

# Peru

## eTrade Readiness Assessment

### OVERVIEW

The text was translated by Rodrigo Saavedra. Any queries will be handled by the translator who accepts responsibility for the accuracy of the translation.

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# OVERVIEW

## Introduction

Peru is an upper-middle-income South American country with an economy rich in natural resources. With 33.4 million people, it is the seventh most populous country in the Americas; 30 per cent of the population lives in Metropolitan Lima, where the country's capital is located (INEI, 2022). It borders Bolivia (Plurinational State of), Brazil, Chile, Colombia, Ecuador, and the Pacific Ocean.

Between 2002 and 2019, Peru's macroeconomic performance was one of the most remarkable in Latin America and the Caribbean. The gross domestic product (GDP) grew at an average rate of 6.1 per cent per year between 2002 and 2013, and 3.1 per cent per year between 2014 and 2019. During those periods, GDP per capita increased by almost 250 per cent and poverty decreased from 54.8 per cent of the population in 2001 to 20.2 per cent in 2019. During the COVID-19 crisis, the economy contracted by 11.1 per cent. In 2021, the recovery of private consumption and investment, coupled with record terms of trade, led to GDP growth of 13.5 per cent, which stabilized at 2.7 per cent in 2022.<sup>1</sup>

In terms of exports, the country's performance has also been one of the best in the region. Between 2001 and 2022, total exports increased nine-fold, and, in that period, the trade balance was in deficit in just three years. In 2020, exports contracted by 11 per cent due to the COVID-19 crisis, but in 2021 and 2022, they grew by 47 per cent and 4 per cent, respectively. Peru's export basket is concentrated in mining products, which represented around 60 per cent of total exports in the 2021-2022 period, and in other minerals and

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1. GDP growth data are from the Central Reserve Bank of Peru (BCRP). The poverty figure corresponds to the %age of the population living in monetary poverty published by the National Institute of Statistics and Informatics (INEI) and the World Bank. GDP per capita growth is based on current dollar data from the World Bank.

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primary products, such as agricultural products, oil and gas, and fisheries, which contributed another 30 per cent. Peru is among the world's leading exporters of zinc, copper, lead, fishmeal, and fish oil.<sup>2</sup>

After two decades of sustained growth, Peru faces structural challenges that necessitate strengthening the economy's capacity to enhance productivity and generate sustained growth by increasing productivity and emphasizing, among other factors, the importance of entrepreneurship and the innovation ecosystem, as well as the need to carry out a digital transformation across the country (CNCF, 2019). The Government of Peru has made efforts to incorporate objectives and goals linked to the digital transformation of the public sector, the private sector, and civil society in various national strategies and policies. These efforts have translated into the implementation of various projects supported by different development partners, including agencies, funds and programmes of the United Nations system in Peru, the Inter-American Development Bank (IDB), the World Bank Group (WBG), the European Union (EU), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Korea International Cooperation Agency (KOICA) and the Swiss State Secretariat for Economic Affairs (SECO).

In 2015, the OECD-Peru Country Programme began, in accordance with the formal interest that the country had expressed in 2011 to become a member of the Organisation for Economic Co-operation and Development (OECD). In 2022, the 38 OECD members approved the Roadmap for Peru's OECD Accession, which establishes the terms and conditions for this process to take place. The policy areas identified by the OECD Council and to be covered in the technical reviews are the following: i) structural reform; ii) open trade and investment; iii) inclusive growth; iv) governance; v) environment, biodiversity, and climate; vi) digitization; and vii) infrastructure (OECD,2022).

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2. Export data are from the BCRP.

## E-Commerce Readiness Assessment and Strategy Formulation

Peru is one of the main e-commerce markets in Latin America and the Caribbean, although its development is still incipient and there are opportunities to mature and grow. According to estimates by the Peruvian Chamber of Electronic Commerce (CAPECE), e-commerce sales surpassed US\$ 9 billion in 2021 and reached US\$ 12 billion in 2022. These involved more than 300,000 companies and 15 million consumers, making Peru the sixth largest market in the region after Argentina, Brazil, Chile, Colombia, and Mexico. Although there are no systematic statistics, cross-border e-commerce would represent between 10 per cent and 20 per cent of the total. A challenge that needs to be addressed for the continued growth of Peru's e-commerce market is reducing the significant reliance on Lima, which currently accounts for 80 per cent of the total sales volume.

The Government of Peru does not have a national strategy or policy specifically aimed at e-commerce, but there are various strategic government initiatives that include objectives or policy guidelines for its development. Recently, the articulation, coordination, and steering of strategies and policies for digital transformation have been concentrated in the Secretariat of Government and Digital Transformation (SGTD), which reports to the Presidency of the Council of Ministers. The SGTD, together with ministries and relevant actors from the private sector, academia, and civil society, leads actions to develop e-commerce in Peru. To ensure the sustainability and effectiveness of the current digital transformation governance model to drive e-commerce, it is key to provide the SGTD with greater strength, autonomy, and technical capacity. This includes creating coordination spaces and working groups with other sectors in all policy areas that affect e-commerce, especially those linked to developing the capacities of the private sector.

## ICT Infrastructure and Services

In recent years, Peru has made significant progress in the deployment of digital connectivity infrastructure, while introducing regulatory reforms to encourage competition, reduce fees, and improve quality. However, gaps in Internet access, quality, and affordability persist between Peru and OECD member countries in Latin America and the Caribbean, and especially between urban and rural areas within the country. The investment needed to close access and quality gaps amounts to US\$ 10.3 billion in the short term and US\$ 32.6 billion over the next 15 years to reach OECD levels. Beyond the required financial resources, the strategy for the deployment of Internet infrastructure and the allocation of radio spectrum to provide 5G wireless services needs to be reviewed and updated to provide greater predictability and incentives for investment. Such a review and update should involve the Ministry of Transport and Communications, the Supervisory Agency for Private Investment in Telecommunications (OSIPTEL), and relevant private sector stakeholders, working together to adapt outdated and restrictive regulations and mobilize resources from the private sector. The data also reveal patterns of opting out from the fixed broadband Internet market, suggesting that the strategy to deploy infrastructure should include actions aimed at promoting a greater digital culture, especially in rural and remote areas.

## Trade Logistics and Trade Facilitation

The market for e-commerce logistics services is still underdeveloped and there are opportunities for growth in the short term. Last-mile logistics costs for e-commerce are high, inland shipments are relatively scarce, and delivery times are higher than international standards. Business and managerial skills are underdeveloped and there are high levels of means activity taking place outside of the formal sector among logistics operators, which limits technology adoption and the supply of high-value-added services. Moreover, according to the Universal Postal Union (UPU), the development of postal services in Peru is below that of its Pacific Alliance partners and far from the average of high-income industrialized countries. Postal Services of Peru (SERPOST), the designated operator, faces challenges to become a higher value-added

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logistics service provider and leverage e-commerce growth. Some areas could also be improved by extending to other operators some advantages that are currently exclusive to SERPOST, for example, the simplified export and import regimes and easing of selected customs procedures.

Import and export operations associated with cross-border e-commerce are concentrated in the Jorge Chávez international airport in Lima, with little activity in the rest of the country's airports. This concentration leads to high levels of congestion inside and outside the airport and has a negative impact on processing times and costs. In addition, the low development of distribution centre infrastructure in the regions limits the growth of the market for last-mile logistics services.

The trade facilitation environment is agile and in line with strategic objectives to promote Peru's integration into international markets. The National Superintendency of Customs and Tax Administration (SUNAT) has modernized customs procedures and has implemented international best practices that align with World Customs Organization (WCO) standards. The Foreign Trade Single Window (VUCE) is one of the most advanced in the region. In addition, the country has signed several trade treaties and agreements that include trade facilitation provisions relevant to e-commerce, mainly the Pacific Alliance Framework Agreement (2013) and its amending protocols, and the World Trade Organization (WTO) Trade Facilitation Agreement (2016), whose degree of implementation exceeds 80 per cent. The goal of developing cross-border e-commerce poses the challenge of ensuring the continuous improvement of customs procedures, especially in paperless trade, and technology adoption to process large volumes of low-value packages.

## Payment Solutions

The use of electronic payments has exhibited a growing trend in recent years, which accelerated during the COVID-19 pandemic. Various financial entities offer a range of cashless payment solutions, including electronic banking, credit and debit cards, digital wallets, and solutions that allow payment using Quick Response (QR) codes. The efforts of the Central Reserve Bank of Peru (BCRP) to adapt and modernize the framework regulating payment systems are driving this dynamic. Among the main innovations introduced in recent years are standards that apply to QR code payments, credit card multi-acquisition, 24/7 instant transfers, and interoperability between digital wallets and mobile payment applications. In general, the market for electronic payments is predominantly led by traditional banking institutions, with a still incipient participation of new innovative players, such as fintech companies. No specific regulation or standard governs fintech companies and, although there have been recent advances with sandbox models, there are opportunities to improve regulation to promote greater financial inclusion through these companies.

Despite these advances, high levels of informality, the cost of maintaining accounts, and the lack of trust in the financial system result in low levels of banking penetration, which limits the adoption of electronic means of payment. According to data from the National Institute of Statistics and Informatics (INEI), in 2021, half of the adult population did not have access to formal financial services. Moreover, barriers to competition in the card payment services market translate into significantly higher fees and commissions than in other countries in the region, discouraging the use of cards among micro, small and medium-sized enterprises (MSMEs).

In 2015, the Government of Peru launched the National Financial Inclusion Strategy (ENIF), which enabled regulatory reforms to promote e-money and was the basis for formulating the National Financial Inclusion Policy (PNIF) in 2019. The latter is implemented through a Multisectoral Strategic Plan (PEM) approved in 2021 and led by the Ministry of Economy and Finance (MEF). One of its measures is aimed at boosting the use of digital means of payment and e-money, with goals for 2021-2025. In addition, during the COVID-19 emergency, the Government promoted greater financial inclusion, such as the payment of social transfers through e-wallets.

## Legal and Regulatory Frameworks

The legal and regulatory framework in Peru contains a significant number of regulations relevant to e-commerce that align with international standards. These regulations address issues related to electronic transactions, data protection and privacy, cybercrime and digital security, and consumer protection. However, some areas suffer from regulatory gaps or vacuums. Peru, despite having signed free trade agreements including specific provisions, still does not have a safe harbour system that protects intermediaries from legal liability in case of copyright infringement and other activities. Although a project is underway, a national digital security strategy or policy must be approved in the country. With respect to consumer protection in digital environments, the Congress of the Republic of Peru is currently discussing proposals aimed at adapting and modernizing the current regulatory framework, some of which incorporate OECD standards. Other areas in which regulatory challenges are identified are those concerning taxation of digital products and services, public procurement of cloud services, and regulation of digital platforms, especially those related to delivery, mobility, tourism, and crowdfunding.

A concern of stakeholders is the emergence of law reform proposals that may not incorporate the specificities that characterize e-commerce and the digital economy, contradict commitments made in trade agreements and treaties, or involve over-regulation. In this regard, the participation of relevant stakeholders and the stewardship of key government entities in public consultation processes associated with regulatory reforms proposals should be ensured.

Peru has signed various trade agreements that condition its legal framework for the development of e-commerce. These include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Peru-Australia, Peru-United States, and Colombia-Peru-Ecuador-European Union free trade agreements, and the First Modifying Protocol to the Additional Protocol to the Framework Agreement of the Pacific Alliance. In addition, the country participates in the Joint Initiative on Electronic Commerce of the WTO. However, Peru has not yet adopted the United Nations Convention on the Use of Electronic Communications in International Contracts or the UNCITRAL Model Laws on Electronic Commerce and on Electronic Transferable Records.



## E-Commerce Skills Development

Peru has a low illiteracy rate, although gaps persist between urban and rural areas and between older men and women. Data from the International Telecommunication Union (ITU) indicate that the level of ICT skills is higher than the average for Latin America and the Caribbean, but lower than the OECD member countries in the region. An estimated 26.3 per cent of the Peruvian population has basic skills, 16.2 per cent has standard skills, and only 3.1 per cent of people who use the Internet have advanced ICT skills. Meanwhile, the results of the 2018 OECD Survey of Adult Skills indicate that the level of proficiency among adults in reading comprehension, numeracy, and problem solving in digitized environments was the lowest among all participating countries and for all educational levels. As for companies, data from the Ministry of Production indicate that 89 per cent of Peruvian MSMEs are at an early stage of digitization or less. Few companies invest in training for ICT use, and many are constrained by a lack of financial resources.

Peru offers a wide range of training initiatives to strengthen the digital skills of businesses and workers, and to promote their integration into global trade through e-commerce. Existing programs are mainly targeted to the formal sector and have not yet achieved sufficient scale to reach a significant number of businesses and communities. These initiatives are also not the preferred choice for businesses when deciding how to meet their needs for technical assistance in e-commerce solutions. Beyond digital skills, the skills most demanded by companies are soft or socio-emotional skills, teamwork, communication, and responsibility. The Government of Peru has designed a National Digital Talent Strategy to articulate all the interventions of the Peruvian State, including programs targeting vulnerable populations.

Currently 29 higher education programmes related to telecommunications, mainly telecommunications engineering or electronics and networks exist. Some universities have launched specific programmes in e-commerce and digital marketing. Most tertiary education opportunities are taught in the province of Lima.

# Access to Financing

Credit to the private sector in Peru represents 81.5 per cent of GDP and is one of the highest in the region. However, access is unequal: more than half of Peruvian MSMEs do not have formal financial products, and only 11 per cent have a credit product. Informality and the low degree of familiarity with the financial system act as barriers to access to credit among MSMEs. In the case of businesses with access to credit, financing in general is mainly for working capital and banks are perceived as traditional, with little capacity and knowledge to finance innovation projects or projects to develop of e-commerce-related capacities. In addition to credit, some financial institutions offer leasing or factoring products. Digital credit and crowdfunding are still in their infancy, with no major market players.

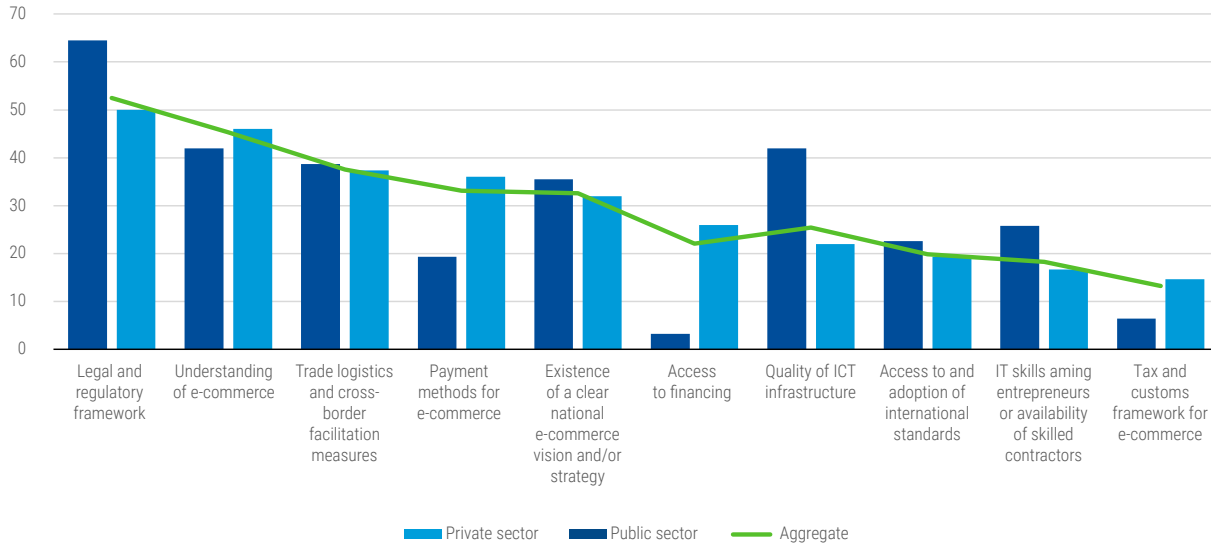
Investment in tech-based startups reached US\$ 124 million in 2021 and came almost entirely from foreign venture capital funds. The main national initiative to support startups is Startup Peru, an initiative of ProInnovate, the programme of the Ministry of Production that administers and grants co-financing funds for innovation and entrepreneurship projects. Recently, the Development Finance Corporation (COFIDE) has also launched initiatives to create venture capital investment funds. A weakness of the financing alternatives available to the local entrepreneurial ecosystem is that it is largely dependent on Startup Peru, which in turn does not have its own budget that could allow medium and long-term planning. In addition, the culture of open innovation in the corporate sector is underdeveloped, and there is a lack of knowledge about investment alternatives and instruments, which prevents the emergence of a critical mass of local investors that could provide greater maturity and sustainability to the ecosystem.

## Enabling Factors for E-Commerce Development in Peru

According to the public and private sector actors surveyed, the three priority factors that could enable further e-commerce development in Peru are the legal and regulatory frameworks, understanding and awareness of e-commerce, and the development of trade logistics and facilitation measures (Figure 1). Although the priorities in both sectors are generally aligned, public sector stakeholders also prioritize the quality of ICT infrastructure. Among private sector stakeholders, access to financing is also a priority. Issues related to taxation are a low priority for both sectors.

**Figure 1: Enabling factors for e-commerce development in Peru, 2022**

(In percentages)



Source: UNCTAD.

Note: Data were obtained from private and public sector surveys and are based on 150 responses from the private sector and 31 responses from the public sector to the following question: “Among the following, indicate the three most important factors to enable a favourable environment for e-commerce in Peru.”