Comparative Analysis
Support Policies in Emerging IT Economies
June 2022
Research and Analysis:
Fatima Arshad

Report Authors:
Hira Zainab, Fatima Arshad

Design:
Arsalan Irshad

Contact Information
P@SHA Secretariat, Street 7, I-10/3
Islamabad, Pakistan
+92-51-8736624 | +92-51-8736625
services@pasha.org.pk
https://www.pasha.org.pk
As the licensed representative body for the IT and ITeS industry, P@SHA represents thousands of IT and IT-enabled service companies and has been at the forefront of the #DigitalPakistan revolution. P@SHA has been working to take the IT industry to the next level. To make it happen, P@SHA works closely with the relevant stakeholders on improving the Ease of Doing Business (EoDB) to accelerate growth in exports and fast-track digital transformation in the domestic market! This requires up-skilling existing talent and adding new resources in cutting-edge technologies, which is enabled by industry-academia partnerships.

These are exciting times where the IT and ITeS industry is growing at a rapid pace. Having grown from a nascent industry to a prominent services export sector in a short timeframe, there are now several key issues that require addressing to reach the next wave of growth. It is being recognized by our government as the leading sector capable of driving economic growth in Pakistan. We can achieve the next stage only if relevant stakeholders focus and work together for the same goal.

With this growth and promising potential, there is a dire need for consistent policies and a favorable environment. While we have been working with the Federal Ministry of Information Technology and Telecommunications (MoITT) and Pakistan Software Export Board (PSEB) closely, the growth has the potential to address Pakistan’s economic challenges, and government’s strategic commitment is required to make it happen! We appreciate MoITT’s efforts in taking different steps over the last years as it is evident how those steps resulted in increased growth over the last decade.

However, the next stage cannot be achieved with one ministry alone! A highest level strategic direction and integration of different public organizations is needed to embark on this revolutionary and transformative journey of #DigitalPakistan.

Over the last year, we have seen how the government has extended its support to the IT and ITeS industry. However, it’s unfortunate that several of the commitments did not convert to on-ground actions. IT industry had the potential to cross over USD 3 billion in exports in 2022, however, with the delayed implementation of commitments, we may not be able to meet the targets. The sudden announcement of the change of tax regime, despite the original commitment of tax exemption on exports till 2025, not only created uncertainty and a state of panic about inconsistent policies but also raised questions about the understanding of the government regarding the gravity of the situation and how it will jeopardize the growth. While this report captures the steps taken by other countries, we emphasize ensuring continuity and consistency of policy for the continued growth of the IT and ITeS industry.

I am extremely pleased for P@SHA to launch a Comparative Analysis of Support Policies in IT Economies. P@SHA’s Research Team has worked extensively on it to deliver a data-based yardstick that can help decision-makers make informed policies. I am positive that this report will serve as the cornerstone for initiating a new era in the growth and continued progress of exports and domestic digital transformation in Pakistan.

Badar Khushnood
Chairman, P@SHA
I am pleased to present the **Comparative Analysis of Support Policies in IT Economies**, an effort of P@SHA to allow government and policy-makers to make informed decisions for the IT and ITeS industry in Pakistan.

The IT industry has surpassed all traditional sectors with its record-breaking growth. With a 75% surplus recorded last year, the IT and ITeS industry has been the only industry with significantly high exports and low imports. Pakistan has a growing youth population, and hence IT industry is the future of Pakistan. With a higher export yield per worker, the IT industry has the potential to generate jobs and contribute to poverty alleviation and move the majority of families to the middle-income sector.

However, the IT industry is not like traditional sectors! Unlike other industries which grew in the industrial era, the IT industry requires the ecosystem to be built with a Knowledge Economy mindset, with a focus on country perception, policy continuity and incentivizing instead of regulating. The IT industry represents the potential to grow exponentially in a favorable ecosystem.

Last year, P@SHA released **Impact Analysis of Removal of Tax Exemption** which included a brief comparative analysis of policies for the IT and ITeS industry. The image went viral and led to the historic announcement of Cash Reward, the first-ever monetary incentive for the IT and ITeS industry in Pakistan. It also led to questions about details of policies and made us realize to look deeper into journeys of different countries and learn from what has worked for them!

**Comparative Analysis of Support Policies in IT Economies** has tried to answer these questions!

We went deeper and divided policies into four categories: fiscal, monetary, human capital, and investment climate, to compare different comparable countries and their policies for the IT and ITeS industry. The report captures data using reliable sources (mentioned with each slide) to first share a situational analysis of different growth indicators, compares policies of Pakistan for textile vs. IT, and then goes deeper into each policy category to share details and case studies to learn from the best practices. The report concludes with policy recommendations based on comparative analysis to propose a way forward for the policymakers.

We see this report as the first chapter in Pakistan’s history of the IT and ITeS industry for launching data-driven programs, and we at P@SHA look forward to playing our role in working with the government and industry in making them successful!

I would like to express gratitude to all industry leaders and stakeholders for sharing their valuable feedback that helped us develop this report. We hope that you find the comparative analysis useful. If you have any queries, comments, or suggestions, please feel free to reach out to me at sg@pasha.org.pk or write to the P@SHA research team at services@pasha.org.pk.
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- Situational Analysis
- IT Support Policies
- Policies at a Glance
- The Way Forward
Framework for Analysis

Selection of Countries

Research Framework
Selection of Countries for Comparative Analysis

4 emerging economies have been selected for the comparative analysis with Pakistan.

India

Created in the same year as Pakistan, IT exports is the top service export category for India. In 2021, India reported to have reached approx. 200 billion USD. It accounts for approximately 55% market share of the US$ 200-250 billion global services sourcing business in 2019-20. The IT industry accounted for 8% of India’s GDP in 2020.

Bangladesh

The Bangladesh IT industry is one of the fastest-growing sectors in the country, with projections to reach USD 5 billion by 2025. The Covid pandemic bolstered the country’s move towards digitization and in 2020, a Harvard Business Review study identified it as a break-through economy with the potential to lead the country’s long-term economic transformation.

Malaysia

ICT is one of Malaysia’s fastest growing sectors, contributing 22.6% to the GDP in 2020, with annual growth of 10.4%. Roughly 7.7% of the country’s total workforce is employed by the ICT industry, which amounts to approximately 1.16 million individuals. A key reform in Malaysia has been to leverage indirect taxation of IT services provided by non-residents, generating an estimated revenue of USD 100m in 2020.

Philippines

The country’s ICT industry has been growing at an annual rate of 24% since 2019, with the momentum expected to continue until 2025. Since 2016, Philippines has increased its broadband internet speed by 741.34% and mobile internet speed by 341.4% and significantly enhanced its ease of doing business, making it an attractive destination for foreign investment.

Vietnam

Although Vietnam is not part of primary analysis due to lack of publicly available data, special cases from Vietnam have also been included as case studies. The ICT sector in Vietnam has seen high growth, driven by high quality labor at low cost. Supported by tax and labor incentives, Vietnam is currently the 8th largest IT services provider in the world.

Sources:
- Chakravorti, Bhalla and Chaturvedi, 2020
- Department of Statistics Malaysia, 2021
- World Bank Report, 2021
- OpenGov Asia, 2021
- Vietnam Briefing, 2019
Research Framework for Analysis

Given the different types of government policies and interventions impacting the development of the IT and ITeS sector, a categorization of the individual policy instruments becomes essential.

A thorough analysis of policies across leading Asian IT economies show that support policy measures and government interventions are broadly distributed across 5 main categories:

1. **Fiscal Policies**
   - Direct Tax Waivers
   - Indirect Tax Waivers

2. **Monetary Policies**
   - Subsidies
   - Grants
   - Cash Rewards

3. **Innovation Policies**
   - Research and Development
   - Intellectual Property Rights
   - Incubation Services and Facilitation

4. **Human Capital Policies**
   - Educational Policies & Curriculum
   - Training & Capacity Building
   - Employment Creation

5. **Investment Climate Policies**
   - Ease of Doing Business
   - Single Window Corridors
   - Marketing and Branding
Situational Analysis

- Access to Internet
- Quality of Service
- Mobile Subscribers
- IT Exports
- Textile Exports
- Digital Resonance
Pakistan's IT Industry Overview

- **600,000+** IT Professionals*
- **25,000+** IT Graduates/Year
- **$2.1 billion** IT Export Record
  - 25–30% of the services sector
- **100%** increase in contribution to total export in the last 5 years

*Includes employees in IT companies and freelancers

Source: State Bank of Pakistan, 2021

Exports does not include unregistered freelancers or companies.
Pakistan's IT Industry Annual Export Trend

In 2021, IT Industry growth has surpassed all traditional sectors with YOY IT exports* increased by 47%. 100% increase in contribution to total export in the last 5 years

Source: State Bank of Pakistan
Reporting cycle: July-June
*Does not include the exports by freelancers or unregistered companies.
## Comparative Situational Analysis

### Access to Internet, % of population

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<thead>
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<tbody>
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<td>3.70</td>
<td>12.90</td>
<td>24.80</td>
<td>7.50</td>
<td>14.90</td>
<td>43.00</td>
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<td>7.50</td>
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<td>49.80</td>
<td>56.30</td>
<td>36.90</td>
<td>43.00</td>
</tr>
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<td>56.30</td>
<td>71.06</td>
<td>89.56</td>
<td>7.50</td>
<td>14.90</td>
<td>43.00</td>
</tr>
<tr>
<td>Russia</td>
<td>25.00</td>
<td>36.90</td>
<td>43.00</td>
<td>56.30</td>
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<tr>
<td>Pakistan</td>
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<td>25.00</td>
<td>25.00</td>
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<td>43.00</td>
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### Mobile Subscriptions, per 100

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<tr>
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<td>60.94</td>
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<td>China</td>
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<td>135.09</td>
<td>120.03</td>
<td>115.40</td>
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<tr>
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<td>46.03</td>
<td>76.41</td>
<td>83.60</td>
<td>71.06</td>
<td>63.13</td>
<td>79.51</td>
</tr>
<tr>
<td>Russia</td>
<td>56.30</td>
<td>71.06</td>
<td>89.56</td>
<td>83.60</td>
<td>79.51</td>
<td>89.56</td>
</tr>
<tr>
<td>Pakistan</td>
<td>25.00</td>
<td>36.90</td>
<td>43.00</td>
<td>43.00</td>
<td>79.51</td>
<td>89.56</td>
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### Textile Exports, Billion USD

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<td>India</td>
<td>16.75</td>
<td>28.33</td>
<td>37.95</td>
<td>2.78</td>
<td>3.07</td>
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<td>China</td>
<td>27.10</td>
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<td>3.35</td>
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<tr>
<td>Malaysia</td>
<td>2.78</td>
<td>3.07</td>
<td>3.35</td>
<td>11.60</td>
<td>12.90</td>
<td>13.60</td>
</tr>
<tr>
<td>Russia</td>
<td>11.60</td>
<td>12.90</td>
<td>13.60</td>
<td>11.60</td>
<td>12.90</td>
<td>13.60</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1.26</td>
<td>1.66</td>
<td>1.15</td>
<td>1.26</td>
<td>1.66</td>
<td>1.15</td>
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</table>

### IT Exports, Billion USD

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>0.31</td>
<td>0.48</td>
<td>0.41</td>
<td>0.31</td>
<td>0.48</td>
<td>0.41</td>
</tr>
<tr>
<td>China</td>
<td>54.24</td>
<td>76.37</td>
<td>99.47</td>
<td>54.24</td>
<td>76.37</td>
<td>99.47</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.13</td>
<td>2.66</td>
<td>3.19</td>
<td>2.13</td>
<td>2.66</td>
<td>3.19</td>
</tr>
<tr>
<td>Russia</td>
<td>2.24</td>
<td>3.46</td>
<td>5.61</td>
<td>2.24</td>
<td>3.46</td>
<td>5.61</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.43</td>
<td>0.79</td>
<td>1.72</td>
<td>0.43</td>
<td>0.79</td>
<td>1.72</td>
</tr>
</tbody>
</table>

Source: World Development Indicators, 2022

Trade figures are extracted from World Integrated Trade Solutions (WITS) database
Malaysia leads the region in internet penetration, with 89.6% of the population having access to internet in 2020.

Pakistan is among the top 3 countries with the highest 5-year growth patterns, trailing behind India.

Pakistan quickly catching-up and growing at a rapid pace and had highest YOY growth in region in 2020 - but access to internet remains lowest in the region.
Malaysia and Philippines have the highest mobile subscriptions per 100 but overall trend is declining.

Pakistan is the only country with steadily increasing mobile subscribers over 5 years.

Closely trailing behind Bangladesh in annual growth and significantly ahead of India in increasing penetration.

Despite growth, mobile subscriptions per 100 in Pakistan remain lowest in the region.

Source: World Development Indicators, 2022 | Internet and Mobile Association of India Report, 2016
Quality of Service

- Pakistan’s growth in internet access and mobile subscriptions is not aligned with QoS
- Internet in Pakistan is considerably more expensive than its counterparts
- Coverage of 4G services and broadband subscription remains low in Pakistan

### Coverage

<table>
<thead>
<tr>
<th>Network Type</th>
<th>Coverage (% of Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4G</td>
<td>2.2</td>
</tr>
<tr>
<td>3G</td>
<td>2.6</td>
</tr>
<tr>
<td>Mobile cellular</td>
<td>4.4</td>
</tr>
</tbody>
</table>

### Fixed Broadband Basket Price (% of Gross National Income)

<table>
<thead>
<tr>
<th>Country</th>
<th>Fixed Broadband Basket Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>11.2</td>
</tr>
</tbody>
</table>

Source: ITU World Telecommunications/ICT Indicators Database, 2021
The Kearney GSLI Survey assesses countries’ capacity to deliver services across several different metrics. Here we present a few variables affecting the IT industry: financial attractiveness, people skills and availability, business environment and digital resonance. Digital resonance refers to four factors: digital skills, legal adaptability, corporate activity and outputs.

- The scores are based on responses to Kearney surveys and other industry questionnaires over the past five years.
- Pakistan ranks at 31st in GSLI and 52nd in digital resonance.

### Global Rankings: GSLI and Digital Resonance

<table>
<thead>
<tr>
<th>Country</th>
<th>GSLI</th>
<th>Digital Resonance</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>9</td>
<td>35</td>
</tr>
<tr>
<td>Philippines</td>
<td>31</td>
<td>52</td>
</tr>
<tr>
<td>Pakistan</td>
<td>33</td>
<td>56</td>
</tr>
</tbody>
</table>

Source: Kearney Global Services Location Index, 2021
Growth in the textile sector has **stagnated**

Pakistan has recorded positive growth but **small volume of textile exports** globally

- Bangladesh's textile export volume is still twice as large as Pakistan
- India's textile export volume is three times as large as Pakistan

<table>
<thead>
<tr>
<th>Year</th>
<th>Pakistan</th>
<th>Bangladesh</th>
<th>India</th>
<th>Philippines</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16.75</td>
<td>27.10</td>
<td>2.78</td>
<td>1.26</td>
<td>11.60</td>
</tr>
<tr>
<td>Growth</td>
<td>118%</td>
<td>59.1%</td>
<td>4.4%</td>
<td>-50.5%</td>
<td>13.1%</td>
</tr>
<tr>
<td>2015</td>
<td>28.33</td>
<td>37.16</td>
<td>3.07</td>
<td>1.66</td>
<td>12.90</td>
</tr>
<tr>
<td>Growth</td>
<td>69%</td>
<td>37%</td>
<td>10%</td>
<td>32%</td>
<td>11%</td>
</tr>
<tr>
<td>2020</td>
<td>27.95</td>
<td>35.49</td>
<td>3.35</td>
<td>1.15</td>
<td>13.60</td>
</tr>
<tr>
<td>Growth</td>
<td>-1%</td>
<td>-4%</td>
<td>9%</td>
<td>-31%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Source:** World Development Indicators, 2022
Pakistan has emerged as a rapidly growing market
- Highest 5-year export growth
- Highest year-on-year export growth
- Only country to continue growth momentum despite pandemic 2020

### IT Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Pakistan</th>
<th>India</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Bangladesh</th>
<th>2021 IT Exports</th>
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<tbody>
<tr>
<td>2011</td>
<td>0.48</td>
<td>62.09</td>
<td>2.42</td>
<td>2.77</td>
<td>0.44</td>
<td>0.46 billion USD</td>
</tr>
<tr>
<td>2016</td>
<td>0.48</td>
<td>76.54</td>
<td>2.58</td>
<td>5.49</td>
<td>0.87</td>
<td>0.48 billion USD</td>
</tr>
<tr>
<td>Growth</td>
<td>5%</td>
<td>23%</td>
<td>6%</td>
<td>98%</td>
<td>98%</td>
<td>5%</td>
</tr>
<tr>
<td>2021</td>
<td>0.58</td>
<td>133.70</td>
<td>3.38</td>
<td>6.30</td>
<td>2.48</td>
<td>0.58 billion USD</td>
</tr>
<tr>
<td>Growth</td>
<td>21%</td>
<td>75%</td>
<td>31%</td>
<td>15%</td>
<td>184%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: World Development Indicators, 2022
Reporting Cycle: Jan - Dec
Pakistan’s YoY growth of ICT exports was the highest in the region since 2017.

- Sharp, steady increase since 2015.

External factors contributing to exports increase since 2014:

- 2014: End of war on terror and improvement in law and order situation
- 2017: Digital Policy 2017 laid the roadmap for the industry
- 2020: IT/Telecom declared as essential services during Covid-19 pandemic
- 2021: Cash reward announced against exports growth
- 2022: PM IT Package announced (not yet implemented)

Source: World Development Indicators, 2022
Comparing Pakistan’s IT vs Textile Exports

- The growth pattern in IT Industry is growing and greater than that of textile Industry.
- Reached USD 2.1 billion IT exports in 2021, projected USD 2.6 billion IT exports in 2022.
- IT exports increasing at a fast pace.

Source: WITS Database, World Bank Group.
# Comparing Pakistan’s IT & Textile Policies

## Textile Support Policies
- Drawback for local taxes and levies based on export increments
- Under Export Refinance Scheme, mark-up was reduced from 9.4% to 7.5% in 2014
- Expedited sales tax refund claims processing
- Vocational training programs through PSDP
- Duty free import of machinery under Textiles Policy 2009-14
- Tariff structure review for entire supply chain
- Subsidized cost of electricity and gas
- Technology Upgradation Fund Support Scheme: govt. provides up to 20% cost of new plant and machinery
- Long Term Financing Facility (LTFF) at 5% till 2025. Enhancement of LTFF funds by PKR 100 mn per annum
- Export Financing Scheme (EFS) rates at 3% till 2025

## IT Support Policies
- Tax exemption scheme replaced with controversial tax credit initiative.
- No duty free imports or other concessions for IT sector.
- Cash reward announced but not yet distributed
- No grants or subsidies for tech startups
- No curriculum revision in line with industry needs
- Funding from HEC and IGNITE oriented towards academia but little to no support for industry at large
- Primitive intellectual property rights with little to no enforcement

Source: Textile Policy 2014-19
IT Support Policies & Success Stories

01  Fiscal Policies
02  Monetary Policies
03  Innovation Policies
04  Human Capital Policies
05  Investment Climate Policies

Comparative Analysis: Support Policies in Emerging IT Economies
Overview: Number of Support Policies Across Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of IT Support Policies</th>
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<tbody>
<tr>
<td>India</td>
<td>27</td>
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<tr>
<td>Malaysia</td>
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<td>Bangladesh</td>
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<td>Philippines</td>
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<td>Pakistan</td>
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## Existing Policy Support in Leading IT Economies

### Existing Policy Overview for IT Economies

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>Bangladesh</th>
<th>India</th>
<th>Malaysia</th>
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<td>✔</td>
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<td>✔️</td>
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<td>❌</td>
<td>❌</td>
<td>❌</td>
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<td>Grants and Financial Support</td>
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<td>Intellectual Property Rights</td>
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<td>Incubation Services and Facilitation</td>
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<td><strong>Innovation Policies</strong></td>
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<td>IT focused Educational Policies &amp; Curriculum</td>
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<td>Facilitating Employment Creation and Attracting Talent</td>
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<td>Training &amp; Capacity Building Initiatives</td>
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<td>Cross Border Trade Facilitation</td>
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<td>Marketing &amp; Branding</td>
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Fiscal Policies

**Direct Tax Waivers**
- Tax exemptions
- Tax credits

- Income Tax Exemption
- VAT exemption on utilities in hi-tech parks
- Accelerated depreciation
- Import duty exemption
- Tariff refund on raw materials

- 100% income tax exemption for 10 years
- 50% income tax exemption thereafter
- Tax rebates in IT parks
- Duty-free IT imports
- WHT exemption

**Indirect Tax Waivers**

- Favorable treatments in amortization and depreciation
- Incentivize adoption of technology

- 5-10 year income tax exemption
- Investment tax allowance
- Import duty exemption
- 60% reinvestment allowance

- Income tax exemption for 2 years
- Preferential income tax thereafter
- Duty-free IT imports

- Tax credit scheme
Fiscal Policies: Success Stories

India

- Under\(^1\), IT companies are **exempt from income tax**:
  - \(100\%\) of profits for the first five years of operations
  - **50\%** for the next five years
  - **50\%** for a further five years (depending on investment of the tax benefits back into business)

- Under India Customs Tariff 2021\(^2\), IT related imports are **exempt from custom duty**

- Software imports are also **exempt from withholding tax**\(^3\) since 2003

- Support for IT firms in areas with difficult socio-economic conditions\(^4\):
  - Income from the transfer of hi-technology in such areas is tax-exempt
  - Preferential tax rates may be extended to 15 years
  - Possibility of **land rental exemption** for up to 15 years or entire project duration (subject to govt. approval)

- **Import duty exemptions** are applied to:
  - Imported goods that are used to build fixed assets
  - Imported raw materials and supplies that have not been manufactured locally within a five-year period

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Vietnam

- Support for IT firms in areas with difficult socio-economic conditions\(^4\):
  - Income from the transfer of hi-technology in such areas is tax-exempt
  - Preferential tax rates may be extended to 15 years
  - Possibility of **land rental exemption** for up to 15 years or entire project duration (subject to govt. approval)

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Malaysia

- **Pioneer Status (PS)**\(^5\):
  - **Tax exemption** for companies participating in promoted activities or producing promoted products
  - Exempted for 5 to 10 years

- **Investment tax allowance (ITA)**\(^6\):
  - Granted on the basis of capital expenditure for promoted activities
  - Valid for 5 to 10 years
  - Unutilized ITA can be carried forward until fully utilized

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\(^2\) Central Board of Indirect Taxes and Customs. Available at: [https://www.cbic.gov.in/htdocs-cbec/cumdata/income.html](https://www.cbic.gov.in/htdocs-cbec/cumdata/income.html)
\(^3\) Income Tax Appellate Tribunal, 2003. Available at: [https://www.vietnambriefing.com/income.html](https://www.vietnambriefing.com/income.html)
\(^4\) Vietnam Briefing. Available at: [https://www.vietnambriefing.com/vietnam-investment-tax.html](https://www.vietnambriefing.com/vietnam-investment-tax.html)
Monetary Policies

Subsidies
- Production subsidies
- Raw material subsidies
- Subsidized rents and utilities

Grants
- Mission-oriented grants

Cash Rewards
- On export volume
- Use of local raw materials
- Employment creation

- VAT exemption on rent and utilities
- 10% cash reward on IT exports
- BDT 500 crore allocated for startup support

- Monetary rebate on job creation
- Capital gains tax exemption for startups
- Stimulus package for IT industry
- India BPO Scheme

- Grant for preparing and submitting bids for overseas projects
- Reimbursable grant trade promotion activities overseas
- Reimbursable grant for Malaysian IT firms undertaking feasibility studies

- Startup Research Grant Program

- 5% cash reward on growth of IT exports
Monetary Policies: Case in Point

India

Setting example for reducing cost of doing business

For companies creating 333 jobs per acre, cost of land is subsidized by GoI

Startups are exempted from capital gains tax

Stimulus package announced for IT industry to counteract effects of COVID-19

Startup Seed Fund worth INR 1,000 crore announced as part of Startup India Initiative

India BPO Promotion Scheme (IBPS)

Incentivize BPO operations across India for the creation of employment opportunities for the youth

New businesses eligible for 5% financial assistance for setting up BPOs as a consortium with local entrepreneurs.

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8. Startup India. Available at https://www.startupindia.gov.in/content/sih/en/about_us/action-plan.html
10. Ministry of Electronics and IT, Government of India. Available at http://164.100.47.193/Refinput/New_Reference_Notes/English/India BPO Promotion Scheme.pdf
**Monetary Policies: Case in Point**

### Indonesia

- **IFC PENSA Programs**
- **Business Enabling Environment Program**
  - Remove potential legislative and policy obstacles to investment and growth for SMEs in Indonesia.
  - Pilot program working with five regional municipalities to reduce the time it takes to start a business - on average registration presently takes 151 days.

- **Access to Finance Program**
  - Developing a network of “brokers” that will link SMEs and banks.
  - Has seen US$4.5 million of loans approved and US$6.2 million being processed in 1 year
  - Credit facility of up to US$100 million created for commercial banks for lending to SMEs.
  - Workshops for more than 200 businesswomen on financing options.

### Malaysia

- **50% reimbursable grant for the costs of preparing and submitting bids for overseas projects**
- **50% reimbursable grant for undertaking trade promotion activities overseas, such as trade fairs, trade missions, opening up of representative offices overseas, and market research**
- **100% reimbursable grant** for Malaysian IT firms undertaking feasibility studies

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Innovation Policies

**Research and Development**
- Tie-in to tax exemption/credits

**Incubation services & facilitation**
- Accelerator and incubator programs for early-stage businesses
- Tech parks/science parks

**Intellectual property rights**
- Patent boxes
- Copyright law and enforcement
- Intellectual property (IP) incentives
- Data policies for addressing security issues, including data localization requirements & cross-border data flow policies

- Bangabandhu Innovation Grant
- Startup Bangladesh Limited
- Intellectual Labor Law Digital Security Act 2018
- NewGen IEDC
- Multiplier Grants Scheme (MGS)
- Startup India
- SAMRIDH scheme
- National Intellectual Property Rights (IPR) Policy
- Support for International Patent Protection in E&IT (SIP-EIT)
- MESTECC R&D Fund
- International Collaboration Fund (ICF)
- Smart Challenge Fund Digital Society Research Grant
- Malaysian Intellectual Property Corporation (MyIPO)
- Trademarks Act 2019
- Startup Research Grant Program
- Kapatid Mentor Me Program
- Innovative Startup Act
- Technology Business Incubation (TBI) centres
- Several government sponsored initiatives such as Plan9, NICs, ORICs have been implemented

Comparative Analysis
Innovation Under Digital India: “Power to Empower”

#startupindia

- Startup India launched by Department for Promotion of Industry and Internal Trade (DPIIT) with support from the Department of Science and Technology (DST) and Ministry of Education
  - Rajasthan’s Techno Hub provides free-of-cost infrastructure for startups and entrepreneurs
  - T-Hub in Hyderabad is looking to expand to 300K sq. ft. with its multi-phase plan
  - KTIZ campus in Kerala can accommodate up to 1,000 startups

NewGen IEDC

- NewGen IEDC launched by the National Science and Technology Entrepreneurship Development Board under the Department of Science and Technology, Government of India.
- Aims to inculcate the spirit of innovation and entrepreneurship among youth.
- Supports and encourages entrepreneurship through guidance, mentorship, and support.

Multiplier Grants Scheme (MGS)

  - Use IT and technology in e-filing of applications;
  - Delivery of certificates of grant/registration of patent, trademark in digital format;
  - Reduced number of trademarks forms;
  - Use of video conferencing for hearing of IP applications;
  - Created expedited examination procedures;
  - Spread awareness on IPR.

- Encourages collaborative Research & Development (R&D) between industry and academics/institutions for the development of products and package.
- If the industry supports the R&D of products that can be commercialized at the institutional level, the government shall provide financial support which will be up to twice the amount provided by industry.

16th January announced as National Startup Day in India
Innovation Policies: Case in Point

Innovation in Philippines

**Startup Research Grant Program**
Early-stage startup support for product R&D and market validation studies announced by Department of Science and Technology (DOST)

**Kapatid Mentor Me Program**
A three-step initiative by the Department of Trade & Industry (DTI) inclusive of mentoring, SSFs and IB schemes for MSEs.

**Innovative Startup Act**
An interdepartmental venture by Department of Information and Communications Technology (DICT), DOST and DTI for startups to access subsidies, grants and visas (provides government support for budding talent in the local startup community by giving entrepreneurs access to a Startup Venture Fund, travel grants, subsidies, and visas.

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24. https://www.aseanip.org/Resources/ASEAN-IP-Offices-Details/Philippines#:~:text=The%20Intellectual%20Property%20Office%20of%20the%20Philippines&text=It%20was%20created%20by%20Republic%20Act%20No%20197%2C%20as%20amended%20l%20January%201%201998.

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**Intellectual Property Office of the Philippines established** in 1998

National Committee on Intellectual Property rights created in 2008

In 2012, IPOPHL streamlined the end-to-end processing of IP applications from filing to registration, including publications, printing of certificates and post-registration/post-granting, known as the Industrial Property Automation System (IPAS)

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Comparative Analysis
Innovation Policies: Case in Point

MyDIGITAL: Roadmap to Malaysia’s Innovative Digitalisation
Joint Venture by Malaysian Investment Development Authority (MIDA) & Malaysia Digital Economy Corporation (MDEC)
State-funded initiative open to tech businesses contributing to economic growth. The Fund co-funds projects up to RM 3,000,000, or max. 90% of total project cost.

International Collaboration Fund (ICF)
Grant provided by the Government for international joint R&D projects between researchers from Malaysia26 and other countries to encourage and promote co-operation in science, technology and innovation through joint research and development activities for mutual benefit.

Smart Challenge Fund
Government’s initiatives which is open to businesses and researchers interested in competing for funding opportunities in prioritised sectors27 (new technologies, processes, products)

Malaysian Intellectual Property Corporation (MyIPO)
Affords preliminary legal protection of intellectual property28 Pre-requisite for most statutory protections except Copyright (receives automatic protection upon publication)

Trademarks Act 2019
Allows enforcement officers to arrest29 persons suspected of infringement and search for and seize infringing goods. Owners of unregistered trademarks can also bring action against traders who misrepresent their goods as being similar to or as being produced by the owner to take advantage of the latter’s established goodwill and reputation.

Comparative Analysis

27. Ministry of Science, Technology and Innovation (MOSTI), 2017. Available at: https://central.mymagic.my/resource/2850?brand=
Human Capital Policies

**Educational policies & curriculum**
- Expansion of STEM programmes
- Technological knowledge transfer

**Training & capacity building**
- IT oriented short courses and diplomas
- Training institutes for industry-specific skills
- Industry associations or skills councils

**Employment creation**
- Local employment quotas

- Skill Enhancement Training Program
- Industry Association Skills Training
- Fast Track Future Leader (FTFL) Training
- Top-up IT Training
- Foundation Skills
- Online Outsourcing Training Programs

- FutureSkills Prime
- eSkills India
- Recognition of Prior Learning (RPL) for IT
- BPO Scheme has created 200,000 jobs in small towns
- Digital India targets creating 65 million jobs

- Digital Skill Training Directory (DSTD)
- eRezeki program, launched by MDEC

- TESDA Online Program (TOP)
- Classmate PC program, sponsored by Intel
- Digital literacy training for teachers
- Technology-Assisted Work Immersion Delivery (Oplan Tawid)

- IT skills courses under NAVTTC and TEVTA

Digital India targets creating 65 million jobs
Human Capital Policies: Case in Point

India: Meeting Talent Needs for 2024

**NMEICT**
National Mission on Education through Information and Communication Technology (NMEICT) launched as centrally Sponsored Scheme to leverage the potential of ICT, in teaching and learning

Dedicated department for curriculum and trainings

**PMKVY**
Flagship Initiative of Ministry of Skill Development & Entrepreneurship (MSDE)

Skill Certification Scheme assessed and certified under Recognition of Prior Learning (RPL)

**IT for Masses**
Focus on digital literacy, IT skills training and entrepreneurship training for masses

550,000 women, 73,405 senior citizens and 37,310 scheduled tribes trained

**FutureSkills Prime**
Launched in Nov 2021 under the Ministry of Electronics and Information Technology (Meity) and NASSCOM

Globally competitive curriculums, designed with the industry, and approved by the government.

100% online learning with no geographical barriers

**PMGDISHA**
Targets digital literacy for 6 crore individuals in rural states

Focus on marginalized communities

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32. Ministry of Electronics and IT, Government of India, 2015. Available at https://www.meity.gov.in/content/it-masses


Digital Bangladesh: Harnessing Talent

**Top-up IT Training**

Targets science graduates to train them for jobs in IT/ITES industry. All major universities and training institutions are included in the program.

**BDSkills**

Developed by the Bangladesh Computer Council and LICIT. Skills over 20,000 ITES professionals and graduates to meet global standards.

**Online Outsourcing Training Programs**

Programs to carry out training and mentorship leading to online outsourcing for youth and women. Targets training 23,000 women and youth in different outsourcing skills.

**Fast Track Future Leader Training**

Aims to build 1,000 future leaders, 30,000 direct jobs and 120,000 indirect jobs for the IT/ITES Industry of Bangladesh. Leveraging ICT (LICT) in collaboration with the IT/ITES Industry selects trainees for FTFL program as per skill.

**Skill Enhancement Training Program**

6,500 trained professionals readily employable competent workforce to be absorbed in the IT/ITES sector by the industry.

**Industry Association Skills Training**

Skills for Employment Investment Program (SEIP): Government initiative towards transforming and developing unskilled and semi-skilled workforce into a productive workforce in priority sectors.

**Human Capital Policies: Case in Point**

Philippines: Starting at the Grass Roots

ICT skills trainings have been implemented at school level

Training the Teachers

Philippine Department of Education launched a digital literacy program in 2008 to develop and validate public school teachers’ ICT skills using Certiport® Internet and Computing Core Certification (IC³)

Go Digital ASEAN

Courses like “Digital Tools for Job Seekers”, “Harnessing Social Media to Expand your Business”, and “Getting your Business Online” have been integrated to TESDA Online Program (TOP).

The Bureau of Elementary Education partnered with Intel to implement the Classmate PC program, which provides personal computers to all elementary school students.

The Bureau of Secondary Education sought to create computer laboratories in 100% of the country’s high schools.

The Bureau Alternative Learning System is digitizing its modules so mobile teachers have easier access to instruction materials to better meet the needs of learners outside the formal school system.

Investment Climate Policies

**Ease of Doing Business**
- Single window corridors

**Marketing & Branding**
- Creating an international identity as a tech destination

- National Single Window (NSW) announced
- Investment Incentives
- ICT Infrastructure & Ecosystem
- Cost Advantage
- Investment Policy
- Lax taxation
- No equity restriction
- Home to global brands

- National Single Window System (NSWS) implemented
- Know Your Approvals (KYA) module PMJDY—National Mission on Financial Inclusion
- PayGov India
- OpenForge
- NREGAsotf
- Aadhar enables Payment System (AEPS)
- India BPO Promotion Scheme (IBPS)
- Digidhan Abhiyaan

- National Single Window System (NSWS) established in 2009
- Reuse of recorded data
- Connects 30 permit issuing agencies, 50 authorities, 10 banks, 160 Customs stations

- National Single Window System (NSWS) launched in 2010
- Part of ASEAN Single Window (ASW) corridor
- Information Technology—Business Process Outsourcing (IT-BPO) Center of Excellence
- Global in-house centers (GICs)
- Data Protection and Privacy laws
- Tax breaks

- National Single Window System (NSWS) implementation underway
National Single Window System (NSWS) for investors to identify and to apply for approvals as per requirements.

Know Your Approvals (KYA) module supports information across 32 participating ministries and 16 states.

Hosts applications for approvals from 21 Central Departments and 14 State Governments.

National Single Window (NSW) for Trade Facilitation established in 2009 and led by the Ministry of Finance.

Creates linkages between industry and relevant government departments. Reuses recorded data for time saving and simplified processes.

Connected with more than 30 Permit Issuing Agencies, 50 authorities, 10 banks, 160 Customs stations.

Six core services: ePCO, ePermit, ePermitSTA, eManifest, eDeclare and ePayment

National Single Window (NSW), launched in 2010, allows stakeholders in trade and transport to log information in a secure, electronic single entry point for import, export and transit related requirements.

Part of the larger ASEAN Single Window (ASW)

Comparative Analysis

48. Available at https://www.nsws.gov.in/
49. Available at http://www.dagangnet.com/trade-facilitation/national-single-window/
50. Available at https://asw.asean.org/index.php/nsw/philippines/philippines-general-information
Digital India sells India’s Infrastructural Capabilities

- PMJDY: National Mission on Financial Inclusion
- PMJDY- National Mission on Financial Inclusion
- Aadhar enables Payment System (AEPS) India BPO Promotion Scheme (IBPS)
- Digidhan Abhiyaan
- MyGov
- National Mission on Education through Information and Communication Technology (NMEICT)
- North East BPO Promotion Scheme (NEBPS)
- NREGAsoft
- OpenForge
- PayGov India
Digital Bangladesh: Lowest Cost Centre

Investment Incentives
- ICT Infrastructure & Ecosystem
- Cost Advantage
- Talent in Bangladesh

Investment Policy
- Global Brands
- No taxes
- No equity restrictions
Philippines: A Global Outsourcing Hub

**Global in-house centers (GICs)**
Provide services to Fortune 1,000 organizations around the world

**Compatibility with businesses of all types and sizes**
BPOs cater to startups, SMEs and corporations alike

**Strong data privacy protection & laws**
Philippines is one of the only three ASEAN countries with existing data protection laws

**Centre of Excellence**
Information Technology-Business Process Outsourcing (IT-BPO) Prime economic driver

**English proficiency and high literacy rates**

**Cost efficiency**
Approx. 60% to 80% operational cost savings by outsourcing their services to the Philippines

**Government support**
Tax incentives
Tax breaks
Educational grants
Simplified import/export procedure

Approx. 60% to 80% operational cost savings by outsourcing their services to the Philippines

**Prime economic driver**

**Centre of Excellence**
Information Technology-Business Process Outsourcing (IT-BPO) Prime economic driver

**English proficiency and high literacy rates**

**Cost efficiency**
Approx. 60% to 80% operational cost savings by outsourcing their services to the Philippines

**Government support**
Tax incentives
Tax breaks
Educational grants
Simplified import/export procedure
TechDestination Pakistan

- Up to 6% cash reward for IT exporters
- Retention of profits and dividends
- 100% corporate income tax credit on IT exports
- Double taxation treaties with 65 countries
- Incentives for foreign investors
- 100% company ownership

Source: Available at https://techdestination.com/
Comparative Analysis of Policies
## Fiscal Policies

<table>
<thead>
<tr>
<th>Direct Tax Waivers</th>
<th>Indirect Tax Waivers</th>
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<tbody>
<tr>
<td>- Income tax exemption for 10 years</td>
<td>- Firms in hi-tech parks exempt from VAT on electricity and other utilities</td>
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<td>- Accelerated depreciation on machinery</td>
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<td>- No import duty on capital expenses</td>
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<td>- If paid, tariff refund on import of raw materials</td>
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<td></td>
<td>- Income tax exemption for FDI-backed businesses</td>
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<td>- Omnibus Law Company’s income tax subject to deductions based on how much is invested in R&amp;D</td>
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<tr>
<td></td>
<td>- 100% income tax exemption in special economic zones for 5 years</td>
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<td>- IT parks subject to tax rebates</td>
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<td></td>
<td>- 50% income tax exemption thereafter</td>
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<td></td>
<td>- India Customs Tariff: IT related imports are exempt from custom duty</td>
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<td>- Investment tax allowance for promoted activities</td>
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<tr>
<td></td>
<td>- Import duty exemption on raw materials for IT sector</td>
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<td></td>
<td>- 60% reinvestment allowance on capital</td>
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<td></td>
<td></td>
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<td></td>
<td>- Income tax exemption for 2 years</td>
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<td></td>
<td>- Information Technology Agreement allows several IT products to be imported duty-free, including computers, network equipment, monitors, optical disc storage units and printed circuit assemblies</td>
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<td></td>
<td>- Preferential income tax after exemption ends</td>
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<td></td>
<td>- No exemption from custom duty/VAT</td>
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<td></td>
<td>- Tax exemption scheme replaced with controversial tax credit initiative.</td>
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<td></td>
<td>- Efforts underway to restore tax exemption for the industry in Pakistan</td>
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<td>Monetary Policies</td>
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<tr>
<td><strong>Subsidies</strong></td>
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<tr>
<td>- 100% VAT exemption on IT/ITeS office rents</td>
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<td>- 80% VAT exemption on utilities in HTPs</td>
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<tr>
<td>- Accelerated depreciation on machinery</td>
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<tr>
<td><strong>Grants/Financial Support</strong></td>
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<tr>
<td>- 10% cash incentive on total IT exports. Documentation and filing is handled by Bangladesh’s IT Trade Association (BASIS). Startup Bangladesh offers BDT 500 crore for eligible startups</td>
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<td>- IFC PENSA Programs</td>
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<td>- Financial literacy workshops for businesswomen.</td>
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<td>- Monetary rebate on cost of land for every job created, subject to 333 jobs created per acre by the firm</td>
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<td>- Stimulus package for IT industry to counteract effects of COVID-19</td>
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<td>- India BPO Promotion Scheme (IBPS)</td>
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<td>- Incentivize BPO operations across India for the creation of employment opportunities for the youth</td>
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<tr>
<td>- 100% reimbursable grant for Malaysian IT firms undertaking</td>
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<tr>
<td>- No subsidy on job creation/rent/utilities</td>
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<tr>
<td>- Recently announced support for marketing and research through PSEB (but no program to help companies get funding for growth initiatives, feasibility, etc.)</td>
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<tr>
<td>- Cash reward announced but not yet distributed</td>
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</tbody>
</table>
**Innovation Policies: Research & Development**

**Bangabandhu Innovation Grant**
Collaborative effort of Bangladesh Computer Council (BCC), BASIS, Bangladesh Hi-Tech Park Authority, Controller of Certifying Authorities (CCA), A2i, Startup Bangladesh Limited.
- Each entrepreneur will receive the fund from Tk 1 million to Tk 50 million.
- In 2021, expanded into a reality TV show with top 65 innovative funds.

**NewGen IEDC**
Launch by the National Science and Technology Entrepreneurship Development Board under the Department of Science and Technology, GoI. Aims to inculcate the spirit of innovation and entrepreneurship among youth.
Supports and encourages entrepreneurship through guidance, mentorship, and support.

**Multiplier Grants Scheme (MGS)**
Encourages collaborative Research & Development (R&D) between industry and academicians/institutions for the development of products and package. If the industry supports the R&D of products that can be commercialized at the institutional level, the government shall provide financial support which will be up to twice the amount provided by industry.

**MESTECC R&D Fund**
State-funded initiative open to tech businesses contributing to economic growth. The Fund co-funds projects up to RM 3,000,000, or max. 90% of total project cost.

**International Collaboration Fund (ICF)**
Grant provided by the Government for international joint R&D projects between researchers from Malaysia and other countries to encourage and promote co-operation in science, technology and innovation through joint research and development activities for mutual benefit.

**Smart Challenge Fund**
Government’s initiatives which is open to businesses and researchers interested in competing for funding opportunities in prioritized sectors (new technologies, processes, products).

**Digital Society Research Grant**
Malaysian Communications and Multimedia Commission (MCMC) offers the grant to eligible researchers to identify gaps in the industry and promote exclusivity.

**Startup Research Grant Program**
Early-stage startup support for product R&D and market validation studies announced by Department of Science and Technology (DOST).

**Kapatid Mentor Me Program**
A three-step initiative by the Department of Trade & Industry (DTI) inclusive of mentoring, SSFs and IB schemes for MSEs.

**Innovative Startup Act**
An interdepartmental venture by Department of Information and Communications Technology (DICT), DOST and DTI for startups to access subsidies, grants and visas (provides government support for budding talent in the local startup community by giving entrepreneurs access to a Startup Venture Fund, travel grants, subsidies, and visas).

**Funding from HEC and IGNITE**
Oriented towards academia but little to no support for industry at large.
Innovation Policies

Intellectual Property Rights

**Start-up Bangladesh Limited**

Intellectual Labor Law Regulated by Ministry of Industries (MOI) and Ministry of Cultural Affairs (MOCA). Receives support from the WTO, WIPO, and UNESCO for enhancing the copyright system.


**National Intellectual Property Rights (IPR)**

IPR policy introduced in 2016. Automated the process of trademark applications, including reduced processing time and online hearing.

**Malaysian Intellectual Property Corporation (MyIPO)**

Affords preliminary legal protection of intellectual property and is a prerequisite for most statutory protections barring exceptions such as Copyright which receive automatic protection upon publication.

**Trademarks Act 2019**

Allows enforcement officers to arrest persons suspected of infringement and search for and seize infringing goods. Owners of unregistered trademarks can also bring action against traders who misrepresent their goods as being similar to or as being produced by the owner to take advantage of the latter’s established goodwill and reputation.

**Signatory of TRIPS. No concrete laws have been passed to strengthen TRIPS framework.**

- Intellectual Property Office of the Philippines established in 1998
- National Committee on Intellectual Property rights created in 2008
- In 2012, IPOPHL streamlined the end-to-end processing of IP applications from filing to registration, including publications, printing of certificates and post-registration/post-granting, known as the Industrial Property Automation System (IPAS)
Innovation Policies

Incubation Services and Facilitation

**Startup Bangladesh Limited**

**Startup India**
Programme launched by Department for Promotion of Industry and Internal Trade (DPIIT) in January 2016. Also receives support from the Department of Science and Technology (DST) and Ministry of Human Resource Development.

- Rajasthan’s Techno Hub provides free-of-cost infrastructure for startups and entrepreneurs, T-Hub in Hyderabad is looking to expand to 300K sq ft with its multi-phase plan, KTIZ campus in Kerala can accommodate up to 1000 startup
- 16th January announced as National Startup Day in India
- SAMRIDH scheme helps startups with the necessary funding and skillsets crucial for the growth of their business ahead -300 businesses in first round

Several government sponsored initiatives such as Plan9, NICs, ORICs etc. have been announced but invested amount disproportionate to results. In need of stringent monitoring and evaluation to realize tangible results.
Human Capital Policies

**Training & Capacity Building Initiatives**

- **Skill Enhancement Training Program**
  Trains 3000 professionals creating a readily employable competent workforce to be absorbed in the IT/ITeS sector by the industry – an initiative of Bangladesh Hi-Tech Park Authority.

- **Industry Association Skills Training:**
  Skills for Employment Investment Program (SEIP), government initiative towards transforming and developing unskilled and semi-skilled workforce into a productive workforce in priority sectors.

- **Fast Track Future Leader (FTFL) Training**
  Targets building 1000 future leaders for the IT/ITeS Industry of Bangladesh. UICT in collaboration with the IT/ITeS Industry selects trainees for FTFL program as per skill demand in the area of software development, IT/ITeS related management.

- **FutureSkills Prime**
  Launched in Nov 2021 under the Ministry of Electronics and Information Technology (MeitY) and NASSCOM. End-to-end re-skilling or up-skilling portal to foster innovation and talent. Globally competitive curriculums, designed with the industry, and approved by the government. 100% online learning.

- **eSkills India**
  E-learning aggregator portal from NSDC. Brings together digital learning resources through various Indian and global knowledge partnerships. Enables access to the best-in-class learning resources. Catalogues over 1200 digital courses from partners, and 4000+ courses through affiliate channels. International partners include Microsoft, Google, Cisco.

- **Digital Skill Training Directory (DGTD)**
  A comprehensive catalogue of courses and online trainings that are reviewed and endorsed by a panel of digital industry experts to skills upgradation for digital economy jobs.

**Comparative Analysis**

**FutureSkills India**

- Signatory of Go Digital ASEAN, under which courses like “Digital Tools for Job Seekers”, “Harnessing Social Media to Expand your Business”, and “Getting your Business Online” have been integrated to TESDA Online Program (TOP).

**TEVTA and NAVTCC**

- Have introduced IT skill courses but not in line with industry needs.
- In 2021, PSEB has launched skills development programs in consultation with industry:
  - Industry-led Boot Camps: Training 4,000 unemployed/underemployed graduates;
  - Academia-Bridge Program: Training 1600 university students;
  - Soft Skills Training Program: 500 IT professionals and leaders;
  - Upskilling and Reskilling Initiative for IT Professionals.
**FutureSkills Prime**

FutureSkills Prime is a collaboration of MeitY and NASSCOM to develop curriculum in consultation with the industry.

PMKVY is the flagship scheme of Ministry of Skill Development & Entrepreneurship (MSDE). Skill Certification Scheme, assessed and certified under Recognition of Prior Learning (RPL).

**ITC skills trainings have been implemented at school level**

The Bureau of Elementary Education partnered with Intel to implement the Classmate PC program, which provides personal computers to all elementary school students. The Bureau of Secondary Education sought to create computer laboratories in 100 percent of the country’s high schools. The Bureau Alternative Learning System is digitizing its modules so mobile teachers have easier access to instruction materials to better meet the needs of learners outside the formal school system.

 Philippine Department of Education launched a digital literacy program in 2008 to develop and validate public school teachers' ICT skills using Certiport® Internet and Computing Core Certification (IC³®).

**eSkills India**

E-learning aggregator portal from NSDC. Brings together digital learning resources through various Indian and global knowledge partnerships. Enables access to the best-in-class learning resources. Catalogues over 1,200 digital courses from partners, and 4000+ courses through affiliate channels. International partners include Microsoft, Google, Cisco.

Digital Skill Training Directory (DSTD) is a comprehensive catalogue of courses and online trainings that are reviewed and endorsed by a panel of digital industry experts to skills upgradation for digital economy jobs.

**Top-up IT Training**

The program targets graduates (IT, relevant science and engineering), to train them for jobs in IT/ITES industry. Country’s major Universities and Training Institutions are included in the program.

**Foundation Skills**

Skills over 20,000 ITeS professionals (Non-Science/HSC) graduates to meet global standards.

**Comparative Analysis**

- No industry-led curriculum development.
- Globally verified curriculum policy and structure in-place for universities, but curriculum not regularly updated to reflect evolving industry needs.
Human Capital Policies

Comparative Analysis

**Online Outsourcing Training Programs**
Carry out training and mentorship leading to online outsourcing for youth and women. The programs target to train 23,000 in different outsourcing skills.

- Digital India digitisation initiatives seek to create 65 million jobs by 2025 by promoting start ups, providing digital skills training and strengthening the e-commerce landscape.
- The BPO scheme has led to creation of 200,000 jobs by taking the business process outsourcing centres to smaller cities and towns.

**Facilitating Employment Creation & Attracting Talent**

- The eRezeki program, launched by MDEC, enables citizens, especially low-income groups, to generate additional income by doing digital assignments via online crowdsourcing platform. The eRezeki participants are matched with digital work in line with their respective skills. Options include:
  - Digital micro tasks
  - Digital works
  - Digitally-enabled tasks

- The Department of Education (DepEd) launched the Technology-Assisted Work Immersion Delivery (Oplan Tawid) to provide senior high school (SHS) students with digital literacy skills and increase their employability in partnership with Microsoft and CloudSwyft. The vocational track has been introduced in mainstream schools.
Investment Climate Policies Ease of doing Business

- Bangladesh National Board of Revenue (NBR) announced the creation of National Single Window (NSW) in 2018 for facilitating imports, exports and curtailing duty evasion. 38 departments signed the MoU.
- In Jan 2022, the funding for the project was slashed due to overlapping functions.

- National Single Window System (NSWS) is a digital platform for investors to identify and to apply for approvals as per requirements.
- Know Your Approvals (KYA) module supports information across 32 participating ministries and 18 states.
- Hosts applications for approvals from 21 Central Departments and 14 State Governments.

- National Single Window (NSW) for Trade Facilitation was established in 2009 and led by the Ministry of Finance.
- Creates linkages between industry and relevant government departments. Reuses recorded data for time saving and simplified processes.
- Connected with more than 30 Permit Issuing Agencies, 50 authorities, 10 banks, 180 Customs stations.
- Six core services: ePCO, ePermit, ePermitSTA, eManifest, eDeclare and ePayment

- National Single Window (NSW), launched in 2010, allows stakeholders in trade and transport to log information in a secure, electronic single entry point for import, export and transit related requirements.
- Part of the larger ASEAN Single Window (ASW) NSW announced but not implemented yet. Government has committed to connect 74 departments for import/export of goods till 2024. Integration expected by 2023
Pakistan: The Way Forward
Recommendations: Fiscal Policies

**Fiscal Policies**

- **Tax Exemption**
  - Reverse Tax Credit Regime to Tax Exemption on income tax for IT/ITeS exports till 2025
  - India, Bangladesh, Indonesia, Philippines and Malaysia all offer 100% tax exemption to the ICT industry for 2–10 years and preferential tax rates thereafter

- **Consistent tax framework and tax harmonization**
  - Develop a consistent tax framework in consultation with P@SHA as the licensed trade body and all relevant organizations (FBR, State Bank, Provincial Revenue Boards, PSEB, PITB, NITB, etc.), should be involved at provincial and federal level
  - Reinforce the policies that were announced till 2025, to ensure policy continuity

- **Removal of Custom and Import Duty**
  - Zero duties and sales tax on laptop and other IT equipment
  - Introduce special import duty concessions on capital equipment to enable smaller IT/BPO/KPO firms to upgrade service offering, improve productivity and grow seat capacity
  - Custom duty exemption further reduces the cost of doing business, allowing products and services to be priced competitively
  - India, Bangladesh and Malaysia have an import duty exemption and waivers on domestic procurement of goods required for setting up the facility for IT industry
  - Philippines allows duty-free import of all raw materials not locally manufactured in the country
Recommendations: Monetary Policies

Monetary Policies

- **Monetary incentives for IT industry**
  - Implement flat 5% cash reward incentive against total exports
  - Bangladesh has implemented 10% cash reward against total export
  - Growth-based program reduces the potential of incentive
  - Announced cash reward is small compared to others and slow in implementation

- **Preferential rates on rent and utilities**
  - Facilitate and create a systematic approach for applying rent regulations for IT zones
  - Bangladesh subsidizes rent and utilities for IT businesses
  - India offers monetary rebate on job creation

- **Improve access-to-finance**
  - Special Export Refinance Scheme for IT/ITeS Exporters with collateral-free and lower than market interest rate (2-3%)
  - Introduce dedicated financing windows (e.g., the SME Financing Facility) to ensure access to non-collateralized loans and ensure administration of existing schemes are streamlined for IT/BPO business eligibility
  - Startup Bangladesh has established BDT 500 crore fund for startups
  - India BPO scheme offers 5% financial assistance for new businesses

- **Incentivize activities that encourage R&D**
  - Malaysia offers 100% grant for firms undertaking new feasibility studies
  - Philippines offers financial support to early-stage startups for R&D and market studies
**Recommendations: Innovation Policies**

### Innovation Policies

#### #MakeinPakistan: Take measures to promote and foster local innovation in Pakistan
- A special federal-provincial joint taskforce should be formed with private-sector representation (P@SHA), and all government departments (incl. law enforcement agencies) should request procurement of software to that committee. Committee decides if a local product can be used or should it be imported.
- Amend PPRA rules to add quota for local products/SMEs, and
- Funds should be allocated to develop commonly used local products in Pakistan (e.g. Zoom, secure OS, etc.) to ensure savings on the foreign

#### Strengthen IP laws
Strengthen intellectual property laws and data protection policies in line with global practices to protect Pakistan software product innovation and encourage IP-led growth in the sector.
- India’s “National Intellectual Property Rights policy” (2016) and “Support for International Patent Protection in E&IT (SIP-EIT)” facilitate patent filing and protect intellectual property
- Malaysia’s Trademarks Act (2019) stipulate fines and jail terms for offending parties

#### Determine ROI for startups
Develop a system of KPIs and M&E mechanism to ensure adequate ROI for incubated startups
- India and Philippines provide support at all stages for startups through incubation centers and accelerators

#### Funds for Innovative Products
Allocate funds for innovative products and services
- India, Bangladesh, Malaysia all have grants and funds that are awarded to firms engaging in R&D and coming-up with products
Recommendations: Human Capital Policies

Human Capital Policies

Industry-driven Training Programs
Create public-private training institute for reskilling and upskilling.
- PSEB’s industry-led bootcamps are one of the first PPPs towards digitally skilled workforce in Pakistan.
- Bangladesh, India, Philippines and Malaysia all have ongoing training programs developed in consultation with the industry.

Industry-approved Curriculum
Create industry-approved digital curriculum for IT industry.
- Bangladesh and India have invested heavily in industry-led curriculum design for IT industry.
- India launched Future Skills Prime, an initiative of MEITy and NASSCOM, for upskilling talent through a 100% online portal, in consultation with the industry.
- Malaysia has introduced an extensive course catalogue of courses with industry-approved curricula.

Capacity Building of Sales Teams in Pakistan
Allocate funds to Conduct capacity building programme for IT Industry to review and refine their product portfolio and internal go-to market strategies to identified market opportunities.
This will be aligned with #BrandPakistan initiatives as mentioned in Investment Climate Recommendations.
- Launch portal with consolidated information of all local and international courses and modules.
Recommendations: Human Capital Policies

**Human Capital Policies**

- **Skill Development Programs for different levels of IT industry**
  - Develop a 5-year roadmap of skill development initiatives
  - Allocate funds for skill development programs for different target audiences
  - Both India and Bangladesh have different programs for different segments: Bangladesh has a fast-track leadership program for IT management employees, have Skills for Employment Investment Program (SEIP) for semiskilled and unskilled workforce, and Skill Enhancement Training Program as industry-readiness program
  - Launch short-term conversion programs for graduates of other subjects to transition to the IT sector and obtain required skills and become employable
  - Conduct Provincial-level awareness sessions for school-going youth on high-potential career opportunities in the software sector, so as to expand the pipeline of available talent at an early stage
  - Develop training programs for enabling high-school and college students and teachers to train on basic skills
  - Philippines has been active in training high-school teachers as well as providing digital content for them

- **Increase IT graduates to 100,000 per annum**
  - Re-launch Outreach Rural Support Program and provide 20,000 scholarships to students from rural areas
  - Launch awareness programs for high-potential career opportunities in IT/ITeS industry in Pakistan
  - Offer different type of degrees of varying duration (e.g. 2-year associate degree instead of bachelors)

- **Incentivize job creation**
  - Tax benefits against job creation for IT industry
    - India offers monetary rebate to IT companies, subject to creation of 333 jobs per acre in tech parks
    - Malaysia has fixed local employment quotas for foreign firms operating in the country
Recommendations: Investment Climate Policies

**Investment Climate**

- **Launch of Single Window Operation**
  Prioritize the launch of National Single Window Corridor for trade facilitation
  - In Pakistan, one-window operation is announced as part of IT zones but not implemented yet, different single window initiatives being carried out hence lacking integration of government departments
  - India, Malaysia, Philippines have NSWs in place to ease local and international businesses in registrations, exports, licenses and approvals and payments. This is most critical in ensuring ease of doing business for IT industry

- **Drive to provide quality internet**
  A special program with measurable indicators to increase internet penetration in Pakistan, especially in tier-2 cities. This also includes focus on improving 5G infrastructure and beyond.
  - India has forecasted its 5G ecosystem to generate revenues worth USD 450 billion over the next 15 years
  - Malaysia and Philippines boast 89.56% and 50% population with access to internet, respectively

- **Digital Payments & Forex Retention**
  Facilitate digital payment platforms to enable Pakistani IT companies to cater to international clients hassle-free
Recommendations: Investment Climate Policies

Promote #BrandPakistan as #TechDestination

Establish brand TechDestination Pakistan, and strengthen Pakistan IT industry’s global market positioning and international competitiveness.

- Develop Pakistan’s USP in IT industry – a credible and unique brand positioning for all marketing activities
  - Digital India sells its infrastructure capabilities, Bangladesh sells low-cost center, and Philipines sells itself as global outsourcing hub for BPOs
  - Develop media collaterals and launch publicity campaign to promote the brand and develop marketing materials (featuring Pakistan’s software capabilities, sector development initiatives and incentives, and top business profiles/case studies of success), and branding guidelines based on the above identified brand positioning, for all domestic and international industry events.
- Hire international PR company for improving country perception and marketing
- Showcase Pakistani innovations in technology at international forums, with funds drawn from public-private partnerships
- Appoint international ambassadors to advocate for Pakistan as the next leading hub of IT services. Train Pakistan’s commercial counsellors in overseas diplomatic missions on the new brand positioning, conduct information sessions and identify priority countries to work on.
- Accelerate market diversification and improve commercial success in new markets: develop market-entry plans, global market research
- Incentivize export-driven activities
  - Malaysia gives 50% reimbursable grant for the costs of preparing and submitting bids for overseas projects, and for undertaking trade promotion activities overseas, such as trade fairs, trade missions, opening up of representative offices overseas, and market research
IT Industry in Pakistan is on a growth path and breaking all records...
Let’s learn from the best practices of other countries to provide the ecosystem it needs to flourish!