PAKISTAN PSEB SOFTWARE EXPORT BOARD

Ministry of Information Technology & Telecommunication

DIGITAL PAKISTAN

REQUEST FOR COMMENTS FOR DEVELOPMENT OF FREELANCING POLICY

Table of Content

	Page #
Executive Summary	03
Freelancing Potential in Pakistan	04
Benefits to Freelancers	05
Policy Formulation Process	06
Key Focus Areas	07
Vision	08
Goals, Objectives & Policy Commitments	08
Goal 1	09
Goal 2	10
Goal 3	11
Goal 4	12
Goal 5	13
Goal 6	14
Goal 7	15
Goal 8	16
Goal 9	16
Goal 10	17
Development in IT Sector	18

Executive Summary

IT & IT enabled Services (ITeS) export remittances have increased by 137% during the last 5 years at CAGR of 18.85%, surging to US $1.231 billion during FY 2019-20 with exports to 120+ countries, including US $150 million earned by freelancers. Whereas, a target of US $5 billion in IT & ITeS export remittances is set to be achieved over the next three years. There are 2,746 IT & ITeS companies registered with Pakistan Software Export Board (PSEB) with overall 6,000+ companies in the industry. PSEB estimates that at present there are under 100,000 active freelancers working from Pakistan.

Since the introduction of National IT Policy of 2000, there has been a paradigm shift in the IT industry with the number of freelancers and independent consultants increasing manifold that has been recognized in the Digital Pakistan Policy 2018. Moving forward, there is a dire need of enhancing the role of Freelancers in economic growth of the country by designing and implementing specific policy for development and support of Freelancers. Such an approach towards development and support of Freelancers will enable Freelancers to work within a supportive framework and to be rewarded accordingly. Moreover, the said policy will be aligned with enhancing demand generation and supply of IT & IT enabled Services to the international markets around the world.

Furthermore, Ministry of IT & Telecommunication has invested heavily in digitization of the country, ICT adoption in the Government, facilitation of the ICT industry, and DigiSkills development of Freelancers across the country. However, in order to ensure scalability, enhancement of Freelance talent, and a comprehensive support program to protect and safeguard the freelancers, a Freelance policy framework is deemed necessary.

It is envisioned that given the level of talent in the country and desire to excel in our youth, Pakistan can quickly achieve the top Freelancer services outsourcing destination status in the world, a preferred destination for global IT businesses and a major supplier of skilled IT human resource.

Freelancing Potential in Pakistan

Pakistan's is experiencing a phenomenal increase in the number of new Freelancers due to government interventions, such as 3G/4G coverage that is enabling access to international markets, and programs like DigiSkills and e-Rozgaar that are imparting freelancing skills to thousands and enabling them to earn a living in the most in-demand fields, ultimately leading to a higher employment rate.

According to Global Key Player report on '*Freelancing in 2020: An Abundance of Opportunities*', Pakistan is ranked as 8th fastest growing among freelancing countries at an impressive growth rate of 69%, based on year-on-year revenue growth. Whereas, Pakistan had ranked Pakistan as 4th fastest growing among freelancing countries but at a lower growth rate of 47%.

The same report highlights the importance of the gig-economy, showing significant growth in recent years as an increasing number of people have begun to consider a career in freelancing. In today's digital world, Freelancers have recognized that they can not only earn a significant income, but also gain more freedom over their working and employment conditions, with the ability to choose projects and create a greater work-life balance no matter where they are located. Likewise, businesses are realizing that when costs need to be cut, having a growing workforce of Freelancers can provide them with both flexibility to scale and quality service.

According to Global Key Player report on '*The 2020 Freelancer Income Report*', the role of technology advances and shifting work paradigms are fueling a surge in freelancing with collaborative technologies making it easier for remote workers to communicate and contribute. Online marketplaces are making it easier for Freelancers to find work, and cross border payment platforms make it easier for Freelancers to get paid for their services, regardless of where the client is located. Whether an individual is making the shift from full time salaried position or working to supplement existing job with some extra income, freelancing present a wealth of opportunities.

In Asia, 82% of the their survey respondents are under the age of 35, compared to only 47% in North America. Whereas, Worldwide average hourly rate charged by Freelancers is $21, showing that freelancing is providing an attractive earning potential that in many cases far exceeds average wages, especially in emerging economies. The most popular fields of work for Freelancers are web and graphic design (30%), programming (19%), IT (10%), multimedia production (8%), content writing (8%), translation (7%), marketing (6%), admin (3%), customer support (2%), project management (2%), sales (2%), QA (2%) and Finance (1%).

Freelancing is also playing a key role in closing the overall mean gender pay gap in earnings. Same report shows that the mean rate of female Freelancers is 84% of the mean hourly rate of the male Freelancers across all fields (higher in APAC, 85%).

According to global key player commissioned study by Edelman Intelligence "*Freelance Forward 2020*", 59 million Americans freelanced in the past year, which is 36% of the total workforce, generating $1.2 trillion in annual earnings from freelancing.

Study finds that hard skills, soft skills and business skills are very important to be a successful freelancer. Most freelancers are aged between 18 to 22 years (50%), followed by 23 to 38 years old (44%), 39 to 54 years old (30%) and 55+ (33%).

In view of immense supply of youth in Pakistan, with the right policy interventions, there is a potential to increase the number of freelancers from under 100,000 currently to over one million freelancers in few years that will significantly bolster the export remittances as well as boost the overall economy of the country.

Benefits to Freelancers

- PSEB registration of Freelancers @ Rs. 1,000 only for the first year, with renewal charges thereafter to be Rs. 3,500 per annum.
- Access to PSEB programs and initiatives, including free and subsidized trainings, certifications, access to ICT graduate interns for free, subsidized office space at Software Technology Parks (STPs), access to international marketing and matchmaking opportunities.
- Facilitation Desk at PSEB to report and seek assistance in resolution of issues related to taxation, banking, Intellectual Property rights, IP Whitelisting or any other matters related to Government bodies.
- 20% discount from SECP on SMC (Pvt) Ltd registration.
- Loans at favorable rates up to Rs. 1 Million as part of clean lending under govt. initiative and program for PSEB registered Freelancers.
- Health coverage and life insurance of Freelancers under some govt. initiative or program.
- Tech Travel card(upcoming initiative) to be issued to Freelancers with record of minimum three years of IT & ITeS export remittances exceeding US $5,000 per annum through formal banking channels.
- IT & ITeS export income to be tax exempt for PSEB registered Freelancers that are receiving Export remittances through formal banking channels and being reported in purpose codes assigned by the State Bank of Pakistan for IT & ITeS sector.

The Policy Formulation Process

In order for a policy to be realistic yet, at the same time, effective, it is imperative that the policy follows a systematic pattern of consultation, deliberation and revisions, allowing for constant improvement of the draft. The Freelancer IT Policy builds on the following policy- making principles:

1. **Abstract:**
The policy process took into account the needs involvement of all stakeholders and their reviews. The process focus on determining the emerging and upcoming opportunities and took a long-run view of things.

2. **Draft Policy:**
The policy attempts to take a holistic view of the IT & ITeS industry & Freelancers and work across institutional bodies. The policy formulation process to draw on the experiences of relevant Stakeholders.

3. **Consultation Policy:**
A conscious effort to be made to base this policy on the best-available evidence from a multiple range of sources and involve relevant stakeholders throughout the process.

4. **Focused Group Discussions:**
Focused groups discussions will be conducted at every stage of policy making process which may include impediments, possible remedies and to chalk up policy recommendations. Focused groups may include Policy makers, regulators, IT Industry and other relevant stake holders.

5. **Revised Policy:**
One of the key component is to conduct research on reviews and highlighted areas identified by focus groups. Highly qualified professionals will be engaged in policy revision and to identify global trends, challenges and opportunities. A revised version will be drafted for presentation

6. **Approved Policy:**
Policy to be finalized with due consultation with public and private sector stake holders and submitted for approval to the competent authority.

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Key Focusing Areas

This policy document should be seen as a set of ICT policies focusing on 8 key areas:

- **Freelancing Fields**
- **Ease-of-Doing-Business**
- **Skills Development & Capacity Building**
- **Banking & Payments**
- **Health / Life Insurance**
- **Legal / Litigation /Legislation**
- **IT Exports Enhancement**

1

Freelancing Fields

- Web and Graphic Design / 3D Animations
- Software/Web/App Development
- Video Animations/Editing
- UI/UX Design
- Social Media & Digital Marketing
- Search Engine Optimization
- Virtual Assistance and Others

2

Ease-of-Doing-Business

- Subsidized PSEB registration
- Subsidized SECP registration as SMC category
- Eligible to Govt. Program & benefits
- Taxation Facilitation
- Ease of travelling
- Access to foreign client repository

3

Skills Development & Capacity Building

- Training leading to jobs
- ICT Training programs
- Skill enhancement programs
- Freelancing Incorporation Drive
- Cloud Computing & emerging tech

4

Banking & Payments

- Ease of making payments
- E-Payment Options
- Banking facilities
- Personal/business/Collateral Free loans

5

Health / Life Insurance by GoP Programs

- Subsidized life insurance services
- Subsidized health insurance services
- Subsidized travel insurance services
- Employee liability insurance
- EOBI

6

Legal / Litigation /Legislation

- Court & arbitration
- Minimum wage rate of freelancer
- Dispute resolution framework
- Taxation slabs
- Cost of doing business
- Intellectual property protection
- Legal frameworks for freelancers

VISION

Pakistan to be a leading Knowledge Economy by promoting Freelancing of IT and IT enabled Services, and embracing technology for creating a sustainable Freelance community

OR

Pakistan to be a leader in the global Freelancing market of IT and IT enabled Services by building innovative digital knowledge economy, enabling ease of doing business for the Freelancers, carrying out skills development and capacity building, and embracing technology for creating a sustainable Freelance community

Goals, Objectives & Policy Commitments

In line with these principles, the policy conceives following key goals which cover the freelancing sector. This section also highlights specific incentives and policy commitments to attain below mentioned objectives and to fulfill the PSEB vision. These are as follows:

1. To establish Pakistan as a leading **Freelancer** market across the globe by creating the transparent governance model, framework & policies and providing International access to markets, projects and clients.

2. To bridge the **gap and facilitate** Freelancers for interface with multiple governing authorities to enable ease of business

3. To introduce freelancer **pre-registration regime** and acknowledgement framework.

4. To enable **digital ready environment** across the country and increase the rate of adoption for learning and earning purpose.

5. To introduce **digital banking**, e-payment, bank guarantees, low-interest loans

6. To introduce **taxation** rules, procedure & rewards for freelancer.

7. To strengthen and build qualified **human resource** through capacity building and skill training programs

8. To increase the reachability of health, life and liability **insurance** to Freelancers.

9. To introduce robust **marketing strategy** & promotional plan for Freelancers

10. To create **legal & litigation** framework, designate policy stakeholders and policy review board.

GOAL-1

To establish Pakistan as a leading Freelancer market across the globe by creating the transparent governance model, framework & policies and providing International access to markets, projects and clients

Current State	Desire State
1. Pakistan rank 4th in the world 2. 65% youth population 3. 5000+ IT Companies 4. Travelling facility	1. Top Rank in the world 2.100K + Registration per year 4. Recognized industry 5. Introduction of travel tech cards

Policy Commitments:

- Promoting and implementing positive policies and removing legislative and regulatory barriers to stimulate the growth of the freelancing in the country to position Pakistan as the largest IT HR exporter.
- To stimulate the proliferation of freelancing services by generating diversified opportunities and reducing Freelancers operational cost.
- Invest in providing awareness of freelancing sectors through educational institutions and facilitation desks.
- PSEB in collaboration and facilitation with other governing bodies like M/o Commerce, M/o Interior and TDAP to organize inbound and out bound delegations, IT exhibitions, road shows etc. in global markets and provide subsidies to Freelancers for participation at global exhibitions, trade fairs and international expos.
- Provide subsidies and incentives for adaption of freelancing as a career and to create demand of freelancing services.
- Tech Travel card(Upcoming initiatives) to be issued to Freelancers with record of minimum three years of IT & ITeS export remittances exceeding US $5,000 per annum through formal banking channels.

GOAL-2 **To bridge the gap and facilitate Freelancers for interface with multiple governing authorities to enable ease of business**	
Current State 1. No Official Policy 2. Legal/Dispute resolution 3. Bandwidth Issues 4. Lack of Opportunities for Freelancers	**Desire State** 1. Policy implementation ownership 2. Recognition of stakeholders 3. Subsidized Bandwidth 4. Priority given in ICT industry

Policy Commitments:

- Striving to provide Freelancers a legal recognition as a core part of ICT industry and take necessary actions for extending same benefits to Freelancers as adapted by ICT companies and BPO industry
- Freelancers' key stake holders and compliance bodies need to be identified to play a vital role for IT & ITeS industry recognition.
- Government shall map IT penetration in urban and rural areas, acknowledge provision of subsidized internet services with alliance of internet service providers & telecom authorities.
- Setting up and facilitate special economic zones for freelancing industry and to promote it as a key component in ICT sector.
- Establishment of facilitation desk at PSEB and STPs for addressing matters related to registrations, taxations, Freelancers dispute resolution etc. and ensuring active participation, linkage with venture capitalists and foreign and local trade bodies.
- Encourage ICT industry to employee local Freelancers for outsourcing services in order to strengthen the ITeS industry. Enable Freelancers access to international markets and increase HR exports market.

GOAL-3 **To introduce freelancer pre-registration regime and acknowledgement framework.**	
Current State	**Desire State**
1. Lack of freelance registrations 2. Lack of facilitation desk 3. Accreditation authority 4. Gap between Academia and Industry	1. Freelance Registration Portal 2. Establishment of facilitation desk 3. Accreditation cell 4. Freelance incorporation drive

Policy Commitments:

- Recognition of Freelancers as a separate entity and authorized by Govt. of Pakistan and compliance by structured regulation, certifying them with PSEB by creating accreditation council
- Establishment of facilitation desk at PSEB and STPs for addressing matters related to registrations, taxations, Freelancers dispute resolution etc. and ensuring active participation, linkage with venture capitalists and foreign and local trade bodies.
- Freelancer registration portal to be introduced by PSEB under MoITT and incentivize the Freelancers across Pakistan.
- PSEB will provide low cost registration / renewal @ Rs. 1,000/ 3,500 per annum respectively & facilitate in ease-of-doing-business by incentivizing with tax incentives and other subsidies offered by the government.
- Bridging academia with ICT industry for innovations clusters and to generate supply of highly skilled and technically qualified human resources required to meet international demands.

GOAL-4	
To enable **digital ready environment** across the country and increase the rate of adoption for learning and earning purpose.	
Current State	**Desire State**
1. Lack of digital infrastructure 2. Low venture Capital 3. Low freelancing opportunities	1. Concept of co-working space 2. Opportunities for foreign investments 3. Freelancing incorporation drive

Policy Commitments:

- Concept of co-working space will be introduced software technology parks and incubators in secondary and tertiary cities to accommodate freelancers
- Provide more incubation facilities at secondary and tertiary cities for Freelancers network to get ease of infrastructure across the country.
- Attract venture capitalists and foreign investors through provision of skilled labor and world class infrastructure. Provide more incubation facilities at secondary and tertiary cities for Freelancers network to get ease of infrastructure across the country.
- Turning unemployed fresh graduates & young people into tech-savvy workers and engage them into freelancing activities.
- Creating Freelancers' incorporation drive to promote Freelancers to become a registered entity and to earn through most reliable means and get incentives through Government announced programs.
- PSEB will provide optimum advantage of rapid digitalization of Pakistan along with key stakeholders - including easy communication / internet access in urban/rural areas and government and non-government initiatives to promote freelancing.

GOAL-5 To introduce **digital banking**, e-payment, bank guarantees, low-interest loans	
Current State 1. Lack of banking facilitation 2. Lack of IT defined code 3. Lack of branchless banking channels 4. Lack of business loans policy	**Desire State** 1. Ease of banking channels 2. Defined code by SECP for freelancers 3. Provision of branchless banking 4. Collateral free business loans

Policy Commitments:

- Provide digital banking channels to Freelancers in opening bank accounts, e-payments, financial transactions, exports remittances thereby improving financial inclusions for Freelancers
- PSEB in collaboration and facilitation with State Bank of Pakistan (SBP) will streamline remittances in freelancing defined codes by SBP subject to exemptions.
- PSEB in collaboration with GoP initiatives program will provide low interest loans up to Rs. 01 Million to registered Freelancers in setting their businesses and for business expansions.
- SBP to introduce a low-Cost and long term policy for freelancer payments.
- PSEB in collaboration with authorities will provide provision of branchless banking for financial transactions through easy paisa, Jazz cash, UBL Omni and all others

GOAL-6 To introduce **taxation** rules, procedure & rewards for Freelancer.	
Current State 1. Taxation slabs 2. Remittances issues	**Desire State** 1. Taxation privileges 2. Remittances exemptions

Policy Commitments:

- Classification of Freelancer according to their product & services and apply taxation slabs accordingly.
- Creation of e-environment and increase the reachability to Freelancers by relaxing policies & procedure at Govt. level.
- Providing privilege taxation to freelancing community by reducing regulatory burden on Freelancers
- Export remittances received in freelancing codes will be exempted from income tax, similar to already applied tax exemption on IT & ITeS sector
- Income tax will be exempted on Freelancers as startups for next 3 years from the date of registration

GOAL-7 To strengthen and build qualified **human resource** through capacity building and skill training programs	
Current State 1. Lack of capacity building programs for freelancers 2. Lack of opportunities for females 3. Low employment options	**Desire State** 1. Skill training initiatives for freelancers 2. Work from home options 3. Freelance and industry linkage

Policy Commitments:

- Engagement of students into technology training and capacity building programs and encourage them for adaption of ICT skills & building of skilled HR pool according to national and global market demand
- Encourage ICT industry in hiring Freelancers for outsourcing and short term activities and provide contribution in strengthening this sector.
- Partnering with international & principle bodies to develop their excellence & training centers to provide trainings on emerging technologies, access to learning management portals for training manuals, audios and videos contents and make it available both online and offline.
- Facilitate freelancing human capital to get trained in emerging disciplines like IoT, Big Data, Cloud computing, 5G and a lot more.
- Venture capitalist & private equity policy to be introduce which will be follow by global VC's and their investment on startup and freelance.
- To promote women and girls to get trained and work from home in the ICT sector and develop their own freelancing businesses.

GOAL-8

To increase the reachability of health, life and liability **insurance** to Freelancers

Current State	Desire State
1. Lack of health insurance 2. Lack of liability insurance 3. No policies regarding health issues	1. GoP initiatives and Program availaibility 2. Identification of relevant stakeholders 3. Health legislation

Policy Commitments:

- Establishing a channel for registered Freelancers to give them Health insurance, disability insurance & life insurance through GoP initiatives & programs
- Enrollment of Freelancers for health insurance will be mandatory to get benefited with health care facilities on time.
- Formulate general liability insurance plan for freelancers to address compensation on both parties
- PSEB in collaboration of relevant stakeholders will provide subsidized health insurance and liability insurance plans to freelancers to secure both parties mutual interests.

GOAL-9

To introduce robust **marketing strategy** & promotional plan for Freelancers

Current State	Desire State
1. Low credibility 2. Lack of support for global reach 3. Un availability of Catalogue for meeting demand/supply 4. Low knowledge of target markets	1. Branding through recognized platforms 2. Demo-days & Seminars 3. Markets SWOT Analysis 4. Company Video/Documentary 5. Global Recognize Product/BPO Services

Policy Commitments:

- Freelancers awareness programs will be launched to improve Freelancer literacy rates.
- Freelancers will be taught demand driven skills via demo days and exhibitions to prepare young Freelancers to meet current and future global market needs.
- Freelancers will be get awareness programs by principle bodies to adapt low cost cloud services to reduce infrastructure and maintenance costs.

GOAL-10 To create **legal & litigation** framework, designate policy stakeholders and policy review board.	
Current State 1. Lack of legislations for Freelancers 2. Lack of arbitration cells 3. Lack of data protection policy	**Desire State** 1. Strengthen Regulatory Capabilities & Governance 2. Identification of stakeholders 3. Smart resource center 4. Data protection regulations

Policy Commitments:

- Engaging legal and government bodies to build IT enabled environment, a consistent and complimentary regime for Freelancers and provide them a friendly frame work and confidence that their issues will be addressed on priorities.
- Establishment of arbitration and legal cell in collaboration with concerned authorities for addressing freelancing legal challenges related to payment, data stealing, health insurance, cybercrimes and others. Introducing data protection policy for freelancers in consultation with all associated stakeholders.
- Establishing smart resource center working 24/7 to address legal, technical and registration related issues. Create a secure and enabling environment for IT/ITeS Freelancers through policy reforms and specialized legal frameworks and to create more opportunities in freelancing sectors.
- Establishment of legal and institutional framework for development of advisory standards and quality control
- Development of transparent and effective legal operating system that promotes freelancers' safety, ensuring secure payments, addresses arbitrations and legal issues raise by freelancers.

Developments in the IT Sector:

The Government of Pakistan has, during the last decade, invested heavily in the creation of a knowledge- based regional economy as well as a more accountable and inclusive government through the use and adoption of technology.

Applicability of the Policy:

The Freelancer IT Policy provides a roadmap to the Federal & provincial governments for the next decade and aligns itself with the Vision of **Digital Pakistan** of the Federal government. The policy shall be applicable to any relevant authority or bodies identified in approved policy. The policy will be applicable in advisory nature and Pakistan Software Export Board under Ministry of IT & Telecom is the main point of contact for this Policy.

Development of an Action Plan

The Freelancing Policy recognizes the need for development of a comprehensive Action Plan that would chalk-out the road map for the short and long-term objectives and the mechanism for monitoring and evaluation of the same.

The Action Plan will be formulated after the consultation of relevant public and private sector stakeholders on this policy document, where the relevant stakeholders will be furnish their views & come up with sector-specific Action Plans which would subsequently be consolidated into a comprehensive document.