



## PAGE 3: B. ABOUT YOU

**Q1: Respondent details**

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**Q2: Country or Customs territory**

PAKISTAN

**Q3: Organization**

Public sector

## PAGE 4: C. ABOUT YOUR CASE STORY

**Q4: Title of case story**

Pakistan's Digital Economy: National Perspectives on Bridging the Digital Divide

**Q5: Case story focus**

E-commerce development and efforts to bridge the "digital divide".

**Q6: Case story abstract**

Pakistan has one of the largest markets in the global digital economy and internet penetration has been growing fast. In 2016 smartphone users constituted 31% of total mobile users. Pakistan has the lowest cost as a percentage of income for broadband for people living in poverty (at 5.5% for people living at below \$3.1/day). The main barriers to broadband connectivity in Pakistan are poor infrastructure; low literacy rate; regulatory hurdles; geographic barriers; and low rates of urbanization. Pakistan's public and private sector has embraced the digital economy with a wide range of services now offered electronically, including social welfare payments, citizen liaison services, and automated border control. Some of these services have been exported to other developing and LDC countries. The road forward for Pakistan includes focusing on its regulatory regime and updating its law to facilitate its growing digital economy.

**Q7: Who provided funding?**

Other (please specify) Government

**Q8: Project/Programme type**

Single country

**Q9: Your text case story**

## Introduction

Pakistan has one of the largest markets for a global digital economy and the market is still young with tremendous potential for growth. Its Information Technology (IT) sector generates a total turnover of USD2.6billion, with USD2.1billion from exports of IT and IT enabled services and USD0.05billion in domestic revenue.

Pakistan's internet penetration has been growing fast particularly with the launch of 3G/4G, currently the number of subscribers with access to mobile internet is growing at a phenomenal rate. Pakistan has the lowest cost as a percentage of income for broadband for people living in poverty (at 5.5% for people living at below \$3.1/day). In 2016 smartphone users constituted 31% of total mobile users. Pakistan has a total tele-density of 71.16%, 133.47

million annual cellular mobile subscribers, 36.3million 3G/4G subscribers and 36 million broadband subscribers. Additionally, Pakistan ranks 8th out of 30 developing countries in terms of affordability of mobile broadband. This index takes into account communications infrastructure, access and affordability.

#### Digitization enablers

Recognising Pakistan's potential to take advantage of its IT and telecommunications sector in order to further build its economy, the public and private sector have embraced the digital economy and are addressing the barriers to expansion, by acting to trigger strategic enablers. The main barriers to internet penetration (broadband connectivity) in Pakistan are poor infrastructure (low fibre optic penetration); low literacy rate; regulatory hurdles; geographic barriers; and low rates of urbanization. To address these, Pakistan has adopted certain digitization enablers that include measures directed towards, developing government policies, improving infrastructure, and building digital human capital development.

#### Public Sector Programmes

Pakistan's public sector has embraced the digital economy with a wide range of services now offered electronically, including social welfare payments, citizen liaison services, and automated border control. Some of these services are exported to other developing and LDC countries. These programmes include the following;

1. Universal Service Fund- USF is a registered company which aims to provide national broadband coverage in every region in Pakistan by 2018. Its main objective is to increase the level of telecom penetration in rural areas, by encouraging telecom operators to focus on its rural and unserved populations; improve broadband penetration in the country; and significantly boost e-services in both rural and urban parts of the country.

#### Results as at 2016

- Contracts signed for 486,896 broadband subscribers
- More than 700,000 broadband subscribers achieved
- 1,328 educational broadband centres established
- 369 community broadband centres established

2. Government to Citizen Services (G2C) – Pakistan has also integrated digital services into its government services. The adoption of digital technology, especially in delivery of public sector services, has contributed to building the trust of people in digital financial and commercial services. In addition this has contributed to improving good governance practices in Pakistan. Some of these programs are:

- BISP - Benazir Income Support Program in which approximately 4.5 million beneficiary households receive their payments through debit cards within 72 hours of disbursement from the government.
- PCFM - Punjab Citizen Feedback Model in which service provider's record citizens' mobile numbers. A government call centre sends SMS messages and voice calls to public service users to make targeted inquiries about satisfaction with 16 services, ranging from property registration to primary health care and potential incidents of corruption.
- ABC – Automated Border Control in which the National Database and Registration Authority's (NADRA) of Pakistan uses Automated Border Control (ABC) system for the authentication of e-Passport, identity cards and other travel documents.
- CDCP - Citizens Damage Compensation Program in which the disbursement of funds for IDPs of the 2010 floods were provided electronically through cellular networks. This program provided financial assistance to 1.5 Million IDPs supported through digital funds.
- South-South Corporations- NADRA through south-south corporation, assisted the Government of Sudan with its Civil Registration Project; Government of Kenya with its Passport Issuing System; Government of Bangladesh with its High Security Driver's License; Government of Sri Lanka with its Sri Lanka ID Card Project; and Government of Nigeria with its National Identity Management System (NIMS).

#### Pakistan's Private Sector

Pakistan's private sector has gone through a disruption of its own with freelancing increasingly becoming a big part of the economy, e-commerce companies targeting the country for its high-skilled labour and innovative payment systems. Particularly;

- E-Commerce – Pakistan is becoming an attractive destination for B2B companies due to the availability of a skilled labor force at competitive rates. TradeKey.com is a Saudi-Arabian based E-commerce company which provides digital marketing, B2B business development solutions and tradeshow marketing. It is only one of the rising numbers of B2B companies with an increasingly strong presence in Pakistan's urban centers. Many B2C enterprises are in fashion, retail and services sectors. E-Commerce has enormous potential in Pakistan due to, the projected youth bulge in the age of 14-34 years, who are adopting newer technologies and smarter ways of shopping, thus, creating an acceptance for online merchandise. The explosive growth of smartphone users also creates opportunities in this area, because of lower prices and the availability of 3G/4G in Pakistan, there is a higher percentage of users accessing the internet via mobile phones. Furthermore, Pakistan's growing middle class in urban centers has led to more people accessing the internet over different platforms. A contributing factor to the growth of e-commerce in

Pakistan, include competitive prices on online stores compared to retail outlets, as well as more variety with regards to product offering and unlimited touch points which has expanded merchants' outreach exponentially. Finally, the evolution and establishment of start-ups such as Daraz.pk, Pakwheels.com, Zameen.com, and Homeshopping.pk (among others) have attracted players to join the bandwagon. A prominent player to have recently joined the e-Commerce market, is logistics giant TCS with their brand yayvo.com.

Key challenges to e-commerce in Pakistan include;

- Lack of awareness among consumers and merchants.
  - Lack of quality assurance mechanisms.
  - Lack of consumer protection laws.
  - Lack of data protection or cybercrime laws.
  - Lack of consumer trust.
- Freelancing - Pakistan has seen tremendous growth in freelancing over the last few years with a survey showing that Pakistan showed a 328% growth in freelancing over the last decade, second only to the Philippines at 789%. 4th largest in the world.
- Payment Systems - Pakistan has a number of new innovative payment systems revolving around cellular networks. E.g. EasyPaisa, MobiCash, which now has the highest percentage of Mobile financial transactions in South Asia.

#### The Roadmap Ahead

Pakistan believes that financial services are critical to achieve digital inclusion. In this vein it is pursuing the Maya Declaration commitments with great urgency through its National Financial Inclusion Strategy. In addition, the road forward for Pakistan includes focusing on its regulatory regime and updating its law to facilitate the digital economy. To that end, under its Strategic Trade Policy Framework (STPF) 2015-2018, Pakistan created a National Advisory Council and a Special Policy Unit for E-commerce. The Senate of Pakistan also has under consideration, the Prevention of Electronic Crimes Act 2015 which will provide a regulatory framework for tackling cyber-crime in Pakistan. The State Bank of Pakistan is considering revisions to its policies regarding Payment System Operators and Payment Service Provider (PSO and PSP), in order to boost credit card penetration and the proliferation of digital financial services. Furthermore, Pakistan has established a National Advisory Council on E Commerce and National Policy Board on E Commerce, headed by Finance Ministry.

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#### Q10: Lessons learnt

Our experience is that the key to converting digital divide into digital dividend is not hard infrastructure only, it has to be complemented with regulatory reform and an enabling policy, accompanied with digital human development capacity.

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