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**Report of Policy Lab on
Bridging Gaps in
Economic Development Policies and their
Implementation in Pakistan**

پاکستان میں اقتصادی بحران سے نمٹنے کی
پالیسیوں کے اطلاق میں حائل رکاوٹوں کا خاتمہ

**Policy Analysis &
Recommendations- Part-3 of 11**

**E-Commerce for
Economic Growth**

**Expanding and optimizing digital
trade to boost economic activity**

Team Lead

Dr. Muqem Islam Soharwardy

Phd (Public Policy & Governance) NDU

MPhil (Economic Development)

Chief Instructor,

National Institute of Public Administration (NIPA)

National school of Public Policy (NSPP),

Editor, Khyber Journal of Public Policy (KJPP)

Former Director General (NAVTC), GoP

muqemz@gmail.com, +92-343-5090648

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

إِنَّ اللّٰهَ لَا يُغَيِّرُ مَا بِقَوْمٍ حَتّٰی يُغَيِّرُوا مَا بِأَنْفُسِهِمْ

(سورة الرعد 13:11)

بے شک، اللہ کسی قوم کی حالت نہیں بدلتا جب تک وہ خود اپنی حالت کو نہ بدلے۔

Indeed, Allah does not change the condition of a people
until they change what is in themselves.

(Surah Ar-Ra'd 13:11)

ظَهَرَ الْفَسَادُ فِي الْبَرِّ وَالْبَحْرِ بِمَا كَسَبَتْ أَيْدِي
النَّاسِ لِيُذِيقَهُمْ بَعْضَ الَّذِي عَمِلُوا لَعَلَّهُمْ يَرْجِعُونَ

(سورة الروم 30:41)

خشکی اور تری میں فساد ظاہر ہو گیا ہے، لوگوں کے اپنے ہاتھوں کے کیے ہوئے اعمال کی وجہ
سے، تاکہ اللہ انہیں ان کے کچھ اعمال کا مزہ چکھائے، شاید کہ وہ باز آ جائیں۔

Corruption has appeared on land and sea because of
what the hands of people have earned, so that
He may let them taste part of what they have done,
that perhaps they will return (to righteousness).

(Surah Ar-Rum 30:41)

E-Commerce for Economic Growth – Expanding and Optimizing Digital Trade to Boost Economic Activity

Research Group

- ❖ **Dr. Muqem Islam Soharwardy (Team Lead)**
- ❖ Sarah Shaikh
- ❖ Ali Raza Khan
- ❖ Syed Habib ul Hassan Gillani
- ❖ Jehanzeb Khan Orakzai

PREFACE

Economic development and policy reform are at the heart of Pakistan's progress toward sustainable growth and global competitiveness. Recognizing the need for evidence-based policymaking, this document presents the research outcomes of a Policy Lab Simulation Exercise on Strategic Task Forces for Economic Development and Policy Reform. The research was conducted by 44 members, divided into 11 groups, under the mentorship and leadership of Dr. Muqem Islam Soharwardy. This initiative aimed to explore key economic sectors, identify policy gaps, and propose actionable reforms for national progress.

The Policy Lab provided a dynamic platform for in-depth research, critical discussions, and practical policy recommendations. Each task force examined a specific economic theme, analyzing challenges and proposing forward-thinking solutions tailored to Pakistan's socio-economic landscape. The research outcomes compiled in this document serve as a valuable resource for civil servants, policymakers, academicians, and researchers engaged in public policy and economic reforms.

The key themes explored in this research include:

1. Integrated Industrial Development – Formulating a comprehensive industrial policy and planning framework at both provincial and federal levels.
2. Automobile & EV Industry Growth – Strengthening Pakistan's manufacturing sector by enhancing the production and quality of automobiles and electric vehicles.
3. E-Commerce for Economic Growth – Expanding and optimizing digital trade to boost economic activity.
4. Agricultural Mechanization & Innovation – Promoting modernized agriculture through mechanization, crop diversification, and precision farming.
5. Foreign Investment & Business Environment – Strengthening policies to attract foreign direct investment (FDI) and improving the ease of doing business.
6. Technical Education & STEM Advancement – Reforming technical education and promoting STEM fields for technological innovation.
7. Energy Sector Reform & Industrial Power Solutions – Developing cost-effective energy solutions to support industrial expansion and sustainability.
8. Public-Private Partnerships (PPP) for Development – Leveraging PPP models for large-scale industrial and infrastructure projects.
9. Startup Ecosystem for IT, Business & Industry – Creating a conducive environment for startups in IT, business, and industrial sectors.
10. Import Substitution & Export Promotion – Enhancing local production, reducing imports, and boosting exports to improve the trade balance.
11. Natural Resource Utilization for Economic Growth – Tapping into Pakistan's mineral, oil, and gas reserves for sustainable economic development.

The findings in this document reflect the collaborative efforts and expertise of the participating researchers, offering practical insights for policy formulation, economic reforms, and strategic decision-making. It is hoped that these research outcomes will

contribute to Pakistan's economic transformation, fostering growth, innovation, and resilience in key sectors.

It is hoped that this document will serve as a significant milestone in the design, implementation, and facilitation of policies, paving the way for broader economic and industrial transformation in Pakistan, انشاء الله

Muqem Soharwardy

Dr. Muqem Islam Soharwardy,

PhD (Public Policy & Governance) NDU

MPhil (Economic Development)

Chief Instructor,

National Institute of Public Policy (NIPA)

National School of Public Policy (NSPP)

Editor, Khyber Journal of Public Policy (KJPP)

Former Director General, NAVTTC, GoP

muqemz@gmail.com , +92 3435090648

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Executive Summary

Pakistan's e-commerce sector has emerged as a powerful engine for economic growth, driven by the rapid adoption of technology and a young, digitally engaged population. The sector has been bolstered by key governmental efforts, notably the 2019 E-commerce Policy Framework, which has created a favorable environment for online businesses to thrive. By 2024, the e-commerce industry is expected to generate \$5.035 billion in revenue, with projections rising to \$6.711 billion by 2029. This expansion not only promises significant contributions to GDP but also presents an opportunity for job creation, entrepreneurship, and economic development, especially in rural areas.

However, despite the growth potential, the industry faces several barriers that hinder its ability to maximize economic benefits. These challenges include an underdeveloped infrastructure, an over-reliance on cash-on-delivery (COD) payment methods, weak enforcement of consumer protection laws, and high shipping costs. Addressing these issues requires a multi-faceted approach involving coordinated efforts from both the government and the private sector. This executive summary provides an analysis of Pakistan's e-commerce landscape and offers policy recommendations to overcome existing challenges, create a conducive business environment, and unlock the full potential of the sector.

Role of E-Commerce in Pakistan's Economic Development

E-commerce plays a transformative role in Pakistan's economy, with its ability to foster economic inclusion, generate employment, and promote entrepreneurship. The rapid expansion of digital platforms has allowed businesses to reach broader markets, breaking geographical boundaries and providing access to underserved regions. This is particularly crucial for SMEs, which have benefited from the relatively low barriers to entry and the availability of e-commerce platforms like Daraz.pk, Telemart, and others. These platforms have made it possible for local businesses to scale and reach global markets.

- **Contribution to GDP and Job Creation:** The expansion of e-commerce is expected to significantly contribute to Pakistan's GDP, supporting various sectors of the economy.
- **Youth Employment:** With over 60% of the population under 30, e-commerce is particularly beneficial for youth employment, empowering them to engage in the digital economy.
- **Entrepreneurship and SME Empowerment:** The digital landscape offers opportunities for entrepreneurs and SMEs to thrive by offering low-cost market access and business growth potential.

The e-commerce boom has also facilitated financial inclusion by promoting digital payment systems and integrating more people into the formal financial system, further contributing to the country's economic stability.

Challenges Facing Pakistan's E-Commerce Sector

Despite the significant potential of e-commerce, several challenges must be addressed for the sector to fully realize its growth potential:

- **Inadequate Infrastructure:** While investments in digital infrastructure have been made, the existing infrastructure is still insufficient, particularly in rural areas where internet access is limited. The lack of high-speed internet and affordable devices hinders the broader population from engaging with e-commerce platforms.
- **Cash-on-Delivery Dependency:** Approximately 80% of e-commerce transactions in Pakistan are made via cash-on-delivery (COD). This creates several issues, including poor cash flow for businesses, higher costs, and an increased risk of fraud. Transitioning to digital payment systems is essential for growth.
- **Consumer Protection Gaps:** Although the government has made strides in addressing consumer protection, inconsistent enforcement of laws and a lack of clear regulations lead to mistrust and insecurity among consumers. Stronger legal frameworks are needed to provide adequate protection and ensure consumer confidence in the e-commerce sector.
- **High Shipping Costs:** Shipping costs remain one of the highest barriers to growth in Pakistan's e-commerce industry. Addressing the inefficiency of logistics and reducing shipping costs will allow businesses to expand more effectively and serve consumers more efficiently.

To overcome these challenges, a comprehensive approach involving technological upgrades, regulatory reforms, and investment in digital literacy is necessary.

Strategic Recommendations

To unlock the full potential of Pakistan's e-commerce sector, several strategic initiatives should be pursued:

- **Digital Infrastructure Development:** Expanding internet connectivity, especially in rural and underserved areas, will increase the reach of e-commerce platforms and improve overall participation in the digital economy. Efforts should focus on improving broadband access, ensuring affordable devices, and offering digital literacy programs.
- **Promoting Secure Online Payment Systems:** Shifting away from cash-on-delivery towards secure digital payment systems is essential for reducing transaction costs and enhancing consumer trust. Public-private partnerships should be encouraged to develop and expand secure, user-friendly payment platforms.
- **Strengthening Consumer Protection Laws:** Policymakers must create and enforce robust consumer protection laws, ensuring transparency, security, and trust in online transactions. Establishing consumer courts and mandating customer support for e-commerce businesses can significantly improve consumer confidence.
- **Reducing Shipping Costs and Improving Logistics:** Effective logistics management is critical for reducing the costs and improving the efficiency of

delivery systems. Developing a national logistics strategy, improving the efficiency of customs procedures, and negotiating international delivery agreements will lower shipping costs and facilitate cross-border trade.

- **Fostering SMEs and Youth Empowerment:** Government programs like DigiSkills and E-Rozgar should continue to provide youth and entrepreneurs with the skills necessary to succeed in e-commerce. Furthermore, SMEs should be empowered through training, easier access to finance, and better market access via digital platforms.

The experience of neighboring countries like India and China, which have successfully implemented digital payment systems, strong consumer protection laws, and efficient logistics networks, can provide valuable lessons for Pakistan. Adopting these best practices can significantly enhance the competitiveness of Pakistan's e-commerce sector.

Pakistan's e-commerce sector holds significant potential for driving economic growth, fostering job creation, and empowering youth and small businesses. Despite its promise, the industry faces key challenges that hinder its full realization. These challenges include inadequate digital infrastructure, inconsistent consumer protection laws, reliance on cash-on-delivery payment methods, and logistical inefficiencies that increase shipping costs. A comprehensive approach involving coordinated efforts from the government, private sector, and industry experts can address these issues and create a more supportive environment for e-commerce to thrive.

This executive summary outlines the current state of Pakistan's e-commerce landscape, the challenges the sector faces, and strategic recommendations to promote sustainable development. By empowering small and medium-sized enterprises (SMEs), enhancing youth skill development, improving digital infrastructure, and establishing robust consumer protection mechanisms, Pakistan can unlock the full potential of its e-commerce sector, contributing to GDP growth, job creation, and entrepreneurship.

Key Challenges

Pakistan's e-commerce industry faces several critical hurdles that must be addressed to unlock its full potential:

- **Inadequate Infrastructure:** Limited access to high-speed internet, particularly in rural areas, prevents broad participation in the digital economy.
- **Cash-on-Delivery (COD) Reliance:** The heavy dependence on COD leads to higher operational costs, delays in payments, and increased fraud risk.
- **Consumer Protection Gaps:** Insufficient enforcement of consumer protection laws results in diminished trust in online transactions.
- **Logistics and Shipping Costs:** Inefficient logistics systems lead to high shipping costs, making cross-border trade and delivery expensive and slow.

Addressing these challenges requires a holistic strategy focused on improving infrastructure, streamlining payment systems, enhancing legal frameworks, and reducing logistical inefficiencies.

Recommendations for Growth

To support the development of Pakistan's e-commerce sector, several targeted recommendations are outlined:

1. Empowering E-Commerce SMEs and Youth

- **Interest-Free Loans for E-Commerce SMEs:** The Ministry of Commerce should establish a dedicated fund offering interest-free loans to SMEs involved in e-commerce. This initiative will provide financial support to SMEs and startups, ensuring that only viable business plans receive funding. The program will promote growth by helping businesses get off the ground and become profitable, with a sustainable reinvestment cycle.
- **National e-Commerce Council's Private Sector Funding Initiative:** A private sector initiative introduced by the National e-Commerce Council would focus on securing investors for early-stage e-commerce startups. This initiative will provide crucial funding during the idea or prototype phase, while also offering mentorship and strategic guidance from seasoned entrepreneurs and industry experts. By connecting startups with investors and facilitating networking opportunities, this initiative will improve business growth and expansion prospects.

2. Youth Empowerment Programs

- **DigiSkills and Other Skill Development Programs:** Expanding digital literacy programs, such as DigiSkills, across various provinces will help develop young entrepreneurs skilled in digital marketing, e-commerce business management, and technology adoption. This initiative will equip youth with the tools to succeed in the e-commerce ecosystem, fostering an entrepreneurial spirit and increasing employment opportunities.

3. Consumer Protection and Trust

- **Dispute Resolution Mechanism:** A dedicated, multi-tiered dispute resolution mechanism will be established to address customer complaints and issues related to e-commerce transactions. The process will involve online mediation, decision-making by companies, and escalation through specialized boards and consumer courts if necessary. This system will provide transparency, ensure fair outcomes, and build consumer confidence in online transactions.

Conclusion

Enhancing Pakistan's e-commerce sector is a critical step toward achieving long-term economic growth, generating job opportunities, and empowering youth and entrepreneurs. While the industry holds immense potential, addressing infrastructure gaps, refining payment systems, and strengthening legal frameworks is essential to creating a thriving digital economy. By adopting best practices from successful e-commerce markets like India, China, and the US, Pakistan can implement strategies to boost connectivity, digital literacy, and consumer trust.

The proposed measures, including financial support for SMEs, private sector investment in startups, targeted youth training, and a reliable consumer dispute resolution system, will foster a conducive environment for e-commerce growth. These efforts will ultimately help Pakistan realize its vision of becoming a leading e-commerce hub in the region, driving economic stability and job creation for generations to come.

Introduction

The rapid growth of Pakistan's e-commerce sector, driven by investments in ICT infrastructure and a youthful, tech-savvy population, is transforming the economic landscape. Government initiatives, such as the 2019 E-commerce Policy Framework, have played a pivotal role in fostering this expansion, enabling online transactions and increasing the number of registered e-commerce merchants. By the end of 2024, the sector is projected to generate \$5.035 billion in revenue, with expectations of reaching \$6.711 billion by 2029. This growth not only contributes significantly to GDP but also creates job opportunities, particularly for the youth, and promotes entrepreneurship and SMEs through accessible digital platforms.

However, several challenges need to be addressed to fully harness the potential of e-commerce for economic development in Pakistan. These include inadequate infrastructure, reliance on cash-on-delivery (COD) payments, inconsistent enforcement of consumer protection laws, and high shipping costs. By implementing coordinated efforts across government institutions, enhancing digital infrastructure, promoting secure online payment systems, and fostering technological adoption, Pakistan can create a more conducive environment for e-commerce. This policy paper explores these issues in depth, providing recommendations to overcome existing barriers and unlock the sector's full potential for sustainable economic growth.

Literature Review

The flourishing e-commerce sector in Pakistan, bolstered by significant investments in ICT infrastructure and a vibrant, tech-savvy youth demographic, has dramatically reshaped the nation's economic landscape. Government initiatives, notably the 2019 E-commerce Policy Framework, have ignited this transformation, fostering an environment ripe for online transactions and a surge in registered e-commerce merchants. Forecasts suggest the sector will generate \$5.035 billion in revenue by the end of 2024, with aspirations to reach \$6.711 billion by 2029. This burgeoning growth strengthens GDP, creates numerous job opportunities for the youth, and nurtures entrepreneurship and the proliferation of SMEs through accessible digital platforms.

Despite these promising advancements, formidable challenges persist, hindering the full realization of e-commerce's vast potential for economic development. Key obstacles include inadequate infrastructure, overdependence on cash-on-delivery payments, inconsistent enforcement of consumer protection laws, and prohibitive shipping costs. Overcoming these issues requires enhanced digital infrastructure, promotion of secure online payment systems, and efforts to foster widespread technological adoption.

This policy paper meticulously explores these concerns, presenting a comprehensive examination of Pakistan's e-commerce landscape. It underscores the pivotal role e-commerce plays in driving economic growth by contributing to GDP, generating employment, and fostering entrepreneurship. The sector's expansion, accelerated by the COVID-19 pandemic, has diversified the e-commerce ecosystem with an increasing number of registered merchants. By the end of 2024, an estimated 7,000 registered e-commerce merchants are expected to contribute significantly to the national economy.

Investments in digital infrastructure and technological advancements have been instrumental in sustaining this growth. Government support has been crucial in creating an environment conducive to digital trade. E-commerce enables businesses to transcend

geographical barriers, reaching remote areas and contributing to the economic uplift of less developed regions. It has also facilitated cross-border trade, diversifying export markets through initiatives such as the China-Pakistan Economic Corridor (CPEC).

However, challenges remain. The predominance of cash-on-delivery payments, accounting for 80% of transactions, causes cash flow issues and increases fraud risks. Despite the State Bank of Pakistan's efforts to promote digital payments, adoption remains sluggish due to security concerns. Inconsistent enforcement of consumer protection laws erodes consumer trust, emphasizing the need for robust regulatory frameworks.

Internationally, high shipping costs, convoluted customs procedures, and regulatory barriers hinder Pakistan's e-commerce competitiveness. Limited internet penetration, especially in rural areas where only 49% of the population has broadband access, restricts the sector's reach. The policy paper advocates for bridging this digital divide, enhancing digital literacy, and fostering a more inclusive digital economy.

To overcome these challenges, the policy paper recommends a multifaceted strategy. Drawing on best practices from countries like India and China, it emphasizes robust payment systems, comprehensive consumer protection laws, and efficient logistics and supply chains as essential components of a thriving e-commerce ecosystem. The experiences of these nations highlight the value of strategic investments in digital infrastructure and the creation of a secure, efficient, and consumer-friendly e-commerce environment.

Data Collection

Data for this study was collected from secondary sources, including research articles, published literature, and relevant publications.

Data Analysis

The study explores the current state of e-commerce in Pakistan and its potential for further enhancement. Its objectives include identifying bottlenecks and challenges, investigating issues faced by stakeholders, and proposing solutions to advance the sector effectively.

Statement of the Problem

E-commerce in Pakistan holds immense potential to drive economic development by boosting GDP growth, creating job opportunities, and fostering entrepreneurship. However, it faces significant challenges that hinder its ability to achieve this potential. This policy paper identifies these critical issues and explores strategic measures to address them. By tackling these barriers through coordinated efforts and visionary strategies, Pakistan can fully unlock the potential of its e-commerce sector, paving the way for sustainable economic growth.

Scope of the Research

This research examines the transformative impact of e-commerce on Pakistan's economy, propelled by investments in ICT infrastructure and a tech-savvy population. It evaluates the effectiveness of the 2019 E-commerce Policy Framework in facilitating online transactions and increasing registered e-commerce entities. Projections indicate substantial revenue growth in the sector from 2024 to 2029, underlining its contributions to GDP growth, job creation, and SME empowerment. While recognizing challenges such as infrastructural gaps and reliance on cash-on-delivery, the research proposes a strategic roadmap for improvement. Recommendations include enhancing digital infrastructure, promoting secure payment systems, and leveraging global best practices from countries like India and

China. Key focus areas include empowering SMEs, strengthening consumer protection laws, harmonizing tax regulations, and optimizing logistics. The research emphasizes consistent policy implementation and public-private partnerships to foster a competitive and innovative e-commerce ecosystem, ultimately contributing to economic growth and improved livelihoods in Pakistan.

Research Methodology

This study adopts a qualitative and exploratory approach, rigorously investigating solutions to the identified challenges. Data was collected from secondary sources, including research articles, journals, and publications. The data was then analyzed using Gap Analysis, Institutional Analysis, SWOT Analysis, and PESTEL Analysis to provide actionable insights and recommendations.

Role of E-commerce in Economic Development of Pakistan

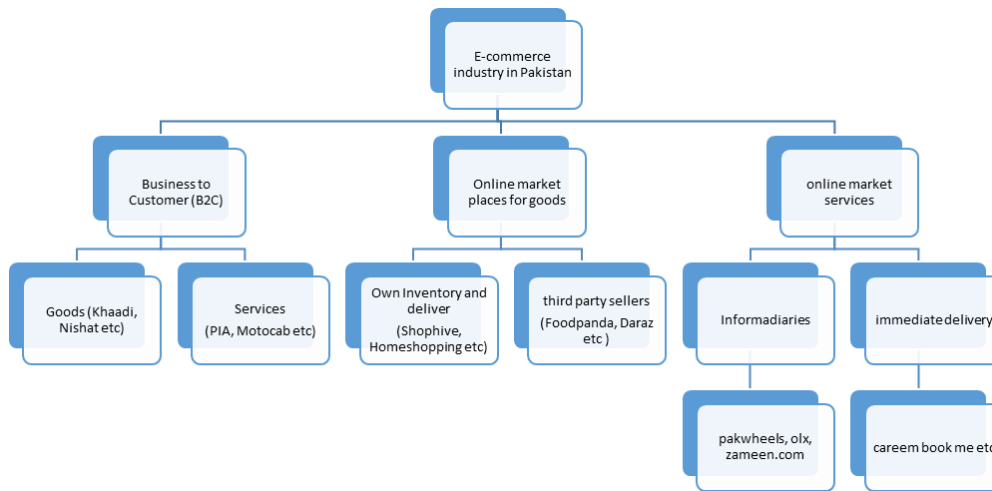
Pakistan's e-commerce industry exhibits significant growth potential, driven by investments in ICT infrastructure and a young, tech-savvy population, with over 60% of its 200 million people aged 15–29 ready for digital engagement. The sector's growth, accelerated by the COVID-19 pandemic, has increased online transactions and registered e-commerce merchants, supported by government initiatives like the 2019 E-commerce Policy Framework. By 2024, approximately 7,000 registered e-commerce merchants are expected to operate, generating \$5.035 billion in revenue, with projections reaching \$6.711 billion by 2029. This growth contributes significantly to Pakistan's GDP, translating into increased tax revenues and supporting economic stability and public services.

E-commerce expansion has created numerous job opportunities, particularly benefiting the youth, and promoted entrepreneurship and SMEs by providing low entry barriers and access to broader audiences through platforms like Daraz.pk and Telemart. Investments in digital infrastructure and technological advancements, including payment systems, cybersecurity, and logistics, have been driven by e-commerce growth, with government support fostering a conducive environment for digital trade.

E-commerce allows businesses to overcome geographical barriers, reaching remote areas and contributing to the economic development of less developed regions. The COVID-19 pandemic has transformed consumer behavior, enhancing market efficiency and consumer satisfaction through better prices and a wider product range. E-commerce also facilitates cross-border trade, diversifying export markets through initiatives like the China-Pakistan Economic Corridor (CPEC). The rise of e-commerce has driven the adoption of digital payment solutions, promoting financial inclusion and integrating more people into the formal financial system, thereby boosting economic growth.

Structure of E-commerce Industry in Pakistan

As of 2024, Pakistan's e-commerce industry has seen substantial growth, with approximately 7,000 registered e-commerce merchants operating in the market. This figure includes a wide range of businesses, from large-scale online marketplaces to smaller niche stores and startups.



The above diagram simplifies the understanding of the current market structure of Pakistan's e-commerce sector. The e-commerce sector in Pakistan has flourished through online platforms such as websites and apps, and is divided into retail platforms (e.g., Daraz.pk), niche retail platforms (e.g., Libertybooks), company-operated e-stores (e.g., Khaadi), and service platforms (e.g., Careem and Uber). Daraz.pk, initially an online clothing retailer, now operates as a consumer-to-consumer logistics company with corporate offices and warehouses and was acquired by the Alibaba Group in 2018. Additionally, Pakistan's freelancing market has grown significantly, ranking among the top five globally with \$0.5 billion in revenue. With 63% of the population under 25, government programs like E-Rozgar and DigiSkills support this thriving sector, which includes services such as content creation, translation, and virtual assistance.

Situational Analysis of Current Policies, Plans and Initiatives of the Federal and Provincial Governments Aiming at Enhancing E-Commerce Policies

Digital Pakistan Policy

The Government of Pakistan's Digital Pakistan Policy aims to improve citizens' quality of life and economic well-being through accessible, affordable, and high-quality ICT services, fostering a knowledge-based economy and socio-economic growth. Key objectives include developing a digital strategy, promoting technology in critical sectors, expanding e-commerce, empowering youth and women, fostering innovation, boosting software exports, improving ICT rankings, bridging the digital divide, promoting e-governance, attracting IT investments, and supporting persons with disabilities. Strategies include legislation, infrastructure development, human resource enhancement, local content creation, open-source promotion, and fiscal incentives for the IT/ITeS sector, with implementation involving consistent monitoring and alignment of provincial initiatives with national goals.

Commerce Policy 2019 of Pakistan

Pakistan's e-commerce policy focuses on several key areas: establishing a National E-Commerce Council to streamline regulatory and facilitation efforts; recognizing the need to promote digital payments and reduce reliance on Cash on Delivery (CoD) while addressing barriers to digital payments; empowering SMEs and youth through training, access to finance, and the creation of e-commerce business facilitation hubs, despite execution gaps; enhancing consumer protection by amending laws, establishing consumer

courts, and mandating customer support to build trust; addressing the contentious issue of balancing tax breaks with revenue protection without a clear plan for e-commerce taxation; overcoming digital inclusion barriers related to connectivity, affordable devices, and digital literacy, though funding strategies are unclear; improving logistics to enhance e-commerce growth, as current performance ranks poorly in the World Bank Logistics Performance Index; ensuring data protection to participate in global trade, yet lacking detailed discussion on adequacy; and tackling digital transformation challenges in the public sector by developing a clear roadmap for digitizing the Trade Development Authority of Pakistan (TDAP) and enhancing global connectivity through multilateral negotiations.

Gap Analysis of Pakistan's E-Commerce Policy E-commerce Regulatory and Facilitation Environment

Positive Aspect:

Establishment of the National E-Commerce Council with public and private sector representatives.

Gaps:

Lack of detailed plans for amending outdated legislation to meet evolving e-commerce needs.

Insufficient specific and measurable action items for implementation.

Ambiguity regarding the amendments needed for export promotion and re-export regulations.

Financial Inclusion and Digitization through Payments Infrastructure

Positive Aspect:

Recognition of the need to promote digital payments and reduce Cash on Delivery (CoD) transactions.

Gaps:

No effective strategy to address barriers such as access to financial products, transaction costs, and trust in digital payments. Ambitious targets without practical measures to overcome existing barriers.

Potential exclusion of consumers and women entrepreneurs due to CoD limits.

Lack of progress on establishing an international payment gateway, with no detailed plan to attract international payment providers like PayPal.

SMEs and Youth Empowerment

Positive Aspect:

Identification of key issues for SMEs, such as training, access to finance, and local language content.

Gaps:

No detailed plans on funding and executing initiatives.

Uncertainty about the capacity of the Small and Medium Enterprises Development Authority (SMEDA) to implement the initiatives.

Consumer Protection

Positive Aspect:

Ambitious recommendations for effective consumer protection, such as amending laws and establishing consumer courts.

Gaps:

Specific recommendations are ambitious but lack detailed implementation plans.
Absence of a clear timeline for legal amendments and establishment of support structures.

Taxation Structure

Positive Aspect:

Acknowledgement of the conflict between tax breaks for e-commerce growth and revenue protection.

Gaps:

No clear direction or specific plans for addressing the taxation issues.
General recommendations without tackling core taxation issues or providing clarity on achieving goals.

ICT Infrastructure and Telecom Services

Positive Aspect:

Identification of digital inclusion as a barrier to e-commerce development.

Gaps:

Lack of a detailed strategy on how to tackle barriers such as connectivity, affordable devices, digital literacy, and cultural norms.
No discussion on supporting home-grown IT solutions for e-commerce or enhancing local cloud services.

Logistics

Positive Aspect:

Acknowledgement of the crucial role of logistics in e-commerce.

Gaps:

Limited attention to the logistics gaps and steps needed for improvement.
Insufficient exploration of issues in peri-urban and rural areas, affordability, traceability, and reliability of logistics services.
No specific steps to make international deliveries cost-effective, such as negotiating lower costs or bilateral treaties.

Data Protection and Investment

Positive Aspect:

Recognition of the need for data protection to participate in global trade.

Gaps:

Lack of detailed discussion on the specific areas to be considered in Pakistan's Cloud Policy.
Insufficient insights into the adequacy of the proposed Data Protection Act.
Missing discussion on existing data issues, potential value of open banking, and secure data exchange for e-commerce.

7.2 SBP's National Financial Inclusion Strategy (NFIS) and Others

The State Bank of Pakistan (SBP) has introduced various strategies to bolster e-commerce growth, including the National Financial Inclusion Strategy (NFIS) to enhance financial access and promote digital payments, reducing cash transactions. The SBP's Challenge Fund for SMEs supports innovative banking solutions, digital payment systems, and e-commerce platforms. Additionally, the SBP has updated its regulatory framework to facilitate digital financial services, such as implementing EMVCo's 3D Secure protocol for fraud protection and secure online transactions. These initiatives collectively aim to create

a more inclusive financial environment and encourage the expansion of e-commerce in Pakistan.

National Cyber-Security Policy 2021

The National Cyber-Security Policy 2021, by the Ministry of Information Technology and Telecommunication, addresses cyber threats in Pakistan's e-commerce sector. It aims to create a secure digital ecosystem through governance, risk management, and incident response mechanisms. However, challenges include limited cybersecurity infrastructure, a shortage of skilled professionals, and the need for continuous updates to keep pace with evolving threats.

Government Initiatives

The Pakistan Single Window (PSW)

The Pakistan Single Window (PSW) aims to streamline and digitize trade and customs processes, integrating customs, banks, and regulatory bodies to enhance e-commerce efficiency, potentially reducing import/export times by up to 47% and improving transparency. However, widespread adoption, better digital infrastructure, and robust cybersecurity are challenges.

The Universal Service Fund (USF)

The Universal Service Fund (USF) focuses on digital inclusion by expanding internet connectivity in underserved areas to bridge the digital divide and improve ICT infrastructure. However, it needs a holistic approach addressing digital literacy, cybersecurity, and consumer protection for maximal impact.

The DigiSkills Program

The DigiSkills program, initiated by the Ministry of IT and Telecom, provides essential digital skills through courses like E-Commerce Management, Digital Marketing, and Freelancing, training over two million individuals. To maximize its impact, practical skill application, continuous curriculum updates, advanced training, real-world business exposure, improved internet access, and cybersecurity concerns must be addressed.

Analysis of E-commerce Initiatives in the Provinces

Punjab has significantly improved digital infrastructure and internet connectivity to support e-commerce, launching programs to train young entrepreneurs and promote startups. The Punjab Information Technology Board (PITB) has provided platforms for e-commerce businesses and trained over 30,000 aspiring entrepreneurs through the E-Rozgar program. Sindh has focused on regulatory reforms, offering tax relief and simplified business registration processes to facilitate e-commerce. Khyber Pakhtunkhwa (KP) encourages SMEs to go digital through training programs and initiatives like the 'Digital Youth Summit.' Balochistan is enhancing digital literacy and infrastructure, investing in internet access and logistics networks, particularly through the China-Pakistan Economic Corridor.

Critical Analysis of the Existing Legal and Institutional Frameworks of the Federal Government and Provincial Authorities

Laws and Ordinances

The Electronic Transactions Ordinance 2002 (ETO):

The ETO provides legal recognition for electronic transactions and signatures, forming a foundational framework for e-commerce but needs updates to address evolving cyber threats and technological advancements.

The Payment System & Electronic Funds Transfer Act 2007 (PS&EF Act):

The PS&EF Act governs digital payments and sets a regulatory framework for electronic funds transfers but is limited by consumers' reliance on cash-on-delivery (COD), indicating a need for stronger implementation to build trust in digital transactions.

The Prevention of Electronic Crimes Act 2016 (PECA):

PECA aims to protect personal data and ensure confidentiality in electronic transactions but requires stronger enforcement mechanisms and enhanced cybersecurity infrastructure. Consumer protection laws in Pakistan are fragmented and outdated, focusing more on product safety than online transaction security. They lack comprehensive measures for digital contracts, electronic signatures, and cross-border transactions, leading to a trust deficit.

The Personal Data Protection Bill 2023:

This bill aims to safeguard privacy with strict data protection regulations, which are crucial for building consumer trust and ensuring data security.

The E-Safety Bill 2023:

The E-Safety Bill addresses online harassment and cyberbullying by establishing an E-Safety Authority but faces criticism for potentially increasing business costs and limiting access to global digital services due to stringent data localization requirements. Concerns about freedom of expression and privacy have also been raised. Strengthening these laws and enforcement mechanisms is crucial for the growth of Pakistan's e-commerce industry.

E-Commerce Related Institutions in the Country

National and Provincial E-Commerce Councils

- Implement e-commerce policy.
- Coordinate with provincial councils to implement initiatives.

Ministry of Commerce

- Responsible for formulating policies to promote e-commerce.
- Works on trade regulations and policies that impact e-commerce businesses.

Federal Board of Revenue (FBR)

- Oversees taxation policies and customs regulations related to e-commerce.
- Implements and monitors tax collection from e-commerce transactions.

State Bank of Pakistan (SBP)

- Regulates payment systems and digital financial services.
- Ensures secure online payment infrastructure and promotes financial inclusion.

Pakistan Telecommunication Authority (PTA)

- Regulates telecommunications and internet services.
- Ensures availability and quality of internet services, which are crucial for e-commerce.

Ministry of Information Technology and Telecommunication (MoITT)

- Develops IT policies and initiatives to support digital infrastructure.

- Promotes digital literacy and cybersecurity measures.

Competition Commission of Pakistan (CCP)

- Ensures fair competition within the e-commerce market.
- Prevents anti-competitive practices and promotes consumer protection.

Pakistan Software Export Board (PSEB)

- Promotes IT and IT-enabled services (ITeS), including e-commerce.
- Supports software development and export initiatives related to e-commerce platforms.

Pakistan Post

- Provides logistics and delivery services for e-commerce.
- Enhances the reach and efficiency of e-commerce through postal services.

National Tariff Commission (NTC)

- Handles issues related to tariffs and trade policies that affect e-commerce.
- Works on tariff rationalization to facilitate e-commerce growth.

Small and Medium Enterprises Development Authority (SMEDA)

- Supports SMEs in leveraging e-commerce platforms.
- Provides training, resources, and infrastructure support to small businesses.

Provincial Revenue Authorities

- Implement and monitor provincial tax policies related to e-commerce.
- Ensure compliance with regional tax regulations for e-commerce businesses.

SWOT Analysis of E-Commerce Related Institutions in the Country

Strengths:

- A single window for policy oversight enhances coordination and efficiency.
- Significant private sector involvement ensures diverse perspectives and relevance.
- Aims to provide strategic direction and foster coordination.
- Implementation of the Payment Systems and Electronic Fund Transfers Act ensures secure transactions.
- The National Financial Inclusion Strategy (NFIS) expands access to digital financial services.
- The launch of Raast enhances digital payment infrastructure.
- Digital platforms streamline tax processes.
- Tax incentives and simplified tax return processes support e-commerce growth.

Weaknesses:

- Inconsistent meeting frequency of E-commerce Councils hinders timely policy implementation and adjustments.
- Slow progress with inconsistent policy implementation across provinces.
- Fragmented regulations and logistical inefficiencies.
- Persistent cybersecurity concerns.
- Lack of coordination with provincial boards leads to inconsistencies in tax collection and enforcement.
- Bureaucratic inefficiencies and technological gaps impede progress.
- Inefficiencies in the legal process and lack of consumer awareness hinder Consumer Court performance.
- No updates to the national consumer act for specific e-commerce provisions.

Opportunities:

- Potential establishment of a National E-Commerce Authority (NECA).
- Enhancements in business registration and participation in international marketplaces can boost growth.
- Closer collaboration with federal authorities.
- Increased investment in digital infrastructure and capacity-building programs.
- Expansion of digital financial services to underserved populations.
- Continuous technological advancements in digital payment infrastructure.
- Enhanced inter-provincial cooperation and adoption of uniform tax regulations.
- Utilization of advanced digital tools for integrated tax data and enforcement mechanisms.
- Streamlining legal processes and educating consumers.
- Stronger enforcement of regulations can better protect consumers.

Threats:

- Potential bureaucratic inertia and slow policy adjustments, as well as financial constraints.
- Coordination issues between provincial and federal levels.
- Inconsistent policies across provinces create confusion and inefficiencies.
- Digital literacy challenges may slow adoption rates.
- Disparate compliance standards across provinces.
- Cross-border e-commerce complexities may lead to revenue losses from untaxed goods.
- Online fraud and quality issues with e-commerce platforms exacerbate grievances.
- Legal inefficiencies and outdated laws hinder consumer protection.

Critical Analysis of Enhancing E-Commerce for Economic Development in Pakistan

E-commerce in Pakistan holds significant potential for driving economic development but faces multiple challenges that need to be addressed. Domestically, the sector is hindered by inadequate infrastructure and logistics, with only 20% of the population having reliable access to logistics services. This leads to delays and inefficiencies, as reflected in Pakistan's low logistics performance index (LPI) score of 2.42, ranking 122nd out of 160 countries. Cash-on-delivery (COD) is the dominant payment method, accounting for 80% of transactions, creating cash flow issues and increasing fraud risks. Despite the State Bank of Pakistan's (SBP) efforts to promote digital payments through the Raast system, adoption remains low due to security concerns, with 74% of respondents in a PTA survey citing these as a major barrier. Inconsistent enforcement of consumer protection laws, as highlighted by the Consumer Protection Act and the low resolution rate of consumer complaints, further undermines consumer trust.

Internationally, high shipping costs, complex customs procedures, and regulatory barriers limit Pakistan's e-commerce competitiveness. The World Bank's Ease of Doing Business Report (2023) ranks Pakistan 136th out of 190 countries, with significant challenges in the "Trading Across Borders" category, ranked 111th. Limited internet penetration, especially in rural areas, restricts e-commerce reach, with only 49% of the population having access to broadband internet. The Digital Pakistan Initiative has made progress, but rural areas lag behind.

Local e-commerce businesses struggle against international competitors due to a lack of scale and technological advancement, with only 30% utilizing advanced technologies like AI and data analytics. High shipping costs, which are 20-30% higher than regional competitors, also hinder international competitiveness.

The E-commerce Policy of 2019 aims to address these challenges but faces implementation issues. The Personal Data Protection Bill 2020 has been slow to pass and lacks strong enforcement mechanisms. Taxation remains problematic due to inconsistent provincial laws, complicating compliance for businesses. The Competition Commission of Pakistan (CCP) is limited by resource constraints, affecting its ability to regulate unfair practices effectively.

Cybersecurity is another critical issue, with a 35% increase in incidents reported by the PTA in 2020, highlighting the need for robust measures. Institutions like the SBP, MoITT, and PTA play crucial roles in supporting e-commerce. The Raast payment system aims to improve digital payments, and the Digital Pakistan Initiative focuses on digital infrastructure and literacy. However, internet speeds and affordability remain issues, with Pakistan ranking 150th globally in average internet speed and 76th in affordability.

The Trade Development Authority of Pakistan (TDAP) supports e-commerce exports but is limited by funding and execution challenges. Freelancing contributes significantly to economic development, earning approximately \$400 million in 2022-2023, but faces regulatory challenges and technological gaps.

Freelancing is a key component of Pakistan's e-commerce, contributing significantly to economic development. Freelancers earned approximately \$400 million in 2022-2023, boosting the economy through foreign exchange and job creation. Growth is supported by digital infrastructure improvements and the Raast payment system, which has reduced transaction costs by 50% and improved reliability. However, the absence of platforms like PayPal complicates international payments, limiting freelancers' potential.

The regulatory environment is underdeveloped, with inconsistencies in provincial tax laws creating compliance issues. Punjab's tax rate on digital services is 16%, while Sindh's is 13%, causing confusion and higher costs. This discourages business formalization. Additionally, only 30% of Pakistani freelancers use advanced technologies like AI and data analytics, compared to 70% in advanced markets, highlighting the need for targeted skill development programs.

Pakistan's e-commerce sector faces significant challenges, including inadequate infrastructure and logistics, reliance on cash payments, inconsistent consumer protection law enforcement, regulatory barriers, high shipping costs, limited internet penetration, and technological disparities. Addressing these challenges requires coordinated efforts from government institutions, regulatory bodies, and private sector stakeholders. Key steps include enhancing digital infrastructure, promoting secure online payment systems, consistently enforcing consumer protection laws, and reducing regulatory and logistical barriers. Additionally, fostering technological adoption and innovation among local businesses, improving digital literacy, and expanding internet access, especially in rural areas, are essential. These measures can help Pakistan's e-commerce sector significantly contribute to economic development.

PESTEL Analysis of Enhancing E-Commerce for Economic Development in Pakistan

Political Factors:

- **Regulatory Environment:** The e-commerce sector in Pakistan is hindered by inconsistent enforcement of consumer protection laws and regulatory barriers. The Consumer Protection Act is not uniformly enforced, leading to consumer hesitancy in adopting online shopping.
- **Government Initiatives:** The government has introduced policies such as the E-commerce Policy of 2019 and the Personal Data Protection Bill 2020 to address regulatory challenges, but their implementation has been slow and inconsistent.
- **Taxation Policies:** The Federal Board of Revenue (FBR) has introduced measures to tax e-commerce transactions, but discrepancies in provincial tax laws create compliance issues and an uneven playing field for businesses.

Economic Factors:

- **Logistics and Infrastructure:** Inadequate infrastructure and logistics are major barriers to the efficient operation of e-commerce businesses. Only 20% of the population has reliable access to logistics services, leading to delays and inefficiencies.
- **Payment Systems:** The dominance of cash-on-delivery (COD) as the primary payment method creates cash flow issues and increases the risk of fraud. Efforts by the State Bank of Pakistan (SBP) to promote digital payments through initiatives like the Raast payment system have seen limited adoption.
- **Shipping Costs:** High shipping costs due to inefficient port operations and high handling charges make it difficult for Pakistani e-commerce businesses to compete internationally.

Social Factors:

- **Consumer Trust:** Security concerns and inconsistent enforcement of consumer protection laws undermine consumer trust in online payments and e-commerce.
- **Digital Divide:** Limited internet penetration, especially in rural areas, restricts the reach of e-commerce. Only 49% of the population had access to broadband internet in 2021, with rural penetration significantly lower at around 35%.
- **Freelancing and Employment:** Freelancing has become a significant component of Pakistan's e-commerce landscape, contributing to economic development through foreign exchange earnings and employment generation.

Technological Factors:

- **Technological Adoption:** Local e-commerce businesses struggle to compete with international giants due to a lack of technological advancement. Only 30% of Pakistani e-commerce firms utilize advanced technologies such as artificial intelligence and data analytics.
- **Digital Infrastructure:** The Digital Pakistan Initiative aims to enhance digital infrastructure and literacy, but its impact has been slow and uneven, particularly in rural areas.
- **Cybersecurity:** Increasing cybersecurity incidents highlight the need for robust measures to protect online transactions. Current regulatory measures are not sufficiently comprehensive to address growing threats to data security and consumer privacy.

Environmental Factors:

- **Sustainability Practices:** Although not explicitly mentioned, improving logistics and infrastructure could contribute to more sustainable practices in the e-commerce sector.
- **Impact of Logistics:** Inefficient logistics and high shipping costs not only affect economic performance but also have environmental implications, such as increased carbon emissions due to longer delivery times and less efficient transportation networks.

Legal Factors:

- **Consumer Protection Laws:** The inconsistent enforcement of consumer protection laws leads to significant consumer hesitancy in adopting online shopping. The low number of consumer complaints resolved highlights this issue.
- **Data Protection Laws:** The slow implementation of the Personal Data Protection Bill 2020 indicates a need for more robust legal frameworks to safeguard consumer data and build trust in online transactions.
- **Competition Regulation:** The effectiveness of the Competition Commission of Pakistan (CCP) is limited by resource constraints and bureaucratic hurdles, contributing to a lack of consumer confidence in the regulatory framework.

Key Findings, Challenges, and Issues

Regulatory and Facilitation Environment

- Lack of detailed plans for updating outdated laws and insufficient specific action items for implementation.

Financial Inclusion and Digitization

- Barriers to digital payments, such as access to financial products, transaction costs, and trust issues, remain unaddressed.

SMEs and Youth Empowerment

- No detailed plans for funding and executing initiatives for SMEs.

Consumer Protection & Developing Consumer Trust

- No clear dispute resolution mechanism.
- Existing consumer protection laws are fragmented and not fully equipped to handle e-commerce complexities.

Taxation Structure

- Discrepancies in provincial tax laws create compliance issues and an uneven playing field for businesses.
- No clear direction or specific plans for addressing e-commerce taxation issues.

ICT Infrastructure and Telecom Services

- Digital inclusion barriers such as connectivity, affordable devices, and digital literacy are inadequately addressed.
- No strategy for supporting home-grown IT solutions for e-commerce or enhancing local cloud services.

Logistics

- Poor logistics performance and insufficient focus on improving logistics for e-commerce growth.
- Limited attention to issues in peri-urban and rural areas, and the affordability, traceability, and reliability of logistics services.

Data Protection and Investment

- Lack of detailed discussion on data protection adequacy and specific areas to be considered in Pakistan's Cloud Policy.
- Insufficient insights into the proposed Data Protection Act and existing data issues.

Provincial Challenges

- Inconsistent policy implementation across provinces and fragmented regulations.
- Logistical inefficiencies, limited financial resources, and bureaucratic hurdles.

E-Commerce Best Practices Around the World

Best Practices in India

Improving Connectivity and Digital Literacy

- **Expansion of Broadband Infrastructure in India:**

India's National Optical Fiber Network (NOFN), now known as BharatNet, aims to connect 250,000 gram panchayats (village councils) with high-speed broadband. The project, funded by the Universal Service Obligation Fund (USOF), is one of the largest rural connectivity programs in the world.

- **Promotion of Affordable Devices in India:**

India has promoted affordable digital devices through initiatives like the "Make in India" campaign, which encourages local manufacturing of electronic devices, reducing costs and increasing accessibility.

- **Digital Literacy Programs in India:**

India's Digital India campaign includes the Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA), aimed at making 60 million rural households digitally literate. This program focuses on providing basic digital literacy training to one person from each household.

Best Practices for Promoting E-Commerce in China

Robust Payment Systems

- **Alipay and WeChat Pay:**

These platforms provide secure, efficient, and user-friendly payment options, ensuring that consumers' transactions are safe. The integration of these payment systems with e-commerce platforms has been crucial in building trust.

- **Escrow Services:**

Platforms like Alibaba use escrow services, where payments are only released to sellers once the buyer confirms receipt and satisfaction with the product.

Comprehensive Consumer Protection Laws

- **Consumer Rights Protection Law:**

This law includes provisions for returns, refunds, and dispute resolution, which help reassure customers that their rights are protected.

- **Strict Regulation of E-commerce Platforms:**

The Chinese government enforces strict regulations on e-commerce platforms to ensure they comply with consumer protection standards.

Advanced Logistics and Supply Chain

- **Efficient Delivery Services:**

Companies like Cainiao (Alibaba's logistics arm) and JD Logistics provide fast and reliable delivery services, enhancing the overall shopping experience.

- **Return and Refund Policies:**

Clear and customer-friendly return and refund policies help mitigate the risk of unsatisfactory purchases.

Best Practices in America for Sponsorship from the Private Sector for SMEs

In the United States, new startups often receive crucial support from private sector sponsors and investors through venture capital firms like Sequoia Capital and Andreessen Horowitz, which provide both capital and strategic guidance. Additionally, accelerators like Y Combinator and Techstars offer mentorship, funding, and networking opportunities to early-stage companies. Corporate venture arms such as Google Ventures (GV) and Intel Capital also invest in startups, providing access to extensive resources and industry connections. Crowdfunding platforms like Kickstarter and Indiegogo enable startups to raise funds directly from the public, while private equity firms like TPG Capital and The Blackstone Group invest in and support the scaling of promising businesses. Successful examples include Airbnb, which grew with seed funding from Y Combinator and further investments from venture capital firms, and Uber, which expanded globally with backing from angel investors, venture capital, and private equity firms.

Conclusion

Enhancing e-commerce in Pakistan is essential for driving sustainable economic development. While the sector shows significant potential, it faces several critical challenges, including inadequate infrastructure, a lack of detailed plans for funding and executing initiatives for e-SMEs, discrepancies in provincial tax rates, and inconsistent enforcement of consumer protection laws. By addressing these issues through coordinated government efforts, improving digital infrastructure, enacting a dispute resolution mechanism, funding new startups, and establishing a reliable tax structure, Pakistan can create a more conducive environment for e-commerce. Implementing best practices from countries like India, China, and the US, particularly in improving connectivity, digital literacy, and supporting SMEs, will be crucial. These measures will enable Pakistan to unlock the full potential of its e-commerce sector, contributing significantly to GDP growth, job creation, and entrepreneurship.

Recommendations

Empowering E-Commerce SMEs and Youth

By Providing Loans and Investment from Private Investors

Proposal: a. Providing Interest-Free Loans by Ministry of Commerce

To enhance e-commerce in Pakistan, the Ministry of Commerce will establish a dedicated fund for small and medium enterprises (SMEs) involved in e-commerce, offering interest-free loans to SMEs and new startups. The initiative's key features include providing interest-free loans to financially support SMEs and startups with solid business plans and completed initial groundwork, ensuring that only viable projects receive support. The fund will be managed by a dedicated board under the Ministry of Commerce, comprising successful entrepreneurs who will critically analyze business plans considering Pakistan's specific market conditions. Safeguards and accountability measures, such as a reimbursement clause for business models that fail within the first year and penalties devised in collaboration with the Court of Law and the National e-Commerce Council, will ensure the fund's integrity and encourage serious applicants. The loan application process will be straightforward and accessible, reducing bureaucratic hurdles and encouraging

participation. Once businesses become profitable, they will contribute 0.5% to 1% of their profit to the government, creating a sustainable reinvestment cycle into the fund. This initiative will provide essential financial support to SMEs and startups, helping them launch and grow their e-commerce ventures. Expert evaluation by experienced entrepreneurs will ensure that only feasible and well-prepared projects receive funding. Enhanced accountability measures will maintain the fund's integrity, while a simple application process will encourage more SMEs to apply, fostering a competitive and innovative e-commerce environment. Ultimately, profit sharing will promote sustainable growth in the e-commerce sector.

Proposal: National e-Commerce Council's Private Sector Initiative for Startup Funding

The National e-Commerce Council will introduce a new initiative in the private sector aimed at identifying sponsors and investors to fund and invest in new business startups in Pakistan. This initiative will focus on supporting early-stage startups, often when they are still in the idea or prototype phase. The key features include early-stage investment to provide critical funding for initial expenses such as product development and marketing, ensuring startups receive the necessary capital to launch and grow. Investment models will include equity investment, where investors receive ownership shares in the company, and convertible debt, a loan that can later be converted into equity under specific conditions. Investors will be experienced entrepreneurs or industry experts who will offer valuable mentorship and advice, assisting startups with strategic planning, business development, and operational guidance. These investors will also have extensive industry networks, providing startups with connections to potential customers, partners, suppliers, and additional investors, facilitating business growth and expansion. The benefits for startups include essential financial support to cover early-stage expenses, mentorship and guidance from seasoned entrepreneurs and industry experts, networking opportunities through investors' connections, and enhanced credibility from receiving investment and mentorship from reputable investors, making it easier to attract further investment and market interest.

Youth Empowerment Programs:

Develop skill development programs in provinces, such as DigiSkills, targeting young entrepreneurs in e-commerce, focusing on technology adoption, digital marketing, and business management.

Consumer Protection and Developing Consumer Trust

Establish a clear, accessible dispute resolution mechanism specifically for e-commerce transactions. This could include online mediation services and a dedicated helpline for consumer complaints. The mechanism is formulated as follows:

Dispute Resolution Mechanism:

To ensure that customer-related issues are handled efficiently and fairly, companies in Pakistan will implement a robust dispute resolution mechanism initiated by the Ministry of Commerce and devised by the Ministry of Law. The Pakistan e-Commerce Council will ensure the implementation of this model, which incorporates several key stages. The first stage involves online mediation, facilitated through the company's Complaint Center, where buyers and sellers submit their disputes. The company acts as an intermediary, helping both parties reach a resolution through negotiation and mediation, aiming to achieve a mutually agreeable solution. If mediation does not resolve the dispute, the process moves to decision-making, where the company evaluates the evidence and testimonies

from both parties and makes a decision based on the company's Transaction Dispute Rules. This can include remedies such as refunds, partial refunds, returns, or compensation for losses. Ensuring the enforcement of these decisions involves the company facilitating refunds or compensation, with guarantees provided through the Dispute Resolution Mechanism. An additional layer of fairness and transparency is provided through appeals and arbitration. If either party is dissatisfied with the mediation decision, they can escalate the issue to the Board specialized in handling complaints through an online system at the Ministry of Commerce, which ensures a fair and transparent resolution process. If dissatisfaction remains with the decision of the Board, the case may be taken to consumer courts. This multi-tiered approach aims to provide a comprehensive and fair dispute resolution mechanism for customer-related issues.

Strengthening Consumer Protection Laws

The National E-commerce Consumer Council is ensuring that national and provincial consumer acts are amended at both the provincial and federal levels to better support e-commerce. Amendments will include specific definitions and regulations for e-commerce transactions, such as digital contracts, electronic signatures, online dispute resolution, and mechanisms for addressing digital fraud and cyber theft. Enhancing regulatory oversight for e-commerce platforms to ensure transparency in services and return policies is crucial. The Act will address jurisdictional challenges and implement a standardized consumer protection framework across provinces, including punishments for non-compliance with dispute resolution decisions and consumer education initiatives. These amendments would increase consumer confidence, promote e-commerce growth, and protect consumer rights in the digital marketplace.

Improving Taxation Structure

Harmonizing Tax Laws:

In Pakistan, provincial taxation on services varies, with Punjab imposing rates from 4% to 16%, Sindh taxing most services at 13%, and telecommunications at 19.5%, and Khyber Pakhtunkhwa and Balochistan generally at 15%. To harmonize these taxes, a committee under the National E-commerce Council will be formed, including federal and provincial representatives and e-commerce stakeholders, to review and propose unified tax rates and procedures. This committee will develop a comprehensive e-commerce taxation strategy, standardize input tax adjustment rules, and ensure compliance guidance. National and provincial councils will put the committee's recommendations before the Federal and Provincial Boards of Revenue for review. After review, the Ministry of Finance will lay the Finance Act before the Assembly. Upon approval, it will be implemented across the country. It will align tax rates and rules, simplifying compliance, reducing administrative burdens, lowering costs, and attracting investment to foster e-commerce growth and innovation.

Reduced Tax Rates and Exemptions:

- **Goods and Services Tax (GST) Reductions:** Similar to India's reduction in GST for certain digital services, Pakistan can reduce GST rates for e-commerce transactions. This will make online goods and services more affordable for consumers and encourage more businesses to transition online.
- **Income Tax Exemptions for Startups:** India offers income tax exemptions for startups under the Startup India initiative. Pakistan can implement a similar policy, providing tax holidays for new e-commerce startups for their initial years of operation.

- **Incentives for Digital Payments:**

- **Cashback and Rebates:** In India, digital payment incentives, such as cashbacks for using digital payment methods, have been successful. Pakistan can introduce similar incentives to promote cashless transactions, which would help increase transparency and ease of tax collection.
- **Subsidies for Payment Gateway Integration:** Offering financial support for SMEs to integrate secure payment gateways can lower the barrier to entry for small businesses looking to operate online.

Expansion of Broadband Infrastructure

Expansion of Broadband Infrastructure:

To expand broadband infrastructure in Pakistan, a National Broadband Plan will be established, led by the Ministry of Information Technology and Telecommunication (MoITT) in collaboration with the Pakistan Telecommunication Authority (PTA). Core infrastructure providers like PTCL and Transworld Associates will handle backhaul connectivity, while Nayatel, StormFiber, and WorldCall will manage local implementation for last-mile connectivity. Financing will involve the Universal Service Fund (USF) to support infrastructure expansion, drawing inspiration from India's USOF, and encourage public-private partnerships (PPPs) between the government and private sector providers. Regulatory support will include streamlined approvals to simplify the right-of-way (RoW) processes, alongside financial incentives and subsidies for providers expanding into rural areas. The deployment strategy will be executed in phases: Phase I will connect major rural hubs and district headquarters with fiber optic cables, Phase II will extend connectivity to smaller towns and villages, and Phase III will achieve full coverage by connecting all inhabited areas. The deployment will employ a mix of fiber optic and wireless technologies to ensure cost-effective and rapid implementation.

Digital Literacy Programs:

A National Digital Literacy Mission will be launched to enhance digital literacy in Pakistan, focusing on basic digital skills for rural and underserved populations through community-based training centers, integration into school curriculums, and online platforms offering free courses in local languages. Led by the Ministry of Information Technology and Telecommunication (MoITT) with oversight from the Pakistan Telecommunication Authority (PTA) and financial support from the Universal Service Fund (USF), the mission will reach students, teachers, and farmers, ensuring digital literacy initiatives promote inclusivity. Collaboration with private sector players, telecom operators, and NGOs will be essential for establishing training infrastructure and providing digital tools. Special programs for women and young entrepreneurs will further ensure that these groups have access to the resources needed to participate in the digital economy.

Promotion of Affordable Devices:

To promote affordable digital devices in Pakistan, the government will incentivize local manufacturing by offering tax incentives and subsidies to reduce costs. Programs will be launched to distribute subsidized or free devices to students and low-income households, ensuring broader access to digital tools. Additionally, partnerships with international and local tech companies will be established to introduce affordable devices into the market.

Improve Data Protection

Ensuring data protection adequacy for e-commerce in Pakistan is essential for consumer trust, international compliance, and economic development. The mechanism involves adopting a comprehensive data protection law by expediting the Personal Data Protection Bill 2021 and clearly defining key terms and principles. An independent Data Protection Authority (DPA) should be established to enforce laws, monitor compliance, handle breaches, and impose penalties, supported by training programs. Robust provisions for data subject rights should allow individuals to access, correct, and delete their data, with public awareness campaigns to educate them. Clear regulations for cross-border data transfers and data localization requirements for sensitive personal data should ensure that it is stored and processed within Pakistan.

Overcoming Provincial Challenges

Coordinated Policy Implementation: Ensure consistent policy implementation across provinces by establishing a central coordination body. The National E-commerce Council should oversee and align provincial regulations, reducing fragmentation and inefficiencies. By implementing these recommendations, Pakistan can create a more conducive environment for e-commerce, addressing current challenges and unlocking the sector's full potential for economic development.

Improving Logistics

Enhancing Logistics Performance:

Implement initiatives to improve logistics infrastructure, focusing on peri-urban and rural areas. Encourage public-private partnerships to enhance the affordability, traceability, and reliability of logistics services. Pakistan can learn lessons from China Post and invest in Pakistan Post through public-private partnerships for efficient and affordable shipment handling for international e-commerce.

Implementation of E-commerce Policy

The e-commerce policy provides a comprehensive framework for developing e-commerce in Pakistan, requiring thorough implementation by the Ministry of Commerce and active roles for the National and Provincial E-commerce Councils. The National E-commerce Council should focus on creating a robust regulatory environment for consumer protection, data security, and fair trade, while collaborating with stakeholders to streamline processes and promote best practices. Provincial e-Commerce Councils should address region-specific challenges by improving local digital infrastructure, providing resources and training to SMEs, and ensuring that e-commerce benefits reach remote areas, fostering a competitive and innovative e-commerce ecosystem nationwide.

Log frame work for SMEs and youth empowerment

1. Strategy: Empowering E-Commerce SMEs and Youth			
Action	KPIs	Executing Agency	Period
Goal 1: Providing Loans and investment by National E-commerce council:			
Introduction of Provision of interest free loans to new e-SMEs	Decision by all e-Commerce Councils to provide interest free loans	National e-Commerce Council & Provincial e-Commerce Council	Medium Term
Decision to be laid before federal and Provincial Cabinets	Agreement by all Cabinets	Federal Cabinet Provincial Cabinet	
Creation of Board under Ministry of Commerce	Board comprising of members from federal and provincial governments, private sector entrepreneurs Board will be responsible for scrutinizing the loan applications, look for viability of the project	Approval by the federal and provincial governments	
Making contours of the provision of loan	Decision of the process of loan Conditions of loan Decision on %age of profit on successful running of business	Ministry of Commerce, Ministry of Finance Board	
Decision on Creation of Universal e-Commerce Fund under National e-commerce council	Agreement by all provinces	National and Provincial e-Commerce Councils, al and Provincial Cabinets	
Provision of funds for the Fund	Arrangement of funds from Ministry of Finance	Ministry of Commerce Board	
Advertising the initiative	Making awareness through by involving NGOs and Banks and government broadcasting ministry	Ministry of Commerce & Board	
1. Strategy: Empowering E-Commerce SMEs and Youth			
Action	KPIs	Executing Agency	Period
Goal 1: National e-Commerce Council's Private Sector Initiative for Startup Funding			
Introduction of creation of pool of sponsors and investors for investment in new e-SMEs and start-ups	Decision by all e-Commerce Councils to provide interest free loans	National e-Commerce Council & Provincial e-Commerce Council	
Decision to be laid before federal and Provincial Cabinets	Agreement by all Cabinets	Federal Cabinet Provincial Cabinet	

Creation of independent pool of sponsors under Ministry of Commerce	Pool comprising of private sector entrepreneurs, investors, sponsors etc Pool will be responsible for scrutinizing the loan applications, look for viability of the project and make decision for investment, sponsor	Approval by the federal and provincial governments	Medium Term
Making contours of the provision of loan	Decision of the process of loan Conditions of investments Decision on equity or loan type facilitation Decision on %age of profit on successful running of e-SME	Ministry of Commerce, Ministry of Finance Pool of sponsors	
Advertising the initiative	Making awareness through by involving NGOs and Banks and government broadcasting ministry, private channels	Ministry of Commerce & Board	
2. Strategy: Consumer Protection and Developing Consumer Trust			
Action	KPIs	Executing Agency	Period
a. Goal 1: Dispute Resolution Mechanism			
Introduction of adoption of dispute resolution mechanism by all e-commerce businesses	Decision by all e-Commerce Councils	National e-Commerce Council & Provincial e-Commerce Council	Short Term
Decision to be laid before federal and Provincial Cabinets	Agreement by all Cabinets	Federal Cabinet Provincial Cabinet	
Initiation of the process for evolving the mechanism	Developing a dispute resolution mechanism Involvement of all stakeholder Involvement of representatives from private sector Looking for the best dispute resolution mechanisms	Ministry of Law and Justice	
Agreement on mechanism	Approval by federal and provincial cabinets	Federal & provincial Cabinets	
Implementation of Mechanism	All e-commerce businesses to implement the mechanism approved by the Cabinets	Ministry of Commerce, Federal & Provincial Councils	
Advertising the initiative	Making awareness through by involving NGOs and Banks and government broadcasting ministry, private channels	Ministry of Commerce & Board	
Monitoring the implementation of mechanism	All the e-business to implement the mechanism without any delay within six months	Ministry of Commerce and Federal & Provincial Councils	

	of approval from the cabinet		
2. Strategy: Consumer Protection and Developing Consumer Trust			
Action	KPIs	Executing Agency	Period
b. Goal 2: Strengthening Consumer Protection Laws			
Introduction of strengthening Consumer Act	Decision by all e-Commerce Councils	National e-Commerce Council & Provincial e-Commerce Council	Medium Term
Decision to laid before federal and Provincial Cabinets	Agreement by all Cabinets	Federal Cabinet Provincial Cabinet	
Initiation of the process for evolving changes to make consumer complaint resolution an easy process and inclusion of e-commerce related laws	Developing contours of the changes and new inclusions Involvement of all stakeholder Involvement of representatives from private sector Looking for easy complaint handling processes and inclusion of dispute resolution mechanism in the Act	Ministry of Law and Justice, law departments of the provinces	
Agreement on Act	Approval by federal and provincial cabinets	Federal & provincial Cabinets	
Approval of the Act	Laying of Act before National & Provincial Assemblies	National & Provincial Assemblies	
3. Strategy: Improving Taxation Structure			
Action	KPIs	Executing Agency	Period
a. Goal 1: Harmonize tax laws for e-commerce			
Introducing harmonized tax regime for e-Commerce businesses	Decision by all e-Commerce Councils to provide interest free loans	National e-Commerce Council & Provincial e-Commerce Council	Long Term
Decision to be laid before federal and Provincial Cabinets	Agreement by all Cabinets	Federal Cabinet Provincial Cabinet	
Proposal to the Boards of Revenue	Boards will formulate their recommendations	Federal & Provincial Boards of Revenue	
Making provision for the Finance Act	Keeping in view the recommendations given by the Boards, formulate a single tax figure for e-commerce related businesses	Ministry of Finance	
Agreement on the Provisions introduced by the Ministry of Finance	Agreement by all provinces	National and Provincial e-Commerce Councils, al and Provincial Cabinets	
Laying before the National Assembly	Pass the finance Act by the Parliament when its in session	National Assembly of Pakistan	
Implementation of the Act	The Act needs to be implemented in federal	Fe Deral and Provincial Boards	

	territory and all the provinces		
1. Strategy: Expansion of Broadband Infrastructure			
Action	KPIs	Executing Agency	Period
Goal 1: Expand broadband infrastructure in Pakistan			
Establishing National Broadband Plan	Identifying the need for National Broadband Plan	Ministry of Information Technology and Telecommunication (MoITT), Pakistan Pakistan Telecommunication Authority (PTA)	Long Term
Taking Provinces on board about the initiative	The Provincial Cabinets will be briefed about the initiative	Provincial e-Commerce Councils	
Taking core infrastructure providers on Board	Core infrastructure providers will look into their potential of implementing such a robust plan They will do surveys to identify the gaps and requirements	Ministry of Information Technology and Telecommunication (MoITT), Pakistan Telecommunication Authority (PTA) PTCL Transworld Associates	
Taking private sector providers on Board	The private sector providers will also give their input and will join with the core providers in surveys etc	Ministry of Information Technology and Telecommunication (MoITT), Pakistan Telecommunication Authority (PTA)	
Identification of the requirements and planning	On the basis of surveys PC-1 will be prepared	Ministry of Information Technology and Telecommunication (MoITT), Pakistan Telecommunication Authority (PTA)	
Arrangements of funds		National Assembly of Pakistan	
Implementation of the Act	The Act needs to be implemented in federal territory and all the provinces	Federal and Provincial Boards	

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