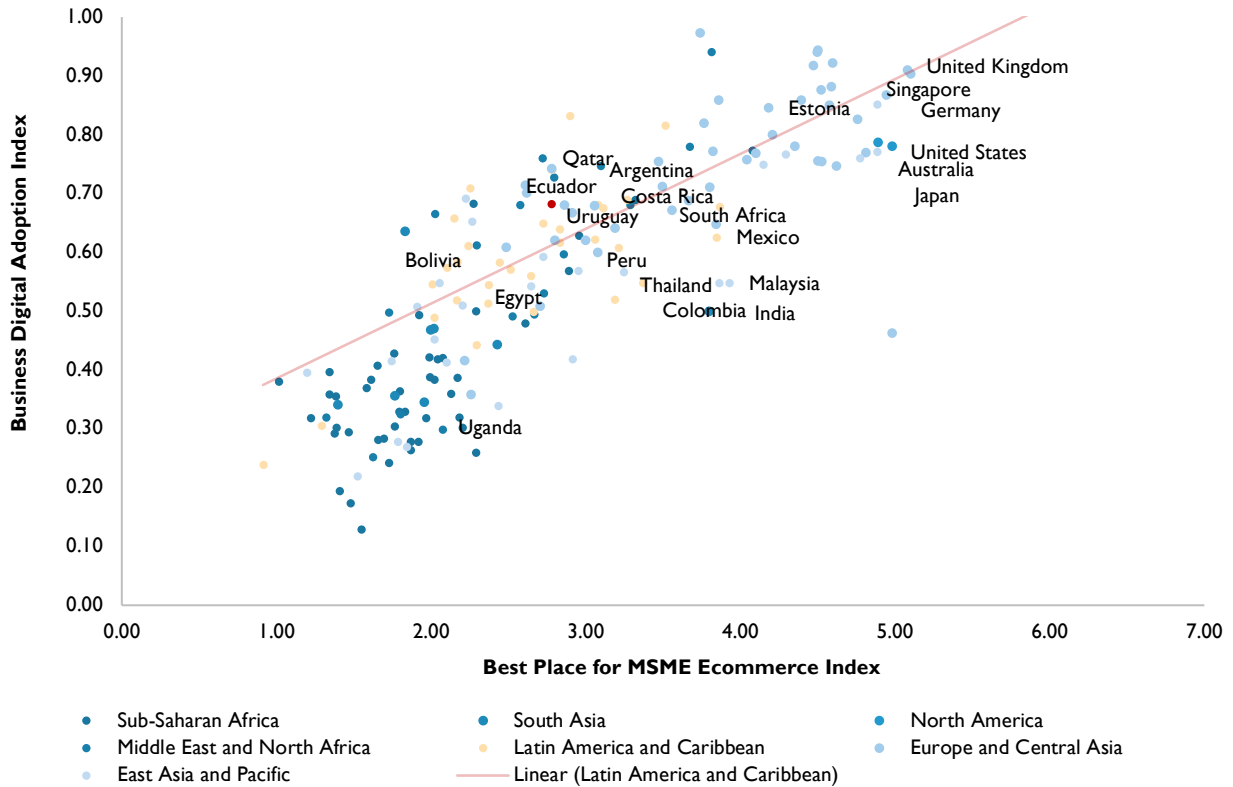
Countries that succeed in ecommerce development are poised to experience growth in the number of online sellers and in firms’ online sales volumes. Conceptually, there are two main success drivers in ecommerce development. The first is firms’ digital transformation and evolution into global online sellers – as in from Ds to as in figure 32. The second success driver is a policy environment conducive to firms’ use of ecommerce. Overall, Ecuador does quite well across these axes vis-à-vis countries at the same level of development (figure 33; see Appendix II for variables in our Best Place for MSME ecommerce-index).

Figure 32: Online Sellers’ Journeys and Their Drivers



Source: Nextrade Group.

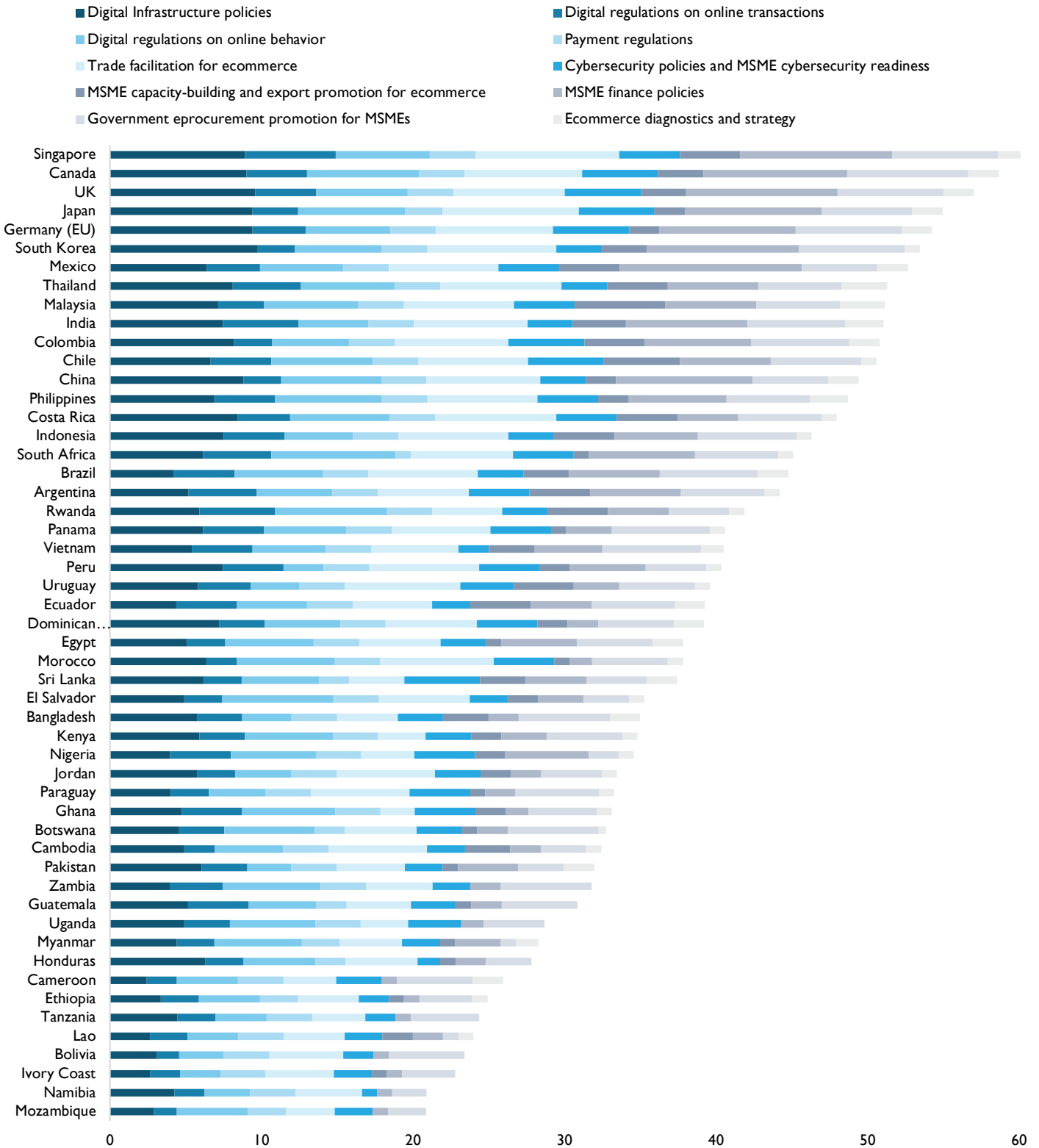
Figure 33: Firms' Digital Transformation and Enabling Environment for MSME Ecommerce, Selected Economies



SOURCE: DIGITAL ADOPTION INDEX: WORLD BANK; BEST PLACE INDEX: AUTHOR'S COMPOSITE INDEX BASED ON VARIOUS SOURCES LISTED IN ANNEX

Ecuador has in the past several years been working on laws, policies and programs to enable ecommerce. The eTrade Alliance's comparative mapping of the adoption of over 100 policies conducive to ecommerce in 10 major policy domains reveals that Ecuador is number 28 among 52 countries and 7th out of 16 mapped countries in Latin America (figure 34; please see variables in Appendix III).⁸

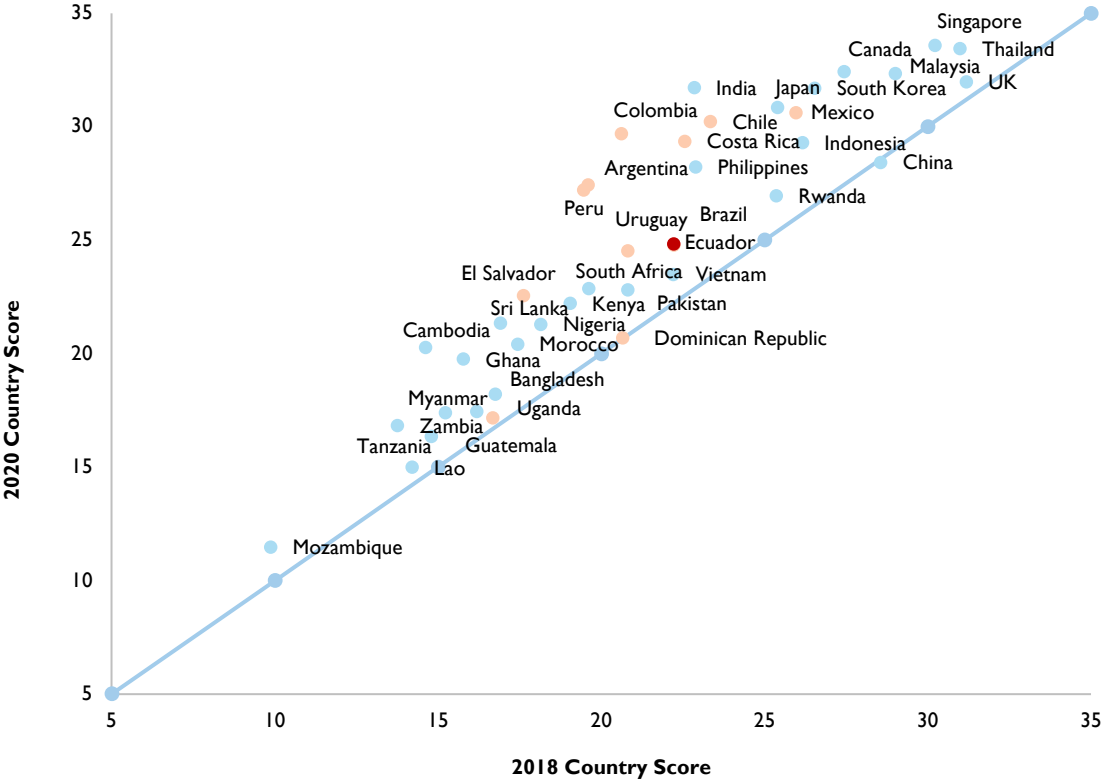
Figure 34: Digital Policy and MSME Ecommerce Index 2020-21 (maximum: 75)



SOURCE: SUOMINEN, VAMBELL AND FURTEK (FORTHCOMING IN 2021).

Ecuador has also made progress since the first eTrade Alliance’s 2018 mapping in adopting pro-e-commerce policies and practices (figure 35).

Figure 35: MSME Ecommerce Policy Index 2018 and 2020 (countries and policy areas mapped in 2018 only)



SOURCE: SUOMINEN, VAMBELL AND FURTEK (FORTHCOMING IN 2021).

In addition, there are several recent positive developments, such as:

- National Ecommerce Strategy in 2021 (case 1), which aims to build the capacity of the various players in the ecommerce ecosystem to promote online transactions and adopt technologies conducive to ecommerce.⁹
- Digital Ecuador plan of 2019, which aims to transform and direct the country towards a digital economy by reducing digital divides, creating a cyber-secure digital government, and boosting digital adoption in social and economic sectors.¹⁰ The government is seeking to expand internet connectivity, and in 2021, with the support of private companies, invested \$11 million to deliver 54 connectivity points to remote and rural communities.¹¹
- In 2019, the government also announced a removal of tariffs for mobile phones and smart phones (previously 15 percent) and laptops and tablets (previously 10 percent) in order to make

them more accessible to all Ecuadorians.¹²

- In the area of payments, Ecuador was the first to implement a state-run interoperable mobile payment platform that ran from 2014-2018, called the Dinero Electrónico system. In 2019, the government announced this system would be transferred to the private sector and is now led by BANRED, the largest interbank network in the country.¹³
- In logistics, Ecuador has improved by 16 points in the UN's trade facilitation and paperless trade index of 2021, from 2019. In addition, a \$42 fee that was charged since 2014 for packages entering the country under a 4x4 system (packages that have a weight less than or equal to four kilograms and their FOB value is less than or equal to 400 dollars) was eliminated in 2021.¹⁴
- There have been efforts to support firms directly in ecommerce. Pro Ecuador, Ecuador's export promotion agency, has had several initiatives to help train SMEs in areas like website design, digital marketing, and cross-border logistics. The agency has also created a B2B online marketplace to promote Ecuador's products around the globe.
- In financing MSMEs, in 2019, public bank BanEcuador began providing loans of up to \$10,000 specifically for women entrepreneurs.¹⁵
- In May 2021, the government approved the Organic Law for the Protection of Personal Data, similar to European adequacy standards, with a two-year grace period for implementation.¹⁶ This is positive in that it provides clarity for firms; it can however be challenging due to the potential challenges and complications of ensuring an international receiving party is considered adequate.
- Ecuadorian MSMEs can also leverage the country's free trade agreements with the European Free Trade Association and the European Union, along with preferential trade agreements with Guatemala, Chile, Mexico and an agreement with Colombia, Venezuela, and MERCOSUR (Appendix IV).

Case I: Ecuador's 2021 Ecommerce Strategy

The COVID-19 pandemic gave a push to ecommerce in Ecuador. In March 2021, the government estimated that a year after the pandemic caused lockdowns around the world, a third of Ecuadorians had become consistent online shoppers and as much as a third of all domestic commerce was done online.¹⁷

The government also accelerated the launch of a National Ecommerce Strategy (ENCE).¹⁸ The strategy aims to build the capacity of the various players in the ecommerce ecosystem and promote technologies for the development of the Ecuadorian ecommerce market. The strategy also seeks to establish institutional and regulatory frameworks that can support cross-border sales and Ecuador's competitiveness in the global digital economy.

The strategy has four components:

- **Component I:** Legal framework, to strengthen rules and regulations for ecommerce. The strategy mentions the need to work on regulatory areas such as IP rights, payment systems and data privacy, through revisiting and updating existing laws on ecommerce and consumer protection; modernizing the postal, payments, and customs sectors; and establishing laws and policies on cybersecurity and data protection.

- **Component 2:** Promoting MSME ecommerce by providing technical assistance for ecommerce development, development of tools for firms to measure their ecommerce maturity, training MSMEs to use ecommerce, and develop a guide of service providers for various aspects of ecommerce—for example in logistics and payments.
- **Component 3:** Developing and improving e-payment systems, to increase trust in ecommerce transactions; strengthen the use of digital payments; develop a trust mark for companies to display on their website, and disseminating a guide on recommendations and best practices.
- **Component 4:** Ecommerce logistics, by establishing tools, mechanisms, and new technologies to strengthen the logistics and postal sectors, maintaining a safe and reliable delivery environment and allowing for traceability of packages, improving the addressing system, and promoting cross-border trade through simplified and automated international logistics and customs.

Various business associations and local and national government agencies have also launched several programs to support MSME ecommerce (table 6). For example, the Ecuadorian Chamber of Ecommerce co-organizes the eCommerce Day of Ecuador with eTrade Alliance partner eCommerce Institute and provides a wide range of ecommerce trainings, while government programs have provided free digital online skills workshops and local centers where citizens can train in ICT and gain digital skills.

Table 6: Associations and Government agencies’ work to support digitization and MSME ecommerce

Institution	Example activities
Ecuadorian Chamber of Electronic Commerce (CECE)	CECE co-organizes eCommerce Day of Ecuador as a networking event for ecommerce ecosystem players in the country, conducts studies on ecommerce transactions, and partners with the eCommerce Institute to provide a wide range of ecommerce trainings for all levels of digital and business maturity.
PROECUADOR	The government's export promotion agency PROECUADOR has held free trainings on how to use ecommerce to export, financing fundamentals for exporting, and country specific export guidance. The agency also has launched an ecommerce marketplace to promote Ecuadorian exports called Ecuador B2B.
Ministry of Telecommunications and the Information Society (MINTEL)	MINTEL has offered training courses on financial inclusion and electronic commerce for MSMEs. In 2020, MINTEL partnered with online education platform Coursera to offer 50,000 Ecuadorians access to more than 3,800 courses, 7 Professional Certificates and 400 Specializations, as part of the Ecuador Digital Policy initiative. MINTEL has also assisted local governments with setting up local info centers where citizens can access and train for free in ICT and digital skills.

<p>Ministry of Production, Foreign Trade, Investment and Fisheries (MPCEIP), and the Ecuadorian Association of Express Messaging and Courier Companies (ASEMEC)</p>	<p>The Exportando program is a partnership between MPCIEP and ASEMEC to increase exporting and internationalization of Ecuadorian products. The program will provide MSMEs the necessary tools to market their products abroad, as well as provide specialized advice on door-to-door service, preferential rates, and logistics support.</p>
<p>EPICO (Government of Guayaquil)</p>	<p>EPICO is the Guayaquil government's initiative to promote economic development and competitiveness of its city through technology and innovation. Example programs include "My Dream, My Business" which provided training to 300 MSMEs on how to strengthen their business models, including through financial management, inventories, social networks, new markets, digital transformation and online sales.</p>
<p>ConQuito</p>	<p>The ConQuito Economic Promotion Agency promotes economic growth in Quito and its area of influence and works with the public and private sector to do this. Through their website, people can find free courses on business skills for SMEs, financial education, marketing, and digital commerce, and also free courses for learning digital skills such as AI and machine learning through a partnership with online education platform edX.</p>

All in all, a closer look of the 10 mapped policy dimensions in a comparative perspective shows that Ecuador has particular strengths in capacity-building programs and promotion for MSME ecommerce exports (table 7). Ecuador lags its peers in putting in place laws and programs to support cybersecurity, as it has not yet published cybersecurity strategy (though the government is working on drafting one) or joined the global milestone agreement for cybersecurity, the Budapest Convention. Ecuador has also yet to adopt a Fintech or crowdfunding law or a Fintech sandbox; commence 5G spectrum auctions; or adopt key digital regulations such as internet intermediary liability laws.

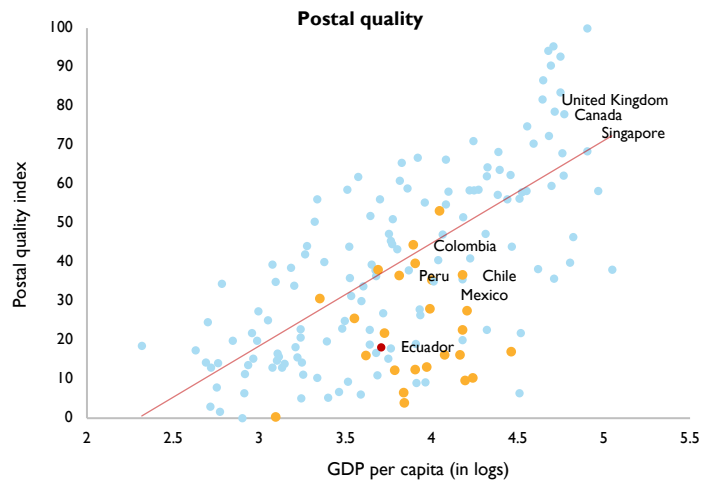
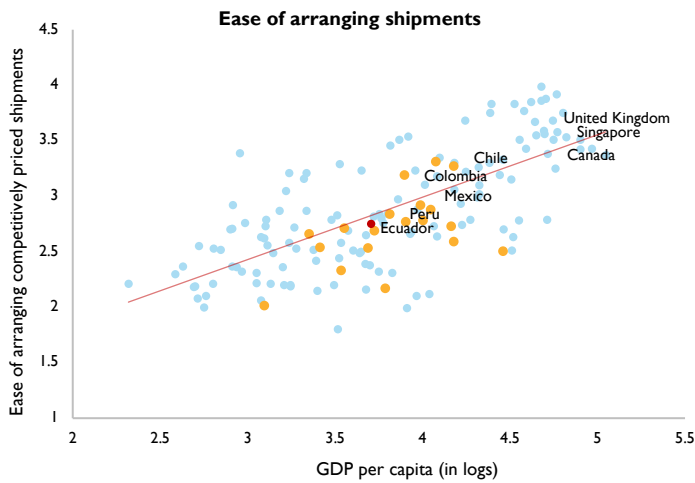
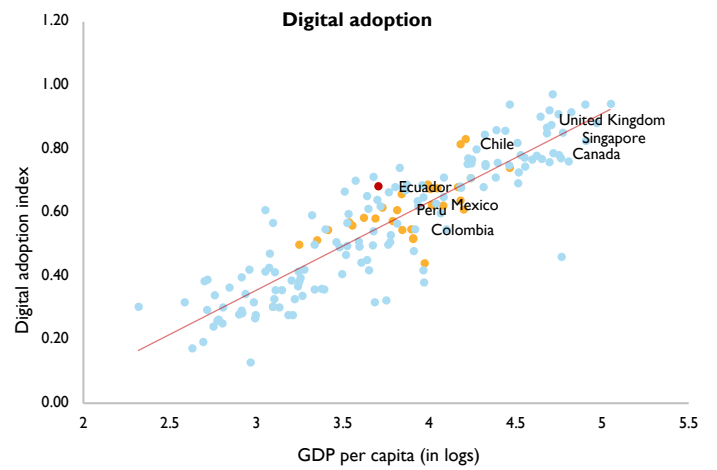
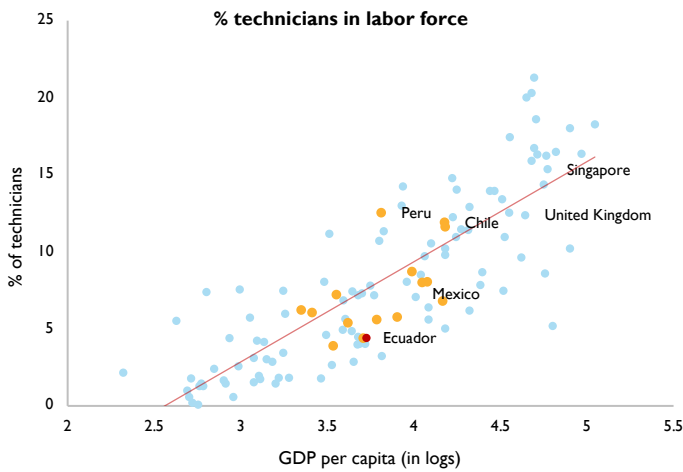
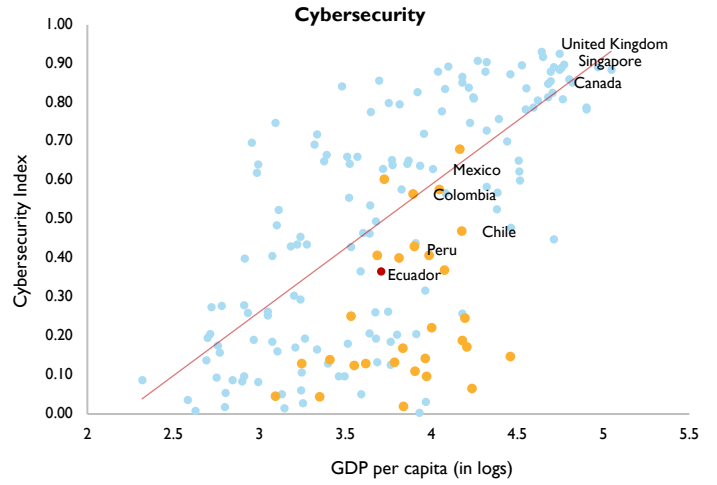
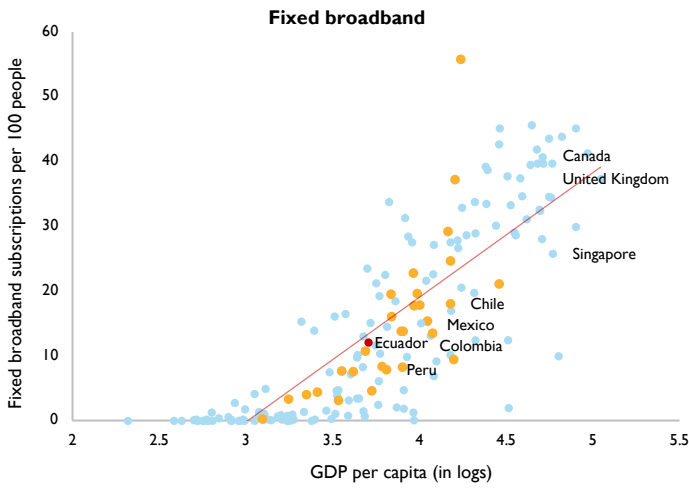
Table 7: Digital Policy and MSME Ecommerce Index 2020-21, Ecuador and Peer Economies

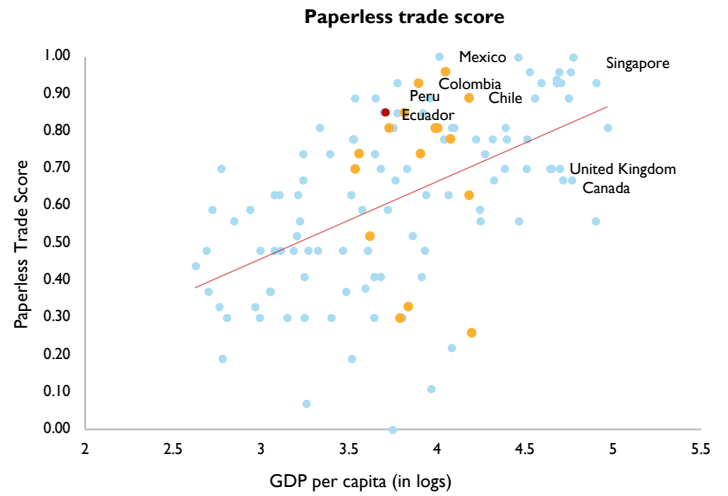
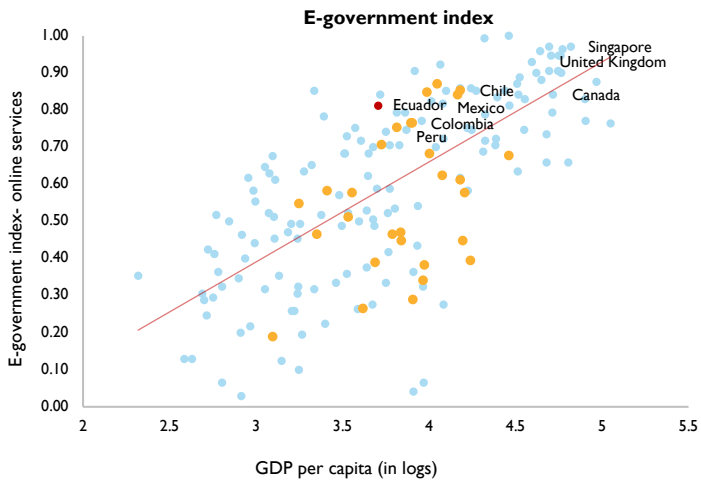
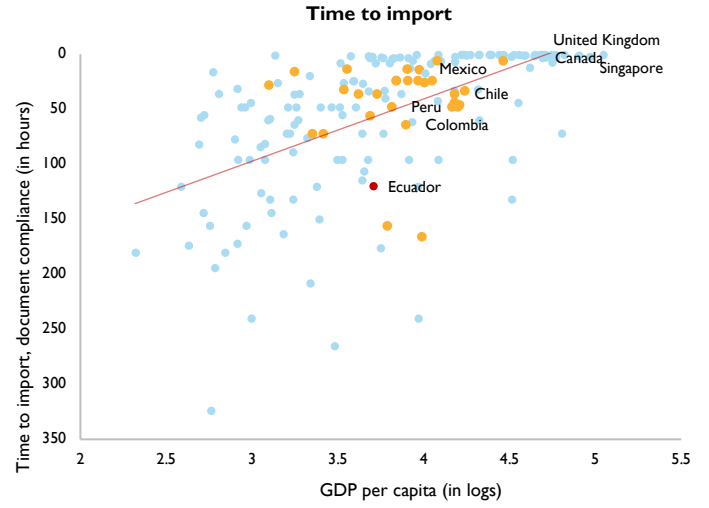
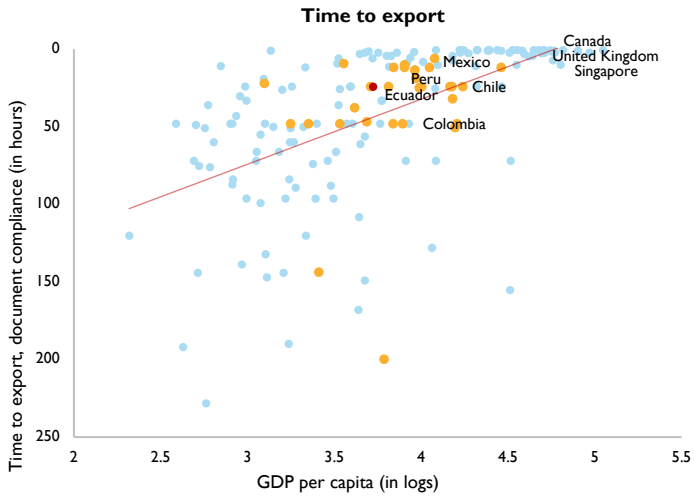
	Ecuador	Peru	Colombia	Latin America	Advanced	Southeast Asia	South Asia	Middle East North Africa	Sub-Saharan Africa
Digital Infrastructure	Light Blue	Dark Blue	Dark Blue	Light Blue	Dark Blue	Medium Blue	Medium Blue	Light Blue	Lightest Blue
Digital regulations on online behavior	Light Blue	Lightest Blue	Light Blue	Light Blue	Dark Blue	Light Blue	Lightest Blue	Light Blue	Light Blue
Digital regulations on online transactions	Medium Blue	Medium Blue	Lightest Blue	Medium Blue	Medium Blue	Medium Blue	Light Blue	Lightest Blue	Light Blue
Payment regulations	Dark Blue	Dark Blue	Dark Blue	Lightest Blue	Dark Blue	Lightest Blue	Lightest Blue	Dark Blue	Lightest Blue
Cybersecurity readiness	Lightest Blue	Medium Blue	Dark Blue	Medium Blue	Medium Blue	Light Blue	Medium Blue	Light Blue	Light Blue
Ecommerce logistics and trade facilitation	Light Blue	Medium Blue	Dark Blue	Medium Blue	Dark Blue	Medium Blue	Lightest Blue	Light Blue	Lightest Blue
SME capacity-building and export promotion for ecommerce	Dark Blue	Light Blue	Dark Blue	Medium Blue	Medium Blue	Dark Blue	Medium Blue	Light Blue	Lightest Blue
SME finance	Light Blue	Medium Blue	Dark Blue	Medium Blue	Dark Blue	Medium Blue	Light Blue	Lightest Blue	Light Blue
Government eprocurement promotion for SMEs	Medium Blue	Lightest Blue	Dark Blue	Medium Blue	Dark Blue	Light Blue	Lightest Blue	Light Blue	Light Blue
Ecommerce diagnostics and strategy	Medium Blue	Light Blue	Medium Blue	Medium Blue	Medium Blue	Medium Blue	Medium Blue	Medium Blue	Lightest Blue
Overall	Medium Blue	Medium Blue	Dark Blue	Medium Blue	Dark Blue	Medium Blue	Light Blue	Light Blue	Lightest Blue



These indicators are about policy inputs – policies, programs, and regulations conducive to ecommerce. Various policy *outcome* indicators suggest there are both positive impacts from policies that have been adopted, and rooms for improvement. For example, Ecuador is among the top performers in Latin America in offering e-government services to citizens and firms, firms’ adoption of digital services, time to export, and use of paperless trade (figure 36). At the same time, Ecuador still lags its Latin American peers in cybersecurity, postal quality, and time to import. It also trails its peers at the same level of development in fixed broadband subscriptions and availability of technical staff in the labor force. The policy recommendations in the next section are focused on improving Ecuador’s performance in these areas.

Figure 36: Performance of Ecuador vis-à-vis Peer Economies on Selected Areas Key to Ecommerce





SOURCES: FOR FIXED BROADBAND, WORLD DEVELOPMENT INDICATORS (2018); FOR CYBERSECURITY, ITU (2018); FOR TIME TO EXPORT AND IMPORT, WORLD BANK DEVELOPMENT INDICATORS (2019); FOR EASE OF ARRANGING SHIPMENTS, LOGISTICS PERFORMANCE INDEX (2018); FOR POSTAL QUALITY, UPU (2020); FOR FINTECH RANKING, FININDEXABLE (2019); FOR E-GOVERNMENT INDEX, UN E-GOVERNMENT KNOWLEDGEBASE (2020).

IV. ENABLING MSME ECOMMERCE IN ECUADOR

Ecommerce use is growing rapidly in Ecuador: firms are already marketing their goods and services on social media, and a growing share of MSMEs are building their own online stores, onboarding to marketplaces, and transacting across borders. Ecuador also has a vibrant ecosystem of IT firms, Fintechs, and logistics service providers that support firms' digitization and online transactions. These patterns are partly the result of Ecuador's efforts over many years to expand internet connectivity, digitize government services, and adopt digital and trade policies conducive to ecommerce.

At the same time, Ecuador can also take new steps to accelerate MSMEs' use of cross-border ecommerce. Some recommendations include the following:

- **Provide scalable online capacity-building and financing for social sellers to build online stores and onboard to marketplaces.** Most Ecuadorian MSMEs market their goods and services via social media, messaging apps, and classifieds, but do not yet sell on online stores or marketplaces that could enable them to scale their customer bases and reach buyers beyond borders. Ecuador can leverage technology to offer social sellers scalable and customized online capacity-building, for them to learn step-by-step how to build their own online stores and start selling online and onboard global online marketplaces—and select international marketplaces appropriate for their offerings and price points. The UK Department of Industry and Trade has operationalized this type of channel management platform, to enable local MSMEs to identify the best-fit platforms for their products and target markets. Ecuador is also launching a platform with the Inter-American Development Bank's ConnectAmericas, to enable Ecuadorian firms to identify international sales opportunities; it needs to be built up and scaled with sellers and buyers.
- **Enable B2B sellers to adopt direct-to-consumer business models.** Ecuador has an opportunity to enable its B2B manufacturers in such sectors as food processing and apparel, to use ecommerce to reach consumers directly, instead of selling via distributors, and to grow their margins. For example, U.S. consumers are increasingly buying directly from manufacturers and brands, bypassing marketplaces and retailers; by 2022, over 100 million Americans are expected to buy directly from brand and manufacturer without offline or online intermediaries.¹⁹ Ecuadorian sellers looking to move to a direct-to-consumer model will today have access to an ecosystem and players such as Shopify that enable B2B sellers to set up their online stores, accept payments, orchestrate logistics, and reach customers directly.²⁰ More mature companies and B2B sellers could also benefit from peer learning and executive education-type courses on ways to manage thriving omnichannel businesses.
- **Support MSMEs' digital transformation and use of new technologies.** Successfully selling online is not just about marketing online and accepting online payments; it is about digitizing a company's operations, workstreams, and supply chains for greater automation and scalability. Ecuador's online sellers are actively building these digital capabilities. Government agencies and stakeholders can usefully partner with local and global technology companies that can help MSMEs learn about, test, and acquire technologies and new solutions. The public sector could also step in and co-finance firms' digital transformation initiatives, as done for example in the Spanish cities of Madrid and Barcelona.²¹ Ecuador could also learn from the experiences of Asian economies such as Thailand and Malaysia in creating ecommerce parks that bring together essential talent, services, and capital to support online sellers to grow and export.

- **Facilitate border clearance for ecommerce.** Ecuador has progressed a great deal toward paperless trade. Some exciting next steps could be to leverage blockchain and artificial intelligence for accelerating border clearance for ecommerce shipments and for improving traceability—a broad array of countries around the world are testing AI for rapidly screening for illicit parcels at borders, and four Latin American countries are already working with the IDB on a CADENA blockchain platform to support interoperability of national authorized economic operator (AEO) certifications.²² Ecuador could also look at the experiences of Singapore, Japan, and Thailand in creating national trade platforms – essentially “turbocharged” single windows that enable MSME traders to comply with market access requirements and secure G2B and B2B trade services for their trade operations.
- **Fuel interoperability among ecommerce logistics providers.** The boom in ecommerce amid COVID-19 is accelerating demand for ecommerce logistics, for firms to manage the growth in volumes and diversity of stock and keep up with customer demands for fast delivery. In Ecuador, there are promising startups that service this demand. However, the market is still fragmented. There are important opportunities for the automation of the many “handshakes”, document exchanges, and payment transactions among players in B2B logistics supply chains.
- **Leverage Fintechs and guarantees to broaden online MSME access to working capital.** An important concern for Ecuadorian firms that seek to engage in ecommerce is access to fast-disbursing working capital loans needed to fulfill orders received online. Survey data from Mexico indicate that online sellers increasingly turn to Fintechs not banks to access loans of this kind. The public sector could support Fintech lending to a broader set of MSMEs that sell online through various ways, such as promoting Fintechs via Fintech laws and a regulatory sandbox; scaling awareness-building about Fintechs especially with MSMEs in smaller cities and rural areas; and offering guarantees on Fintech-issued loans to enable Fintechs to lend to a broader set of firms and/or lower their cost of capital.
- **Promote digital payments.** There are important opportunities to expand MSMEs’ access to electronic payment solutions. Ecuador could build on the example of the Brazilian Central Bank’s Pix, an instant payment solution that enables payments among banks, banks and Fintechs, and Fintechs and payment service providers.
- **Bridge economic and gender disparities through digitization.** Ecuador has economic and digital disparities between rural and urban regions in the use of ecommerce and challenges facing firms to do ecommerce. However, promoting ecommerce in more remote and rural areas can have high payoffs in terms of rural firms and consumers’ access to products that have traditionally been available only to their urban peers.²³ In general, there are opportunities to leverage telemedicine, distance learning, and telework to address socio-economic disparities.

There are also some crosscutting policies that critically enable MSMEs in ecommerce, facilitate their use of online services, and enable their customers and vendors to trust and transact with them online:

- **MSMEs’ Cybersecurity.** Ecuador has been drafting a cybersecurity strategy since 2019 which has not yet been implemented, and also does not yet have a comprehensive cybercrime law. At a time when cyberthreats are growing in the LAC region, there is a need for a cybersecurity strategy and law that consolidates regulations on information security management and on the prevention, detection, and response to cyber incidents. Ecuador can also apply more practical responses to help digitizing MSMEs access cyber defenses tailored to their needs and budgets. As one innovative approach that could be timely for Ecuador, the New York City government

has partnered with a venture capital fund to invest in businesses that develop and deliver affordable and scalable cybersecurity solutions to New York's MSMEs.²⁴

- **Corporate Digital Identity for MSMEs.** Ecuadorian MSMEs struggle to build trust with online shoppers – who in turn worry about online fraud. One solution is to arm companies with a data-rich corporate digital ID that would help MSMEs to be quickly authenticated by their customers and service providers such as marketplaces, banks, border agencies, and logistics service providers. It could be piloted as a private sector-led decentralized, self-sovereign solution drawing on publicly available and private data on corporate vitals and transactions – and readily build on Ecuador's corporate registry data. The eTrade Alliance intends to operationalize a proof of concept on this type of a solution in 2022.
- **Open access to data for MSMEs.** MSMEs that sell online and all service providers to MSMEs' doing ecommerce – financial, logistics, and payments services and online marketplaces – require fluid access to data on their operations and customers, and ability to store, process, and analyze data in a cost-effective manner. Firms also need to easily move data, for example to store data on cloud services that may have their servers outside Ecuador. Open data regimes will also support firms in Ecuador's traditional industries such as manufacturing and agriculture that are digitizing and will increasingly depend on the cross-border exchange of digital services and data.
- **Formalizing MSMEs.** A large share of MSMEs in Ecuador are informal and as such unable to access bank accounts, formally transact online, or scale through exporting online. Informality also deters productivity gains. Positively, Ecuador is among many countries using digital technologies to simplify and facilitate business registration for small businesses. Ecuador can also help firms formalize with incentives such as tax holidays in exchange for registration, drawing on peers like Singapore that provides a tax holiday for the first three years for start-ups, and Panama that exempts microenterprises that formalize from income tax for the first two years.
- **Advance digital trade integration.** The power of ecommerce is in expanding firms' markets and supplier pools beyond their regions and countries. Cross-border ecommerce is still quite new for Ecuadorian firms – but offers great potential for growth. Thus far none of Ecuador's trade agreements has the kind of digital trade chapter as included in the CPTPP that Chile, Mexico, and Peru belong to, and USMCA Mexico belongs to and that pre-empt barriers to the exchange of digital goods and data among the members. For example, USMCA's digital trade chapter ensures that:²⁵
 - No customs duties and other discriminatory measures are applied to digital goods (such as e-books, videos, music, software, games, 3D printable designs, etc.);
 - Parties provide internet intermediaries such as social networks and marketplaces a “safe harbor” from liability for user-generated content that such platforms host or process;
 - Data can be transferred across borders while respecting each signatory country's data privacy laws;
 - Consumer protections, including for privacy and unsolicited communications, apply to the digital marketplace; and

- Internet intermediaries are shielded from liability for their user’s content and copyright infringements online, which helps both global internet intermediaries to operate more easily and promotes the rise of local online platforms and investment in them.²⁶

These types of provisions would provide new certainty to Ecuadorian MSMEs that sell and buy goods and services across borders, and can be useful to consider for example with the Pacific Alliance partners that have been among the drivers of pro-e-commerce digital regulations for example in the CPTPP. Ecuador has already set out to seek Pacific Alliance membership (case 2).

Case 2: Potential gains from integration with the Pacific Alliance—and the United States

The Pacific Alliance made up of Chile, Colombia, Mexico and Peru, is the eighth largest economy in the world. It brings together a market of more than 230 million inhabitants and makes up about 40% of Latin America’s GDP. The bloc’s members also belong to many of the groundbreaking trade deals such as CPTPP (Chile, Mexico, and Peru) and USMCA (Mexico). The bloc has also formed relationships with extra-regional markets; for example it will in December 2021 sign the Pacific Alliance-Singapore Free Trade Agreement (PASFTA) with Singapore.²⁷

According to some estimates, some 1,700 Ecuadorian companies export to the countries of the Pacific Alliance already.²⁸ These sell mostly commodities to the Pacific Alliance, such as petroleum products, processed fish, and cocoa beans, and import animal food, food, crude petroleum, and vehicles. More specifically:

- **Chile:** Ecuador exported \$1.5 billion to Chile in 2019. Over 80% of exports were crude petroleum.
- **Colombia:** Ecuador exported \$854 million to Colombia. The top products exported were processed fish, palm oil, and particle board.
- **Mexico:** Ecuador exported \$133 million to Mexico. The top products exported were cocoa beans, refined petroleum, and processed fish.
- **Peru:** Ecuador exported \$993 million to Peru. Two thirds of export revenue consisted of crude petroleum.²⁹

In July 2018, Ecuador requested its incorporation into the Pacific Alliance as an associate member, a request that was favorably received by the current members.³⁰ In December 2020, Ecuador signed with the Pacific Alliance the terms of reference to advance join the bloc as an associate member, with the view on becoming a full member.³¹

Ecuador has also at different points in time considered a free trade agreement with the United States. A recent impact assessment by the United National Economic Commission for Latin American and the Caribbean assessed various scenarios, such as:

- **Scenario 1:** Comprehensive free trade agreement with immediate liberalization across the board;
- **Scenario 2:** Agreement with same gradual liberalization schedules as in Ecuador’s trade agreement with the EU; and
- **Scenario 3:** end of trade preferences by the United States and use of most-favored-nation rates.³²

The simulations suggest that:

- Scenario 1 of immediate liberalization would result in increase of exports to the United States by 1.33 percent and imports from the United States by 7.4 percent.
- Scenario 2 would increase exports to the United States by 1.02 percent and imports by 3.51 percent. This scenario would also increase real wages, and reduce unemployment by 0.17 percentage points.
- The Ecuadorian sectors with greatest gains in exporting would be agricultural and agro-industrial sectors, mainly in exports of flowers, fruits and vegetables, fishery, and manufacturing products such as textiles, clothing, and non-metallic minerals.
- The bulk of the increase in imports from the United States would be in machinery and equipment, vehicles, and chemical products.
- Permanent trade preferences, the study concludes, would also be beneficial as it would eliminate the uncertainty the Ecuadorian export sector faces every time the system is up for preference review.

There are also various methods to accomplish the above recommendations, such as:

- **Building public-private partnerships to support MSMEs' digital transformation.** Public-private partnerships with marketplaces and digital marketing, fintech, logistics, and payment providers are essential to raise MSMEs' awareness about and use of solutions and services for ecommerce, and fashioning and supporting sustainable MSME ecommerce development initiatives, as done in the eTrade Alliance supported by USAID. There can also be excellent opportunities to empower Ecuadorian women-led firms through marketplaces such as Etsy, eBay, and Canasta Rosa. Working with the private sector will also enhance officials' awareness about MSMEs' pain points in ecommerce, and ability to ideate and design impactful policies.
- **Engagement with local governments in ecommerce development.** Ecuador has excellent opportunities to create partnerships between national, state, and local governments and other subnational stakeholders such as local chambers of commerce to support MSMEs' ecommerce development across the country. For example, the municipal governments of Quito and Guayaquil offer capacity-building for MSMEs in digital transformation and courses on digital entrepreneurship that other cities and regions could follow. Such partnerships with local governments and stakeholders could be aimed at bridging regional disparities and supporting small women-led firms that are quite prevalent in rural areas.

V. CONCLUSION

Ecommerce is booming in Ecuador and its key export markets, opening new opportunities for Ecuadorian MSMEs to recover from COVID, grow their sales, and export – but relatively little is known to date about which Ecuadorian MSMEs engage in ecommerce and how, what barriers they face, and how public and private sector leaders can support MSMEs’ ecommerce and online exports. This report has sought to bridge this knowledge gap with sector-level census data and the eTrade Alliance’s survey data on 423 Ecuadorian firms, new policy analytics, and the Alliance’s July 2020 Digital Trade Dialogue with Ecuador.

This report has shown how firms across sectors are digitizing their sales channels and gradually onboarding marketplaces that enable them to reach hundreds of millions of customers around the world. The main conclusions are as follows:

- **Survey data shows that firms’ engagement in ecommerce varies by their size and geolocation.** Micro and small firms are likely to be social sellers that market their goods and services primarily on social media platforms and interact with customers using WhatsApp and other messaging tools. Larger firms are more likely to sell via their own online stores and on marketplaces. Firms in big cities are more likely to sell on marketplaces, while small firms in rural areas are more likely to sell exclusively on social media, and are less likely to export and import.
- **Firms of all sizes that have an online presence are much more likely to export compared to offline firms, and young firms tend to be “born digital”.** Online seller-exporters are also likelier to export to many markets and to extra-regional markets and sell many different products than social sellers. Over a third of the firms formed in the past two years have their own online stores and use marketplaces.
- **Marketplace sellers and sellers with their own online store report strong gains from ecommerce and grow faster than firms that use analogue or social channels.** Marketplace sellers and sellers with their own online stores report particularly strong gains from ecommerce, in terms of new domestic and international customers, revenues and profitability, reduction in operating costs, and export opportunities.
- **Comparable women-led firms and men-led firms perform similarly in ecommerce.** Women-led and men-led firms in the same geographies and of the same size use online channels in a similar manner and export and sell online at similar intensities.
- **Ecuadorian online sellers of all sizes report some of the same main challenges to doing ecommerce.** These include maintaining a strong online presence, addressing cybersecurity challenges, doing digital marketing, dealing with taxes, and accessing capital for digital transformation. Customs procedures, delays, and delivery costs are also a challenge for firms that are exporting and importing.
- **COVID-19 has cemented Ecuadorian firms’ interest in building online capabilities.** Over one-half of all firms look to invest in better Internet connections, digital marketing

capabilities, and finding better suppliers. Over 40 percent seek to invest in ecommerce capabilities in 2021-22. Top desired capabilities include a need for knowledge on how to do ecommerce, enhanced digital marketing capabilities especially internationally, better presence on marketplaces, and higher quality products and services.

- **Ecuador’s digital ecosystem that serves online sellers has been growing more sophisticated over the past few years, though it has remained concentrated in the largest cities.** There are players in payments, logistics, digital services, ecommerce consulting, and marketplaces. The companies that service online sellers are concentrated in the main cities and wealthier regions, especially pronounced in Guayaquil region.
- **Ecuador shows strengths in certain key areas of ecommerce compared to peer economies, though lags in others.** Ecuador is among the top performers in Latin America in offering e-government services to citizens and firms, firms’ adoption of digital services, and use of paperless trade. At the same time, Ecuador still lags its Latin American peers in cybersecurity, postal quality, and time to import. It also trails its peers at the same level of development in fixed broadband subscriptions.
- **Ecuador has in the past several years been working on laws, policies and programs to enable ecommerce, and various business associations and local and national government agencies have launched programs to support MSME ecommerce.** Recent policy developments include the National Ecommerce Strategy of 2021, Digital Ecuador Plan of 2019, innovation in payments and improvement in logistics, direct public support for MSME ecommerce through training and financing initiatives, a new data protection law, and free trade agreements. The Ecuadorian Chamber of Ecommerce co-organizes the eCommerce Day of Ecuador and provides a wide range of ecommerce trainings, while government programs have provided free workshops and set up an ecommerce marketplace.
- **Recommendations to accelerate MSMEs’ use of cross-border ecommerce in Ecuador include:** provide scalable online capacity-building and financing for social sellers to build online stores and onboard to marketplaces, support MSMEs’ digital transformation and use of new technologies, utilize technology to facilitate border clearance for ecommerce, leverage fintechs and promote digital payments, bridge economic and gender disparities through digitization, incentivize and simplify formalization of MSMEs, and improve MSME cybersecurity.

Mechanisms such as public-private partnerships that support MSMEs’ digital transformation; engagement with state and local governments in ecommerce development; and using trade agreements to access markets and cement digital trade rules conducive to MSMEs ecommerce will also help enable Ecuadorian MSMEs to connect with and transact with customers, suppliers, and service providers at home and beyond borders.

Annex I: Survey Sample

Survey fielding

The data was harvested via an online survey on 6-10 August 2021 with 423 Ecuadorian firms across sectors and geographies. Unlike in a traditional survey process where we would first draw up a sample frame of firms in a country and then randomly select firms from it for phone interviews, here we leveraged online surveys relying on Centiment's proprietary panel of respondents. The survey takers will take the survey on their laptops or computers, online, on their own time. This online survey method is scalable and saves considerable amount of time and resources. compared to computer-assisted telephone interviews (CATIs). Nextrade Group has found in several prior work utilizing both CATI and online surveys in a country simultaneously that online surveys as executed as here have minimal tradeoffs: they produce very similar patterns as CATI surveys, and, even if the surveys are unsupervised, produce robust, high-quality responses by serious survey takers. This in part owes to robust quality control before, during, and after the survey, through such practices as questions to identify inattentive survey takers and digital fingerprinting to prevent duplicates. A mix of further solutions ensure that even users that may have multiple accounts and devices attempt a specific survey only once.

Figure I-1: Surveyed Firms, by Number of Full-Time Employees

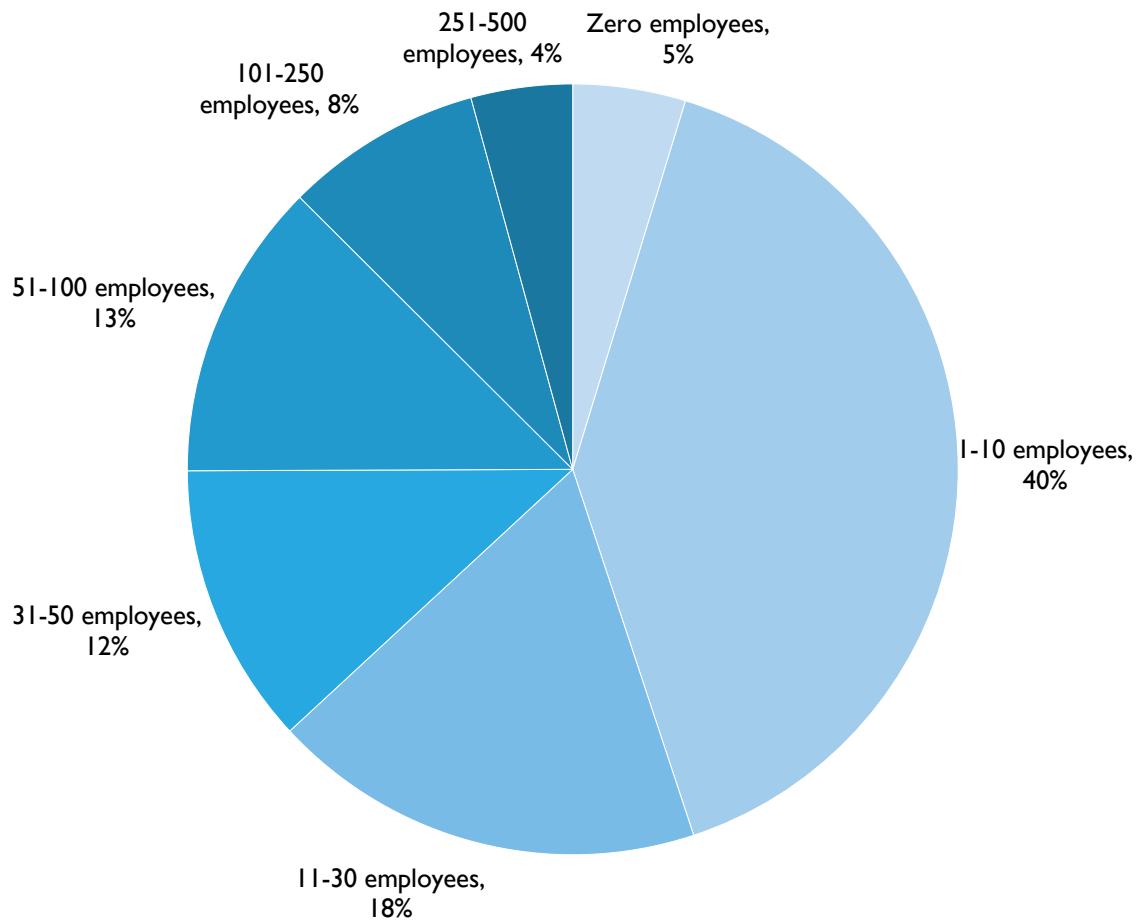
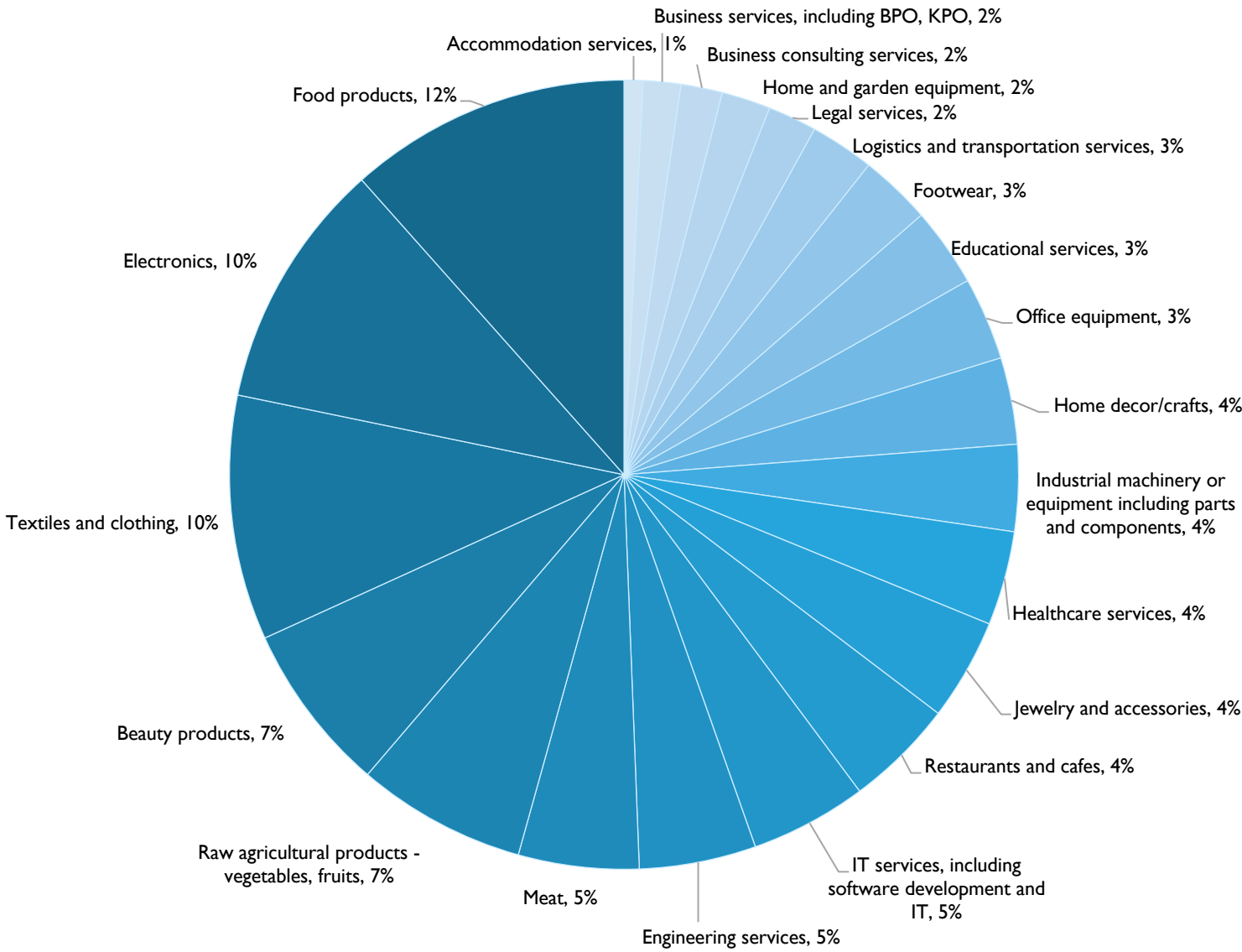


Figure I-2: Surveyed Firms, by Sector



Annex II: Variables for Best Place for MSME Ecommerce-Index

	Variable	Source
1	% of people connected to Internet	World Bank Data
2	Ratio of people with fixed broadband- subscriptions per 100 people	World Bank Data
3	Internet quality - speed	Fastmetrics
4	Broadband cost	Cable
5	Tariffs on ICT products	WTO
6	Taxes on digital services (VAT/GST on digital sales)	Various
7	PayPal is available	PayPal
8	Hourly labour costs in US dollars (converted using 2011 PPPs), latest year	ILO
9	Notice period for redundancy dismissal for a worker with 1 year (weeks of salary)	ILO
10	Severance pay for redundancy dismissal for a worker with 1 year of tenure (weeks)	ILO
11	Maximum length of a single fixed-term contracts (months)	ILO
12	GDP per person employed (constant 2017 PPP \$)	World Bank
13	Regional trade agreements (number)	WTO Regional Trade Agreements Database
14	Labor skills levels - % of technicians	ILO
15	English proficiency (score) (2019)	EF EPI
16	Digital talent - proxy: Patent applications, residents	World Bank
17	Digital talent - proxy: ICT service exports	World Bank
18	Office space cost (unit/month)	CBRE
19	Doing business - ease of doing business (score)	World Bank Doing Business
20	Total tax and contribution rate (% of profit)	World Bank
21	Time spent on tax filings	World Bank
22	Cybersecurity index	ITU Global Cybersecurity Index
23	Paperless trade score	UN Global Survey on Digital and Sustainable Trade Facilitation
24	Crossborder paperless trade score	UN Global Survey on Digital and Sustainable Trade Facilitation
25	Time to export - documents	World Bank Doing Business
26	Time to export - compliance	World Bank Doing Business
27	Commercial air connectivity	World Bank World Development Indicators
28	Logistics performance index: Ease of arranging competitively priced shipments	World Bank Logistics Performance Index
29	Logistics performance index: Ability to track and trace consignments	World Bank Logistics Performance Index
30	Leadtime to export, median case	World Bank
31	Logistics performance index: Quality of trade and transport-related infrastructure	World Bank Logistics Performance Index
33	Collateral requirements	World Bank Enterprise Surveys
34	Depth of Fintech ecosystem - National fintech ranking 65 countries	Findexable
35	Doing business - credit bureau coverage (% of adults)	World Bank Doing Business
36	Openness of company data available through government	Open company data index
37	E-government index- online services	UN
38	Companies' digital technology adoption index	World Bank Digital Adoption Index
39	Policy index for MSME ecommerce	eTrade Alliance
40	UPU Postal Development Index	UPU Postal Development Report 2020
41	Crime rate (robberies per 100,000)	UNODC
42	Has Stripe	Stripe
43	Has at least 1 Google Office	Google
44	Has at least 1 Amazon Fulfillment Center	Amazon
45	Has at least 1 Amazon offices	Amazon
46	% of firms with majority female ownership	World Bank Enterprise Surveys
47	% of firms with female top manager	World Bank Enterprise Surveys
48	Made or received digital payments - female (% age 15+)	World Bank FINDEX database
49	Account ownership at a financial institution or with a mobile-money-service provider - female (% age 15+)	World Bank FINDEX database
50	Inclusive Internet Environment	The Economist
51	Made or received digital payments (% age 15+)	World Bank FINDEX database

Annex III: Variables and their Coding in Alliance's Draft Policy Mapping

Digital Infrastructure

Government national broadband plan or initiatives	1 = yes ; 0 = not in place (or not found)
Government initiatives for women-led firms to use and innovate in tech	1 = yes ; 0 = not in place (or not found)
5G strategy published or initiatives announced	1 = yes ; 0 = not in place (or not found)
<i>5G service has been rolled out</i>	<i>1 = yes; 0 = not in place (or not found)</i>
<i>5G spectrum auctioning has happened already</i>	<i>0.5 = spectrum assigned ; 0.25 = auction planned ; 0 = not in place (or not found)</i>
<i>5G piloted/trials have taken place</i>	<i>0.25= yes; 0 = not in place (or not found)</i>
<i>4.5G rolled out</i>	<i>0.5 = yes; 0.25 = in planning ; 0 = not in place (or not found)</i>
Competition among fixed wireless broadband providers	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Competition among fixed satellite services	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Competition among mobile cellular	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Competition among mobile satellite services	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Competition among internet services	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Competition in international gateways	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Competition in wireless local loop	0.2 = full ; 0.1 = partial ; 0 = monopoly, or N/A
Universal access/service policy adopted	0.25 = yes; 0 = no
Caps on FDI in wireless and fixed telecommunications	-0.5 = some limits or caps on FDI found, such as in certain sectors
Information Technology Agreement member	1 = yes ; 0 = no
2018 applied tariffs on cellphones	distance from frontier: 1 = best, 0 = worst or N/A
2018 applied tariffs on laptop computers	distance from frontier: 1 = best, 0 = worst or N/A

Digital regulations on online transactions

Fully digital business registration available	1 = yes; 0.5 = part of process can be done online, or only certain cities provide the service, or only certain kinds of companies can register online; 0 = not online at all, including even if there is a "one stop shop"
Electronic signatures admissible, legal, and enforceable	1 = yes ; 0 = not in place (or not found)
Digital or electronic invoice implemented	1 = yes ; 0 = not in place (or not found)
eID/digital ID in place (including for e-government services)	1 = yes ; 0.5 = in development/piloted ; 0 = not in place (or not found)
National digital corporate ID tested or in place	1 = yes ; 0 = not in place (or not found)
Tax exemptions for new businesses	1 = yes ; 0 = not in place (or not found)

Digital regulations on online behavior

Net neutrality: ISPs barred from limiting Internet content in their networks	1 = yes ; 0 = not in place (or not found)
Liability exemptions/safe harbors for internet intermediaries from copyright infringement	1 = yes ; 0.5 = in draft, or is party to treaty that requires safe harbor regulations though not in place (or not in place (or not found))to have adopted in national legislation yet ; 0 = not in place (or not found), law does not mention internet intermediary liability, or law implies high liability risk i.e. EU directive
Copyright limitations and exceptions - use of "fair use" standard	1 = yes ; 0.5 = not officially but abide by Berne Convention ; 0 = not in place (or not found)
Restrictive OTT regulations affecting Internet services	-1 = yes ; 0 = not in place (or not found)
Caps on FDI by foreign marketplaces	-0.5 = some limits or caps on FDI found, such as in certain sectors
Data transfer allowed (or no law in place)	1 = yes, allows data transfer, whether by law or implicitly because there is no law
<i>Data transfer limits to certain sectors</i>	<i>-0.2 = yes ; 0 = not in place (or not found)</i>
<i>Data transfer always requires jurisdictions to be branded "adequate"</i>	<i>-0.2 = adequacy always required ; -0.1 = adequacy can be required but not always i.e. if there is user consent, or a special exception ; 0 = not in place (or not found)</i>
<i>Data transfer always requires user consent</i>	<i>-0.2 = user consent always required ; -0.1 = user consent can be required but not always i.e. if there is adequacy standard in place, or a special exception ; 0 = not in place (or not found)</i>

Digital regulations on online behavior (cont.)

VAT/GST Tax	distance from frontier: 1 = best, 0 = worst
Digital tax/rate discussed or implemented	-1 = yes ; -0.5 = Proposed ; 0 = not in place (or not found)
Consumer protection regulation in place	1 = yes ; 0.5 = in draft
Consumer protection law explicitly applies to ecommerce	1 = yes ; 0 = not in place (or not found)
<i>Legal/regulatory prohibitions on companies using unfair or deceptive acts</i>	<i>0.25= yes ; 0 = not in place (or not found)</i>
<i>Anti-spam law in place</i>	<i>0.25= yes ; 0 = not in place (or not found)</i>
<i>Online contracts are to be drafted in clear and simple language</i>	<i>0.25= yes ; 0 = not in place (or not found)</i>
<i>Forms of redress - consumer's right to return items purchased</i>	<i>0.25= yes ; 0 = not in place (or not found)</i>
Companies have a Trust certificate or companies / governments certify trusted firms	1 = yes ; 0.5 = Planning ; 0 = not in place (or not found)
Consumer complaints can be filed online	1 = yes ; 0 = not in place (or not found)
Digital / video-based court proceedings for consumer issues	1 = yes ; 0 = not in place (or not found)

Payment regulations

E-payments law in place	1 = yes ; 0 = not in place (or not found)
Risk-based approach (RBA) KYC regime in place	1 = yes ; 0.5 = in process of implementing ; 0 = not in place (or not found)
<i>Regulatory requirements differentiated by type of service and its respective risks</i>	<i>1 = yes ; 0.5 = in process of implementing ; 0 = not in place (or not found)</i>
Demonetization programs to promote digital payments	1 = yes ; 0 = not in place (or not found)
Regulations or programs to fuel interoperability of online payments	1 = yes ; 0 = not in place (or not found)

Trade facilitation for ecommerce

<i>De minimis</i> threshold for entry of goods	distance from frontier: 1 = best, 0 = worst or N/A
Publication of existing import-export regulations on the internet	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Stakeholders' consultation on new draft regulations (prior to their finalization)	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Advance publication of new trade-related regulations before their implementation	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Advance ruling on tariff classification and origin of imported goods	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Risk management	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Pre-arrival processing	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Post-clearance audits	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Independent appeal mechanism	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Separation of release from final determination of duties, taxes, fees and charges	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Establishment and publication of average release times	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Trade facilitation measures for authorized operators	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Expedited shipments	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Acceptance of copies of original documents required for import, export or transit	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Electronic Single Window System	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Alignment of working days and hours with neighboring countries at border crossings	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Alignment of formalities and procedures with neighboring countries at border crossings	1 = Yes ; 0.5 = Partially ; 0.25 = Planning ; 0= No
Provides B2B and/or G2B services as shared trade ecosystem platform	1 = yes ; 0 = not in place (or not found)
Use of blockchain and/or AI in customs	1 = yes ; 0 = not in place (or not found)
Innovative postal services, such as drones, collaboration with ecommerce platforms	1 = yes ; 0 = not in place (or not found)
UPU Postal Development Index	distance from frontier: 1 = best, 0 = worst or N/A

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UPU Postal Development Index	distance from frontier: 1 = best, 0 = worst or N/A

MSME capacity-building and export promotion for ecommerce

Export promotion agency programs/guidelines for ecommerce available	1 = yes; 0.5 = planning to implement ; 0 = not in place (or not found)
Online ecommerce export services, such as channel management platform	1 = yes; 0 = not in place (or not found)
Subsidized digital transformation funding for firms to use ecommerce	1 = yes; 0 = not in place (or not found)
Public-private collaboration (e.g. with marketplaces) to build SMEs' capacity	1 = yes; 0 = not in place (or not found)
Programs for women-led firms to learn to export (ex: e-commerce)	1 = yes; 0 = not in place (or not found)
Programs for rural companies to engage in ecommerce	1 = yes; 0 = not in place (or not found)
Help with MSME logistics for cross-border ecommerce	1 = yes; 0 = not in place (or not found)

MSME finance

Regulatory sandboxes for FinTech	1 = yes; 0.5 = in development ; 0 = not in place (or not found)
Open banking regulations	1 = yes; 0.5 = in development ; 0 = not in place (or not found)
Regulatory framework for equity crowdfunding	1 = yes; 0.5 = in development ; 0 = not in place (or not found)
Government credit guarantees for micro and small working capital loans offered to banks	1 = yes; 0 = not in place (or not found)
Government credit guarantees for working capital loans offered to Fintechs	1 = yes; 0 = not in place (or not found)
Direct loans from government to small or micro firms	1 = yes; 0 = not in place (or not found)
Equity for tech and digital businesses (gov't as GP)	1 = yes; 0 = not in place (or not found)
Equity for tech and digital businesses (gov't as LP or fund of funds)	1 = yes; 0 = not in place (or not found)
Specific equity programs for exporters (or VC investments expressly for exporting)	1 = yes; 0 = not in place (or not found)
Programs to finance/guarantee ecommerce transactions	1 = yes; 0 = not in place (or not found)
Financing programs or entities for women-led companies - grants, debt or equity	1 = yes; 0 = not in place (or not found)

Government eprocurement promotion for MSMEs

Procurement tenders and bid documents available online	1 = yes; 0.5 = only tenders or bid docs online; 0 = not in place (or not found)
Procurement bid submission online	1 = yes; 0 = not in place (or not found)
Procurement bid process and notices electronic	1 = yes; 0 = not in place (or not found)
Online, transparent and/or simple bidding search for low-value procurement contracts	1 = yes; 0 = not in place (or not found)
Initiatives to increase SME procurement bids and contracts	1 = yes; 0 = not in place (or not found)
Initiatives to increase women-led SME procurement bids and contracts	1 = yes; 0 = not in place (or not found)
Complaint mechanism in place, for example about unfair procurement bidding process	1 = yes; 0.5 = observer status; 0 = no
Member or observer of plurilateral Agreement on Government Procurement	

MSME cybersecurity readiness

National cybersecurity strategy in place	1 = yes, including if standalone or part of larger strategy; 0.5 = in draft; 0 = not in place (or not found)
Cybercrime legislation in place	1 = yes, if standalone or part of a law i.e. Criminal Code; 0.5 = in draft; 0 = not in place (or not found)
Computer Emergency Response Team (CERT) in place	1 = yes; 0 = not in place (or not found)
Educational campaigns to SMEs on cybersecurity/SME focused assistance	1 = yes; 0 = not in place (or not found)
Cybersecurity capacity building for governments	1 = yes; 0 = not in place (or not found)
Ratified Budapest Convention	1 = yes, 0 = no

Ecommerce strategy and statistics

Government digital strategy in place	1 = yes; 0.5 = in draft/development ; 0 = not in place (or not found)
Government ecommerce strategy in place	1 = yes; 0.5 = in draft/development ; 0 = not in place (or not found)
Ecommerce flow and/or usage statistics collected	1 = yes; 0 = not in place (or not found)

Annex IV: Ecuador's Trade Agreements

Agreement	Partner	Year Signed	Key Areas Covered
European Free Trade Association-Ecuador	Iceland, Liechtenstein, Norway and Switzerland	2018	<ul style="list-style-type: none"> Market access for goods and services IP protection Government procurement Cooperation to enhance trade and investment opportunities Sustainable development Dispute settlement
European Union-Colombia-Peru-Ecuador	EU countries, Colombia, Peru	2014	<ul style="list-style-type: none"> Market access for goods Trade in services, establishment, and electronic commerce Government procurement
Guatemala-Ecuador	Guatemala	2011	<ul style="list-style-type: none"> Market access for goods Customs procedures Trade facilitation Sanitary and phytosanitary measures Commercial cooperation Dispute resolution
Chile-Ecuador	Chile	2008	<ul style="list-style-type: none"> Market access for goods Customs procedures Trade facilitation Sanitary and phytosanitary measures Investment Trade in services Transparency Dispute resolution
Mexico-Ecuador	Mexico	1993	<ul style="list-style-type: none"> Non-tariff measures Rules of origin for goods Differential treatment
Colombia-Venezuela-Ecuador-MERCOSUR	Colombia, Venezuela, Argentina, Brazil, Paraguay, Uruguay	2004	<ul style="list-style-type: none"> Antitrust practices Dispute resolution Customs valuation Sanitary and phytosanitary measures Services Investments and double taxation Free trade zone



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