

Realizing Digital Potential in North and Central Asia



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Introduction

The recent pandemic highlighted the importance of digitalization for inclusive and sustainable development.

This paper provides

- a discussion of challenges and opportunities of digitalization for national economies
- an overview of the level of digital transformation in NCA
- an outline of NCA countries' digital potential
- recommendations on how to accelerate the achievement of SDGs through inclusive digital transformation in line with international and regional frameworks

Opportunities & challenges for sustainable economic development

Opportunities

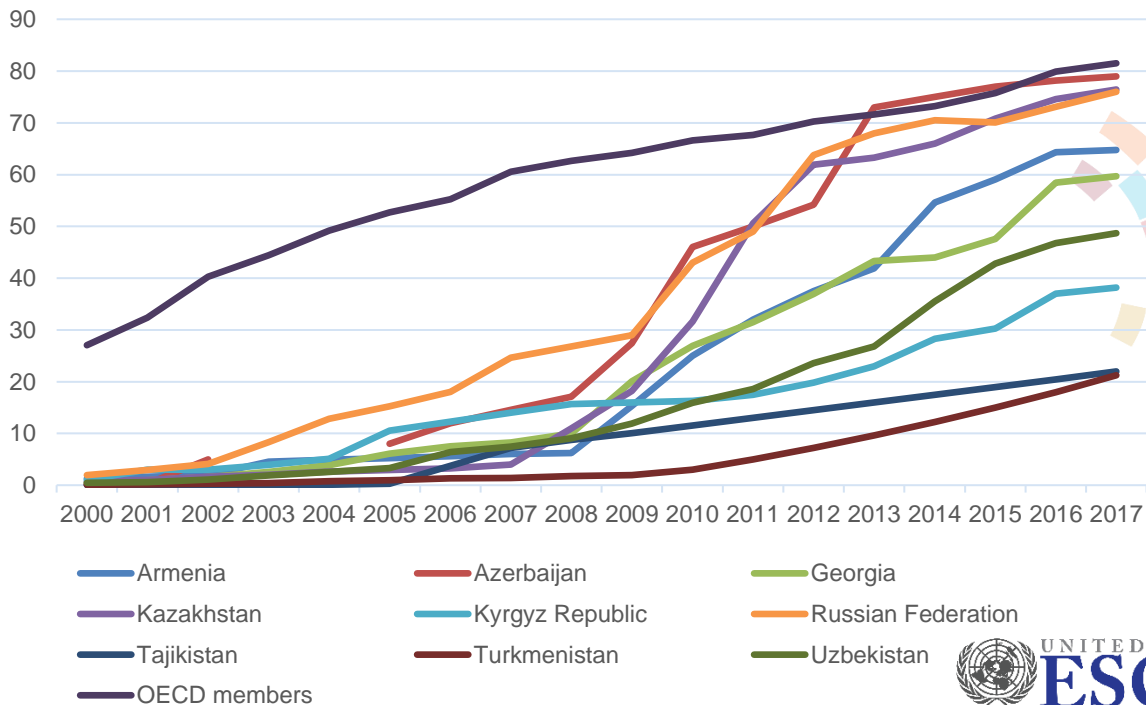
- Optimization of production processes and resource use
- Customization of products and services
- Automatization of industry
- Human-machine interaction

Challenges

- Reduction in number of available jobs (especially low-skilled)
- Digital divide based on gender, geography and age

The status of digital technologies in NCA

Number of mobile internet subscriptions per 100 persons



Source: International Telecommunication Union

The status of digital technologies in NCA

Recently, various private sector initiatives and governmental policies have been implemented by NCA countries, e.g.

- Armenia aspired to a regional IT hub with affordable and high-quality infrastructure
- “Digital Kyrgyzstan 2019-2023” with main goal to provide structured digital transformation in society, government and economy
- The National Program Digital Economy initiated by the Russian Federation consists of several federal projects targeting the development of institutional frameworks, business ecosystems and improvement of ICT infrastructure

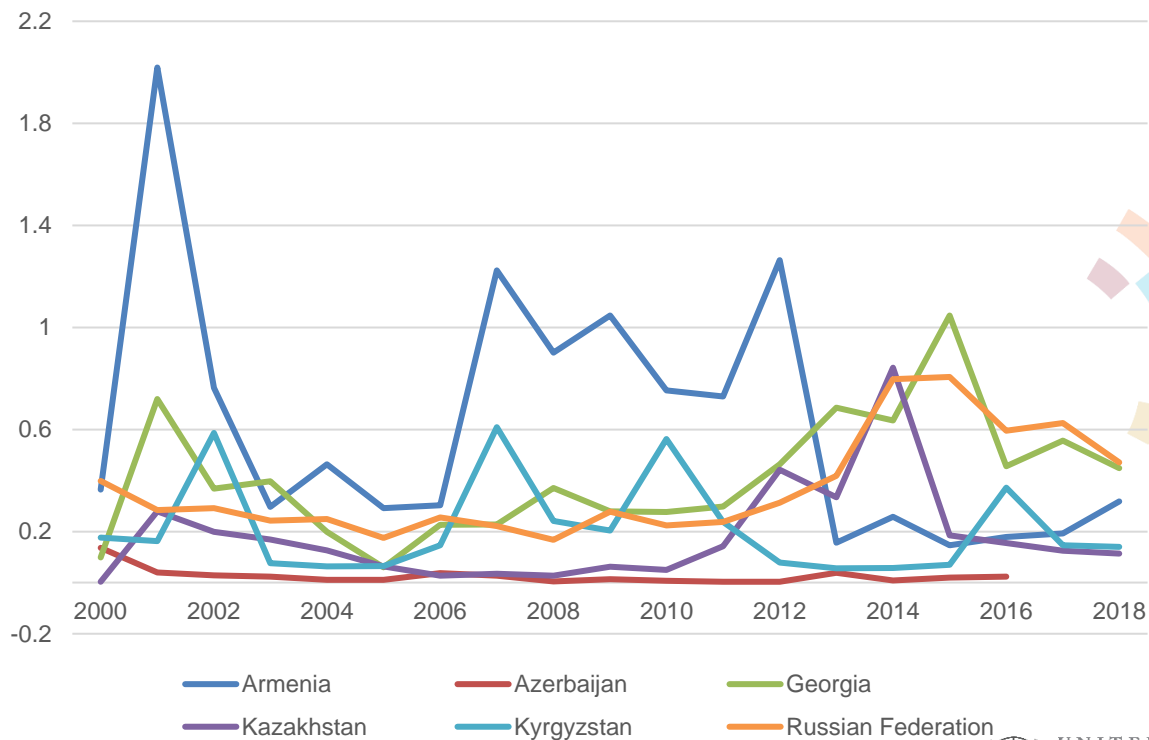
The status of digital technologies in NCA

Nevertheless, challenges prevail across NCA in

- infrastructure development
- digital literacy
- technological competitiveness
- low levels of regional cooperation

Consequently, the share of ICT products in total exports in NCA lies below the OECD average

Share of ICT products in exports



Source: WDI, World Bank

Policy frameworks for digital transformation

In order to ensure the highest efficiency in the development of digital economy, state participation is pivotal.

Useful measures and initiatives include

- Regularly update legal and regulatory frameworks
- Enhance digital and data-related skills in the public sector
- Coherent and resilient digital government infrastructure
- Reform national statistics in line with international standards

Focus areas for development of digital potential

E-commerce

Can be instrumental for SMEs development and local employment.

Financial sector

Inclusive financial services are critical to deploy a vital digital economy.

Agriculture

Digitalization contributes to efficient management of agriculture resources and human capital.

Supply chains & logistics

Digital solutions can facilitate affordable and efficient logistics, which are critical for LLDCs in global competition.

Recommendations

In order to realize digital potential in NCA and thereby accelerate the achievement of SDGs, we recommend to

1. Design **clear national policies and action plans** for the development of digital economy
2. Implementation of **regulatory sandboxes** to test effects of new legal acts concerning digital technologies
3. **Increase investments** for science, tech & innovation
4. Improvement of **data exchanges** on national and subregional level
5. Strengthen **regional cooperation** in digital infrastructure development

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