

# Public-Private Dialogue (PPD) *to* Establish a National **E-c****ommerce** Policy Framework

Given that, E-Commerce is not only a growing global industry, it is also one on which an increasing share of future business, financial and trading transactions will depend, it was felt to timely develop an e-commerce policy framework in Pakistan.

In this background, in 2016 the Prime Minister of Pakistan assigned the task to Ministry of Commerce to frame a comprehensive National E-Commerce Policy Framework in consultation with all stakeholders including the private sector.

Ministry of Commerce, being abreast of the importance of the role of private sector in the formulation of policy framework, constituted number of bodies to deliberate on the contours of the prospective National E-Commerce Policy Framework with equal representation from Public and Private Sector. Following bodies were constituted to deliberate on the prospective National E-Commerce Policy Framework.

1. National e-Commerce Policy Board
2. National e-Commerce Advisory Council
3. National e-Commerce Policy Unit
4. Five Working Groups on Taxation, Payments, Regulatory, Logistics and WTO & Development

## ► Representation from Public & Private Sector

The above stated bodies and the working groups had equal representation from public sector (IT Ministry, Federal Board of Revenue, State Bank of Pakistan etc) and private sector ranging from online merchants, e-Commerce Platforms, logistics companies, payment providers to IT companies.

The guiding principle and inspiration that necessitated Ministry of Commerce to follow a PPD model takes its roots from National Trade & Transport Facilitation Committee which successfully followed the PPD model that was reported as best practice by UNCTAD. Whilst, the concept of creation of working groups is attributed to the working style and philosophy of the WTO (where customarily working groups are created and entrusted upon specific functions) and the strategy formulization by Permanent Mission of Pakistan to the WTO.

Ministry of Commerce scheduled and held multiple meetings of these 3 bodies and the 5 working groups. These meetings were well attended and point of view of both the public and private sector representatives was openly listened to and discussed. A meeting of the National E-Commerce Policy Board was chaired by the Prime Minister.

National e-Commerce Policy Board, National E-Commerce Advisory Council and National E-Commerce Policy Unit were given specific terms of reference to work within, while each working group was responsible for technical work in its relevant area. Based upon the deliberations and findings of these bodies, the Ministry of Commerce proposed an action plan to conceptualize the national e-Commerce Policy framework, and the action plan then got approval of the Prime Minister.

## ► Outcome

The salient features of the action plan are as under, on which the working groups were given to deliberate and to furnish their reports:

- a. Enactment of National Law on Consumer Protection which may include provisions for Seller Protection, specifying rights, obligations, liabilities and penalties for both sellers and consumers.
- b. Enactment of Privacy and Data Protection Laws including provisions for e-transaction to enable e-contracts.
- c. Amendments in the Foreign Exchange Regulations of the State Bank of Pakistan to facilitate cross border electronic transactions.
- d. Establishment of Dispute resolution mechanism for e-Commerce

- e. Formulation of licensing requirements for establishing and operating e-Commerce businesses
- f. Subsidizing GST rates and other tax relaxations for e-Commerce on products where sales are made on online portals in order to encourage selling online.
- g. Provision of safe and secure platforms for financial transactions online.
- h. Working Group on e-Commerce, WTO and Development to constantly liaise with Permanent Mission of Pakistan to WTO in order to assist them for the upcoming multilateral discipline on e-Commerce.
- i. Finalization of the National Payment Gateway (NPG) for international transactions.
- j. Simplification of Import / Export procedures and requirements, border measures and logistics arrangements for the purpose of facilitating e-trade.

At the time of commencement of this exercise the tax law had no definition and treatment of “online marketplace”; as a result of this PPD the definition was proposed by the Federal Board of Revenue and also a concessionary tax regime was proposed [turnover tax at 0.5% as compared to 1.5% for other businesses; 5% tax rate as compared to 15% tax rate on other businesses] and the same was made part of the tax law under approval of the National Assembly of Pakistan (the Legislature).

The private sector representatives on the working groups come up with practical issues being faced by business in e-Commerce and their concerns have been recorded and made part of the reports of the respective working groups and policy measures were also proposed as a part of working group reports.

Some of the significant concerns shown by the private sector were about Consumer Protection, Personal Data Protection, Rules for Cross-Border e-Transactions, Dispute Resolution Mechanism, Registration and Tax on Services. Based upon these concerns, the working groups have proposed specific policy measures to be made part of the prospective National E-Commerce Policy Framework.

This whole exercise was carried out to develop a well consensus national e-Commerce Policy Framework based upon PPD. Based upon action plan, as approved by the Prime Minister, all the five working groups have submitted their respective reports. The reports of the working groups are currently under review and examination of the drafting committee of the Ministry of Commerce. The drafting committee is now to submit a formal document on national e-Commerce Policy Framework.

## ► Impact and lessons-learned:

The impact to date is that now based upon Prime Minister approved action plan, working groups have submitted their reports – and these reports being a creature of PPD will lead to the development of national e-Commerce Policy Framework.

This whole process leads to learn that involvement of and ownership by private sector while framing Public Policy leads to national harmonization and is blended due to private sector technical and subject specific experience coupled with issues on Public Policy.

The most difficult part, among this process, remained multilateral and inter and/or cross departmental relationships. As for example, State Bank of Pakistan (Pakistan Central Bank) has its own standing on various aspects and whereas the Federal Board of Revenue (Pakistan National Tax Administration) has its own stance on certain matters, owing to their respective legal and regulatory frameworks/constitutional mandate. To align the goals of individual constituent departments/organizations with the prospective national e-Commerce Policy Framework happened to be difficult and challenging.

The next challenge happened to be alignment of various laws of the Country, which at present are operating in their own respective spheres, so that prospective national e-Commerce Policy Framework may not become in contradiction with existing laws or otherwise that due to existing legal provisions the prospective national e-Commerce Policy Framework could not work.

Developing a consensus about customs and taxation remained to be the difficult and challenging. These challenges, though hard to overcome, are addressed to and all attempts were made to develop a consensus giving path for the development of national e-Commerce Policy Framework that will ultimately reflect the stand point of both public & private sectors.

Nevertheless, the key to success to date are: (a) effective & meaningful inter-ministerial coordination, (b) sharing of a common vision among the various government departments & private sector, and very obviously (c) an irrefutable consensus that development of e-Commerce in the Country is something that can no longer be delayed.

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