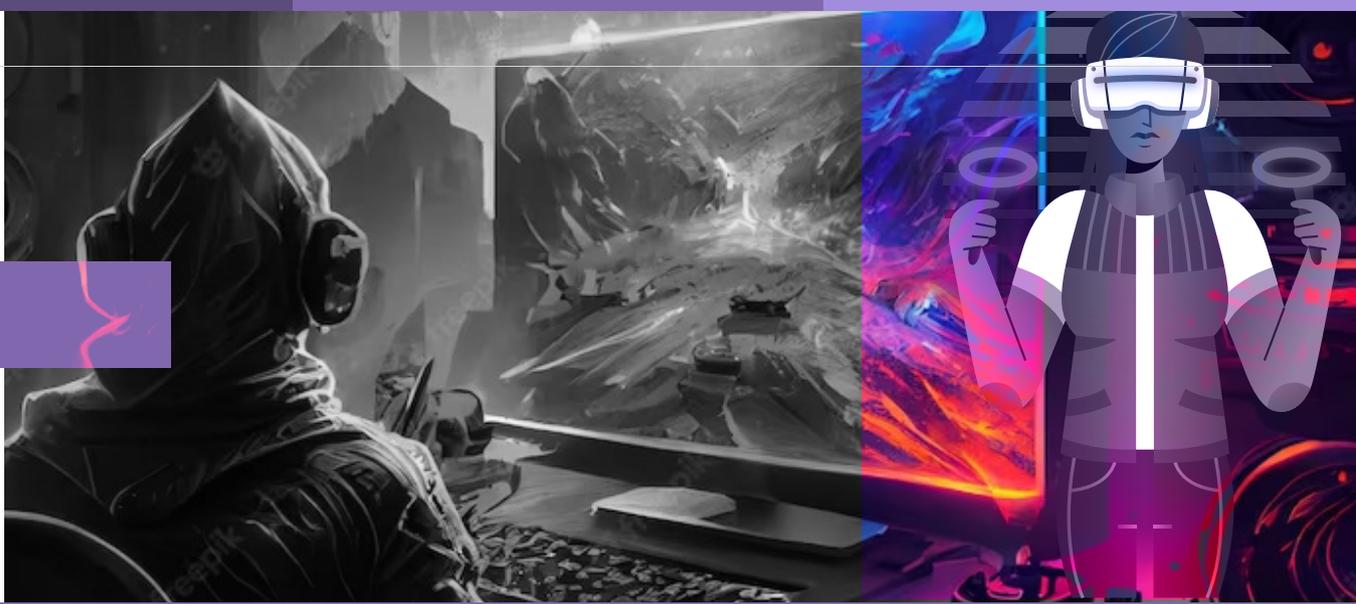# Whitepaper

Past, Present and Future of Games and Animation

Event Highlights from Policy Roundtable at ICT Awards 2023

01 Introduction

This whitepaper offers a thorough exploration of insights and discussions stemming from the **ICT Awards 2023 policy roundtable,** dissecting the Past, Present, and Future of Pakistan's Games and Animations industry. Encompassing the perspectives of **87 industry leaders** and unveiling highlights from the event, the paper takes a closer look at the launch of the AG Ecosystem Report, providing a comprehensive overview of the industry's current landscape and future prospects.

Moving beyond conventional business metrics, the whitepaper delves into the profound societal impact of the A&G sector. It scrutinizes the industry's transformative role, empowering women, fostering skilled workforces, promoting community development, and contributing significantly to national economic growth. Identifying unique challenges faced by this nascent industry, the document not only paves the way for actionable recommendations but also serves as a clarion call—a catalyst to unlock the boundless potential of Pakistan's A&G sector. By bridging critical data gaps and offering valuable insights, the paper aims to empower stakeholders, foster collaboration, and strategically guide the industry towards sustainable growth and global recognition.
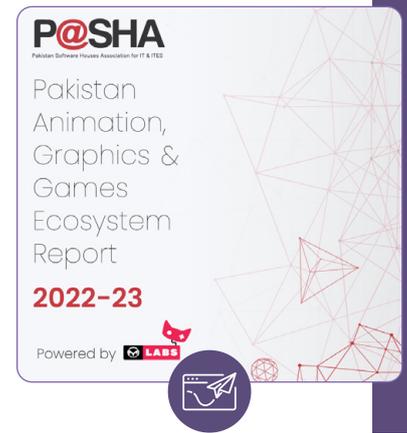
The global entertainment landscape is witnessing a paradigm shift. Fueled by the surge in online gaming, social media, and digital entertainment, the Animation and Games (A&G) sector has exploded in recent years, boasting a whopping $626 billion valuation and projected to reach **$1 trillion by 2030**. Pakistan, with its vibrant youth population and growing IT industry, is poised to capture a significant share of this market.

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[1] Most of the data and insights for this paper are derived from P@SHA' latest report: Pakistan Animation, Graphics and Games Ecosystem Report 2022-23.
https://www.pasha.org.pk/publications/pakistan-animation-graphics-and-games-ecosystem-report-2022-23/

02 Launch of the First Ever A&G Report

Pakistan's first ever A&G Ecosystem Report launched at the Roundtable assesses the industry's current status, trends, and future prospects. It explores key growth drivers like a skilled workforce, technological advancements, and investments, examining their impact on business development, labor market growth, skills development, and societal contributions while emphasizing its potential contributions to the IT industry, economic development, and innovation.

P@SHA
Pakistan Software Houses Association for IT & ITES

Pakistan
Animation,
Graphics &
Games
Ecosystem
Report
2022-23

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Gaming Dominates the Landscape

Within the proliferating tapestry of Pakistan's Animation and Games (A&G) sector, the gaming industry stands tall as an undisputed area, encompassing a remarkable 53% of all companies. This flourishing vertical exhibits a strong geographical concentration, with Punjab emerging as the undeniable epicenter. Among all, Lahore, the country's vibrant capital, serves as the primary hub, pulsating with the energy of numerous game development studios and is brimming with creative talent.
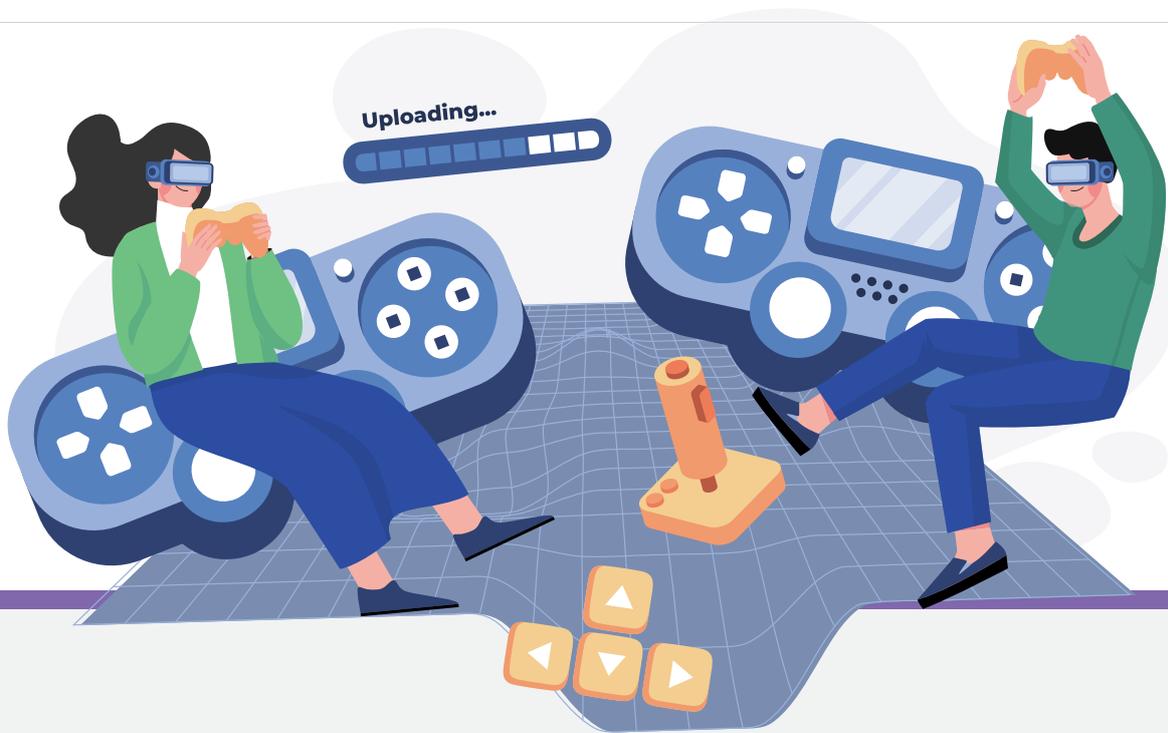
However, the dynamism of the Pakistani A&G sector extends beyond the confines of Lahore. Islamabad, the nation's federal capital, boasts a cluster of innovative gaming companies, contributing significantly to the sector's overall growth. Similarly, Karachi, the bustling metropolis in Sindh, plays a vital role in nurturing the industry's potential, providing a fertile ground for game development companies to thrive.

Global Ambitions

Pakistani gaming companies are not confined by borders. An impressive 61% of these entities operate internationally, demonstrating their ambition and competitiveness on the global stage. North America and the Middle East, particularly the United Arab Emirates, emerge as popular destinations for these companies seeking to expand their reach and tap into new markets.

Revenue Models

Across the A&G sector, a hybrid revenue model combining product development and service provision prevails. This flexibility allows companies to cater to diverse client needs and maximize revenue potential. However, underlying preferences differ by vertical. Game companies, driven by high product ROI, tend towards hybrid models with a product-heavy focus. In contrast, animation companies, facing higher development costs, lean towards a service-oriented model. Notably, content development, particularly in animation, remains a key area of focus for the Pakistani A&G sector.

03 Highlights from the Report

Total Revenue: $ 300 Million

Total Exports: $ 157.9 Million

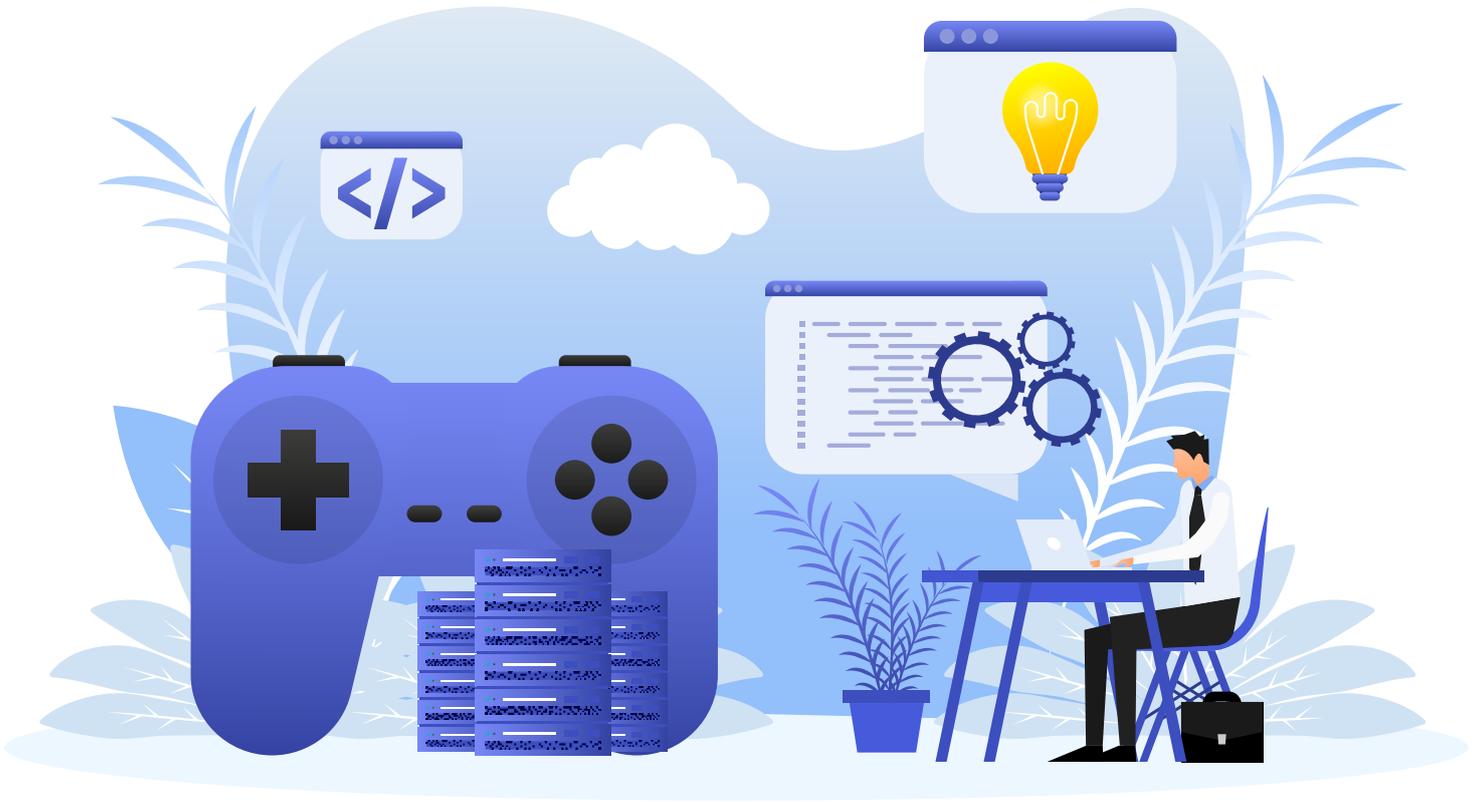**Total Employment: 12057 Employees**

No. of AGG Companies: 257

Total Investment Raised: $ 36 Million

This pioneering report marks the first comprehensive study dedicated to highlighting the crucial role played by the Animation and Games Subsectors within the industry. Supported by the highlighted findings, the survey meticulously examines the nuanced statistics detailing the performance of these sectors in recent years, underscoring their substantial contributions to Pakistan's IT exports. By emphasizing the considerable growth potential, the survey illuminates the opportunities awaiting the games and animation industries, contingent upon receiving suitable support from the government. For an in-depth understanding, the detailed report is accessible on P@SHA's website.

04

Addressing Skills Needs in the A&G Industry

The Pakistani A&G sector is flourishing, witnessing a remarkable 90% surge in employment. However, this growth carries challenges, particularly in bridging the gender gap and addressing skill gaps within the workforce.

- Despite the industry's dynamism, gender disparity remains a stark reality. With only 17% of women currently employed in the sector, a concerted effort is crucial to foster inclusivity and attract female talent. Initiatives like scholarships, mentorship programs, and flexible work arrangements can play a key role in dismantling the glass ceiling and unleashing the full potential of Pakistani women in A&G.

- Employment challenges go beyond initial recruitment. Difficulties in retaining skilled professionals and the potential for outsourcing work raise concerns about long-term talent sustainability. Investing in employee development, fostering a positive work environment, and creating attractive career paths can counter these challenges and ensure the industry retains its valuable human capital.

- The education sector holds immense promise as a talent pipeline for the A&G industry. With 52 universities offering relevant degrees and courses in animation, a qualified workforce seems within reach. However, the disconnect between academic offerings and industry needs is quite evident. A staggering 95% of surveyed companies expressed dissatisfaction with universities' ability to train job-ready professionals. Bridging this gap through industry-academia partnerships, curriculum updates, and practical internship opportunities is crucial for equipping graduates with the skills the A&G sector demands.
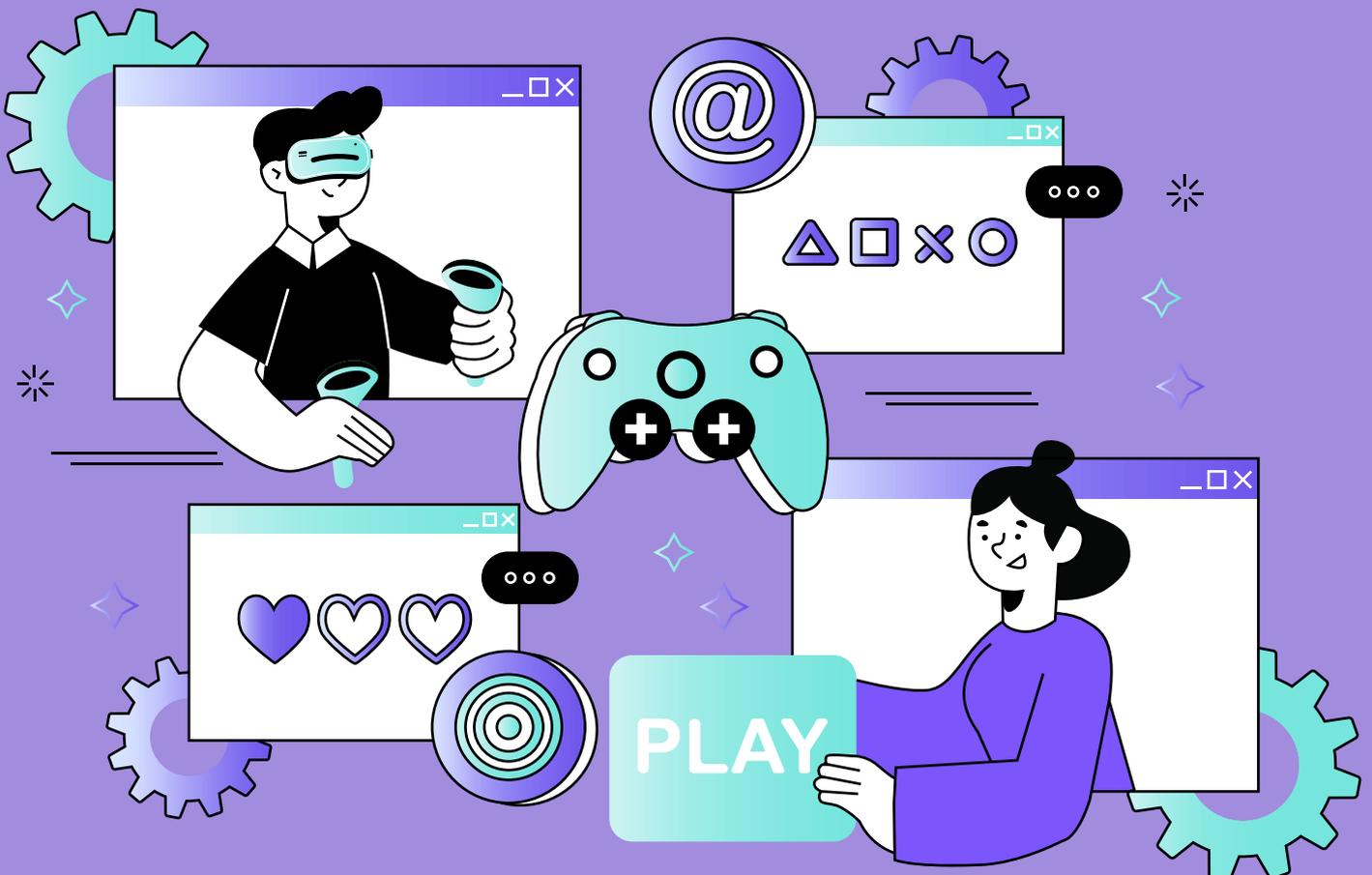
05

Regulatory Hurdles in Repatriating A&G Revenue

Beyond its diverse verticals and international reach, the Pakistani A&G sector boasts impressive human capital and economic figures. Approximately **20,000** individuals find employment within this industry, representing a significant talent pool contributing to the nation's overall workforce. These skilled professionals drive the sector's economic engine, generating an estimated **$400 million** in revenue.

However, a critical hurdle impedes the full economic potential of this talent pool. Regulatory constraints governing income repatriation limit the flow of revenue generated by Pakistani A&G companies operating internationally back to the domestic economy. This restriction presents a challenge to sustained growth and investment within the sector. Addressing this bottleneck through policy adjustments could unlock significant financial dividends for both industry players and the nation as a whole.

Further analysis of these key statistics paints a nuanced picture of the A&G sector. The average revenue per employee, while promising, suggests ample room for optimization and scaling. Investing in skills development, fostering knowledge sharing, and streamlining international financial transactions could empower companies to maximize their revenue generation potential and further enhance the sector's economic footprint.

Moreover, understanding the distribution of this **$400 million** in revenue across different sub-sectors and individual companies would provide valuable insights into the relative strengths and weaknesses of the A&G ecosystem. This granular data could inform targeted interventions and support infrastructure development, talent acquisition, and marketing initiatives in areas ripe for expansion.

PLAY

06 Product Development Focus and In-App Monetization

A remarkable **90%** of the companies operating within this sector are heavily focused on product development, generating an astounding **$400 billion,** with further potential on the horizon. In Pakistan, in-app monetization is capped at **10-15%**, and recommendations have been made to the government.

07 CEGA: Transforming the Industry Through Innovation and Collaboration

Center of Excellence for Gaming and Animation, also known as CEGA, represents a ground breaking initiative tailored to meet the unique needs of the games and animation industry. It has been strategically conceived to bridge the existing talent gap within the sector and catalyze a manifold increase in investments. The proposal underscores a holistic approach aimed at nurturing growth and innovation within the industry.

At the core of CEGA's mission is the comprehensive support for startups, recognizing them as key drivers of creativity and economic vitality. To nurture these expanding enterprises, CEGA plans to establish state-of-the-art facilities, including incubators, co-working spaces, training labs, community centers, and a dedicated auditorium. These components are meticulously designed to create an ecosystem that not only incubates fresh ideas but also provides the necessary resources and infrastructure for their successful development.

08 Vision for the Industry

To quintuple the industry's current contribution to the national economy, from $400 million to a whopping $2 billion. This would be a transformative accomplishment, propelling Pakistan's creative media sector to greater heights.

Multi-pronged Approach

Recognizing the complexity of such a significant change, the initiative employs a multifaceted approach:

- This likely involves fostering partnerships and collaborations between established companies, startups, educational institutions, and international players. The goal is to share knowledge, resources, and expertise to elevate the overall ecosystem.

- Building a robust talent pool is crucial. This might involve organizing training programs, workshops, and bootcamps to equip aspiring artists, programmers, and game designers with the necessary skills and knowledge. Additionally, industry events like conferences and competitions can stimulate innovation and networking opportunities.

- Shifting the focus towards creating commercially viable products is vital. This could involve facilitating discussions and workshops on market trends, game design principles, and monetization strategies. By equipping developers with the right tools and knowledge, the initiative aims to boost the creation of successful, revenue-generating games and animations.

Potential Impact

A thriving A&G industry can attract investments, create high-paying jobs, and boost exports. This can contribute to overall economic development and improve the country's financial standing. With a projected fivefold increase in the industry's size, expect a significant rise in job opportunities across various fields, from development and design to marketing and finance. This can address youth unemployment and provide promising career paths for talented individuals.

A thriving Pakistani gaming and animation scene can put the country on the Gaming industry map internationally, leading to partnerships, investments, and wider recognition for its creative talent. A vibrant domestic industry can generate original content that reflects Pakistani culture and stories, boosting cultural pride and fostering a sense of identity.

This ambitious initiative, while promising, faces its own set of challenges. Access to funding, infrastructure limitations, and potential brain drain remain concerns. However, with sustained efforts, strong leadership, and continuous adaptation, the opportunities outweigh the challenges, presenting a path towards a thriving and globally competitive gaming and animation industry in Pakistan.

09
Policy Recommendations

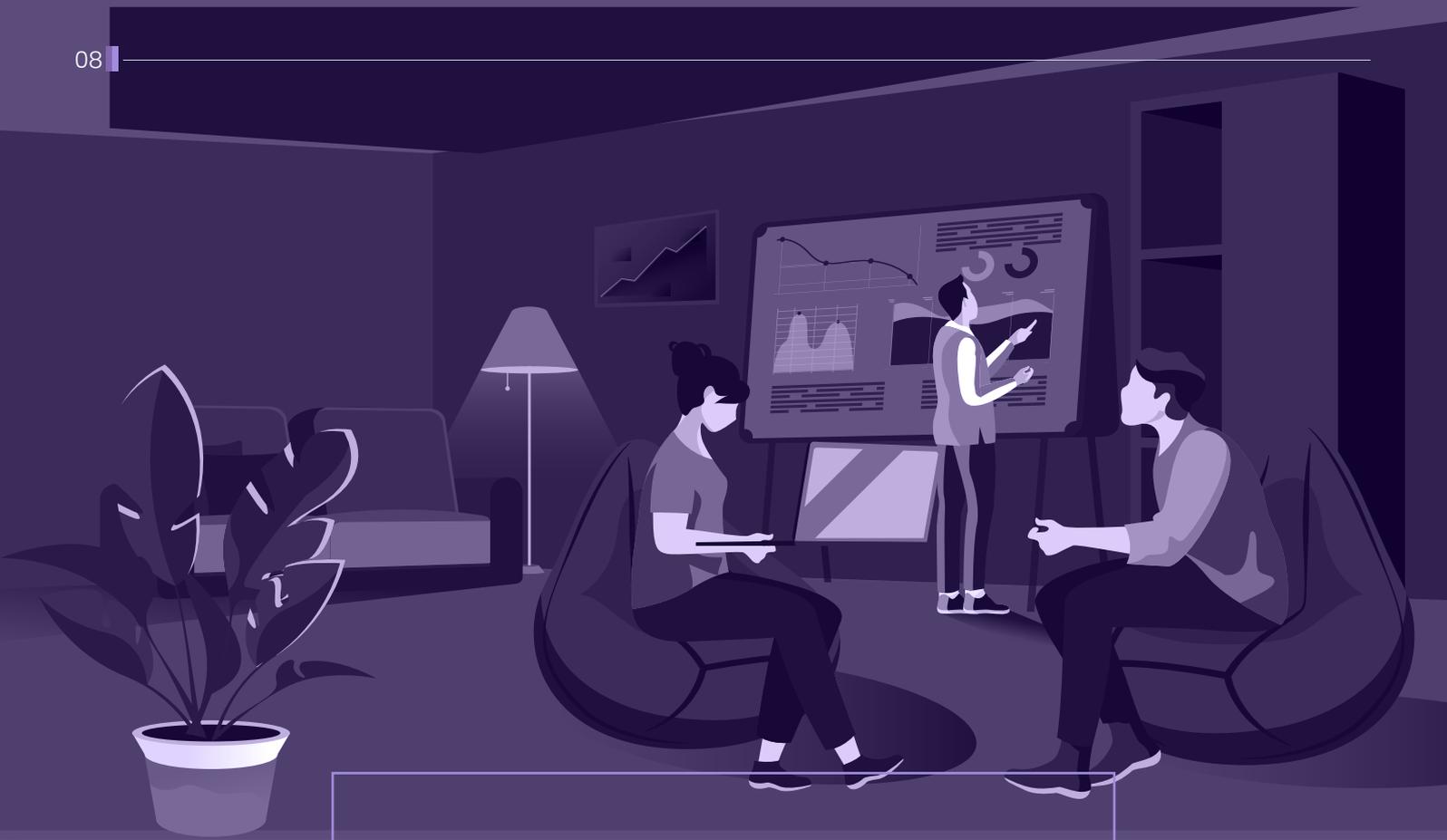## Collaboration: Fueling Innovation and Growth:

- By creating physical spaces where companies and individuals can interact, share ideas, and collaborate on projects, innovation can flourish, leading to the development of groundbreaking games, animations, and graphics.

- Regular conferences, meetups, and hackathons can connect talent from different disciplines, encourage knowledge sharing, and foster cross-pollination of ideas.

- Collective representation allows the sector to advocate for its needs, address challenges, and negotiate with policymakers and businesses more effectively.

Collaboration and community initiatives play a crucial role in fostering the growth of the next generation of entrepreneurs and animators, as highlighted in the report. These initiatives provide a platform for knowledge exchange, skill development, and networking opportunities, creating a conducive environment for innovation and success in the industry.

The industry has identified specific areas where policy interventions are crucial for enhancing the ease of doing business. Customs duties and payment gateways are highlighted as key areas requiring attention to streamline processes and reduce barriers for entrepreneurs and animators.

Community Development: Nurturing Talent and Building a Future

- Upskilling and reskilling programs tailored to industry needs can address talent gaps and equip new entrants with the necessary skills to succeed. Collaborating with academic institutions to integrate practical A&G curriculum into relevant academic programs can be especially beneficial.

- Connecting experienced professionals with aspiring talent through mentorship programs and internships can bridge the gap between theory and practice, provide real-world experience, and encourage knowledge transfer.

- Actively recruiting talent from underrepresented groups, including women and individuals from underserved communities, can enrich the A&G ecosystem with diverse perspectives and foster a more inclusive industry.

Customs duties and payment gateways can significantly impact the cost structure and operational efficiency of businesses in the A&G sector. The report emphasizes the importance of government interventions to address these challenges. By revisiting and optimizing customs duties and simplifying payment gateway processes, policymakers can contribute to a more favorable business environment. This, in turn, encourages investment, stimulates growth, and ensures the sustainability of enterprises within the industry.

The report provides a comprehensive set of recommendations, strategically categorized into four key stakeholder groups: industry, HR representatives, academia, and government and policy practitioners. Each group is assigned specific actions to contribute to the overall development and success of the entrepreneurial and animation sectors.

This analysis outlines a series of strategic recommendations aimed at nurturing the long-term growth, diversity, and sustainability of the Pakistani A&G sector. These recommendations focus on three critical pillars: fostering industry collaboration, investing in community development, and enhancing female participation in the workforce.

Collaboration: Fueling Innovation and Growth:

- Initiatives aimed at raising awareness about unconscious bias and creating a more inclusive workplace culture can encourage more women to pursue careers in the A&G sector.

- Offering flexible work schedules, remote work options, and reliable childcare support can address challenges faced by working mothers and attract more female talent to the industry.

- Highlighting the achievements of women leaders and entrepreneurs in the A&G sector can inspire and motivate aspiring female professionals to pursue their careers in this field.

09 **Conclusion**

The Pakistani Animation and Games (A&G) sector presents a vibrant and promising landscape brimming with immense potential. This whitepaper has comprehensively explored the intricate tapestry of this nascent industry, unveiling its current state, future avenues, and key drivers of growth.

Beyond mere economic figures, the whitepaper has illuminated the A&G sector's broader societal impact. Its ability to empower women, develop skilled workforces, foster community development, and contribute to national economic growth is undeniable. However, the report also acknowledges the unique challenges faced by this industry, paving the way for solutions and actionable recommendations.

The success of the Pakistani A&G sector hinges on a multi-pronged approach. Increasing collaboration among industry players, academics, and policymakers is crucial to create an ecosystem conducive to innovation and sustained growth. Investing in talent development through targeted programs and partnerships with educational institutions will ensure a skilled workforce equipped to compete on the global stage. Addressing gender disparity by promoting inclusivity and providing tailored support to women is essential for unlocking the full potential of this diverse talent pool.

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