

IT Sector Allocation in the 2020-21 Budget

The sixth episode for the topic revolved around the discussion on the Budget allocated for the IT Sector of Pakistan for the period of 2020-2021. The session was moderated by **Syed Ahmad, CEO DPL & CEC Member P@SHA** and the panelists included:

- **Shahzad Shahid - CEO TPS Worldwide & Chairman P@SHA**
- **Naseer Akhter - CEO INFOTECH, CEC Member P@SHA**
- **Ammara Masood - CEO NDC Tech (Pvt.) Ltd.**
- **Nadeem Elahi - Managing Director TRG - The Resource Group**
- **Barkan Saeed - CEO Vizteck Solutions**

The recently announced budget for 2020-21 and its allocation for the IT & Telecom Industry came as a shock to many stakeholders involved. With P@SHA actively campaigning for a relief package for the security of IT businesses during the COVID-19 pandemic and laying out detailed proposals for this Budget, the news that no special package was approved by the government came off as very disappointing and heedless. While the government had been envisioning a steady IT export growth upto \$20 Billion in the next 5 years, the amount allocated to the Industry for export support is a mere PKR 40 Million, less than a month's payroll for a medium sized IT company in Pakistan. Overall, the budget for the IT & Telecom Industry has been shrunk by 8-9% which is not justified in the given circumstances caused by the ongoing pandemic.

The IT industry has shown more organic growth than any other sector in the country, with its growth increasing by 23.94% in the last year. Regardless, other industries such as Textile are still able to gather a large portion of the budget as they ensure quick turnaround time with strong lobbying while the IT industry demands a comparatively long-term investment with a weaker lobbying power.

While proactive governments like Bangladesh have been offering a 10% cash reward on the IT exports since 2017 and are fast-tracking towards becoming the biggest economies in the world, Pakistan has been struggling with an approval for a 5% cash reward incentive for the last 2 years.

P@SHA has expended a lot of energy in creating and requesting initiatives such as Make in Pakistan, Special Technology Zones (STZs) and 5% Cash Reward on Exports but there are several bottlenecks when it comes to getting approvals. Quite often, these proposals are asked for by the Ministries, which when made by the private sector, do not make the best sense to the government institutions and are then followed by a long chain of bureaucracy which never ends in execution. The need for the right people willing to advocate for the cause and support it extensively is very crucial and such political support needs to come directly from the government.

While the tax holiday on the IT exports has significantly helped the increase in foreign sales, domestic businesses have still not been incentivized. With such a high tax on domestic sales, the end customers shy away from investing in local IT businesses, making it a large hindering factor in digitization. Although the Punjab Revenue Authority (PRA) has replicated the initiative of decreasing the sales tax to 5%, other revenue authorities have not followed suit. Another relevant problem is that local businesses are not able to gather substantial experiences because they do not get to present their portfolio to the rest of the world. Exposure to foreign markets in this case is much needed so the local ventures understand how businesses in other countries operate and learn/ adapt to better showcase their scale and talent.

It was also agreed upon by 1/3rd of the panelists that the IT Industry should keep its focus towards building itself without expecting facilitation from the government since IT is not considered a big enough sector to be prioritized above others. As long as the government is not acting as a roadblock or an opposing force, the IT sector should continue to grow organically.

Other Suggestions made by the Panelists:

- **Accuracy in Facts & Figures**

Despite having several government IT organizations operating in the country, Pakistan does not have any accurate reporting on the statistics of the total IT exports, numbers of IT & other graduates in Pakistan and the challenges & opportunities being faced by the Industry. This neglect has led several foreign investment opportunities to go to waste.

- **Creating a Comprehensive Export Policy**

Although the government envisioned and promised a ten-fold increase in the IT exports at the beginning of its tenure, there has been no movement towards this goal so far and the recent budget does not indicate any relevant initiatives as well. Proper facilitation and support for the IT industry is highly needed for Pakistan to compete with other countries who have experienced exponential growth in IT in the last decade.

- **Transparency in the Governmental Procedures**

Proposals made by the IT industry are understood and appreciated by many knowledgeable people in the government. However, the process of approval always faces stagnancy because the processes at the government level are opaque and not

made clear to the industry representatives which causes delays and confusion. If the correct focal persons and points of contact are openly identified then the industry would know who to approach thus making the approval process much more streamlined.

- **Selecting and Committing to the Initiatives**

An observable pattern with campaigns like Digital Pakistan, Kamyab Jawan and Increase in Export Growth is that they all started out strong with several representatives but no tangible solutions were created to execute them properly over the long run. The government needs to choose value-adding initiatives and then stick to them while allocating adequate resources and providing autonomy for them to flourish. Only then will these initiatives start to reflect in our economy.

- **Branding with a Competitive Edge**

One of the few positive outcomes of the COVID-19 pandemic was the flow of business towards Pakistan, especially in the BPO sector as Pakistani government had provided relaxation for the BPOs to operate while the rest of the world was in lockdown. This is an opportunity for Pakistan to redeem itself and take advantage of the situation by creating a brand-able competitive edge as a resilient and hardworking nation.

- **Add value with Product Development**

With companies in Pakistan being service providers, it is very important for large companies and SMEs to focus on opportunities in product development and intellectual property development. A broad range of good, frequently updated solutions needs to be put out to enhance versatility in the industry.

To watch the complete panel discussion, please view the links below:

YouTube: <https://youtu.be/4RLm1bhED-w>

Facebook: <https://www.facebook.com/pakict/videos/700086990830218/>