



## Exclusive Interview



“The future of the startup ecosystem in Pakistan is very bright. More and more investors around the world are shifting their attention to untapped markets like Pakistan. Pakistan has a huge potential to become the startup hub for the region, and with current trends continuing, it will become the hottest destination for startups in the very near future”

### Syed Amin Ul Haque Federal Minister for IT & Telecom

**ICMA:** Can you tell us about your government's key initiatives to support the startup ecosystem in Pakistan?

**IT Minister:** Ignite's flagship programme, the National Incubation Centre (NIC), has truly ignited the startup ecosystem of Pakistan ever since its establishment in 2016. A total of 8 NICs have been established so far in different cities in Pakistan. These NICs support the startup ecosystem of Pakistan by providing startups with a range of services such as mentorship, incubation curriculum, trainings, investor linkages, sessions with regulators, coworking space, and free access to the internet and other ICT services. Ignite also sponsors startups' participation in several international startup events such as GITEX, LEAP, London-Tech, Web Summit, 4YFN, etc.

**ICMA:** What are the biggest challenges facing Pakistani startups today? How is the Ministry helping them out?

**IT Minister:** Some of the challenges faced by Pakistani startups are accessing international markets and raising funds. There are many innovative startups that are unable to flourish further because of these challenges. Ignite has been collaborating with international startup ecosystems through

the Ministry of IT and Telecom to provide startups with exposure to international markets by participating in international events to pitch their business ideas and connect with foreign customers and investors. Many of the startups have closed deals after participating in these events.

**ICMA:** How do you see the role of technology and innovation in driving economic growth in Pakistan?

**IT Minister:** Technology and innovation can play a pivotal role in driving the economic growth of Pakistan. The country is experiencing a youth bulge, with more than 60% of its population between the ages of 15 and 29. The universities in Pakistan produce more than 25,000 IT graduates each year. The contribution of the services sector to the economy of Pakistan is constantly on the rise. Investments in the Pakistani startup ecosystem have seen phenomenal growth in the past few years. Similarly, the IT exports of Pakistan have also seen a healthy increase. Pakistan is among the top outsourcing destinations globally. All of these indicators suggest that technology and innovation can not only help in addressing the domestic problems of Pakistan but also have the potential to take Pakistan out of its economic woes.

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**ICMA:** How is the government collaborating with private sector organizations to support the growth of startups?

**IT Minister:** The government of Pakistan believes that the private sector is the real driver of the growth of startups, whereas the government is an enabler of the ecosystem. All the NICs at Ignite are managed by experts from the private sector, and the funding is provided by Ignite. Moreover, Ignite frequently interacts with the private sector to understand the challenges that it has been facing and raises these concerns with the regulators and other government institutions. The government is in the process of designing some exciting new programs in consultation with the private sector to support the startup ecosystem in Pakistan.

**ICMA:** Many startups struggle to access funding. How does your Ministry assist startups in obtaining financing?

**IT Minister:** Ministry, through Ignite and its NICs, connects startups with stockbrokers associations, multinational organizations, angel investors, and venture capitalists. All NICs of Ignite hold investor summits where the graduating startups pitch their innovative solutions to the investors to secure funding. Ignite also sponsors startups to participate in international events and to tap financing opportunities available around the world.

Ignite is also in the process of establishing an Acceleration Center that will cater to the funding needs of early-stage startups. Through this program, Ignite will provide lucrative funding to startups to refine their business ideas and access new markets. Moreover, Ignite is also in the process of finalizing joint funding programs with many international organizations and countries.

**ICMA:** What is your vision for the future of the startup ecosystem in Pakistan?

**IT Minister:** The future of the startup ecosystem in Pakistan is very bright. More and more investors around the world are shifting their attention to untapped markets like Pakistan. Pakistan has a huge potential to become the startup hub for the region, and with current trends continuing, it will become the hottest destination for startups in the very near future.

**ICMA:** Do you think, Pakistan has enough Incubation Centers?

**IT Minister:** Pakistan is the 5th most populated country in the world, with a population of 220 million. So far, we have established eight incubation centres in the federal capital, provincial capitals, and three Tier 1 cities. We believe there is a need for establishing incubation centres in tier 2 cities as well, and we are in the process of designing programs to ignite the entrepreneurial spirit in these cities as well. The startup ecosystem in Pakistan is rapidly growing but is still in its nascent stage. Hence, there is a need for establishing more incubation centres and creating synergies between existing incubation centres.

**ICMA:** Is the government concentrating on any specific industries or sectors to promote startup growth?

**IT Minister:** We have a hybrid approach in which we have sector-agnostic incubation centres but also vertical incubators. Six of our NICs are sector-agnostic, whereas two are specific to aerospace technology and agriculture and textiles, respectively. We design sector-specific programs for the areas of Pakistan that specialize in a specific sector to not only boost startup growth but also aid the industry in the area in taking advantage of the innovation solutions offered by startups.

**ICMA:** What steps are being taken to encourage international collaboration and growth, and how do you believe Pakistani startups can compete with those in other countries?

**IT Minister:** We collaborate extensively with international entities. We firmly believe that collaboration with international entities brings out a win-win situation for everyone. Ignite has been reaching out to international organisations to explore the potential avenues for collaboration. Moreover, the foreign missions of Pakistan are also actively engaged with their counterparts to establish international linkages.



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Pakistani startups have done exceptionally well in 2021 and 2022, and many of our startups have gone international and raised a lot of funding, the majority of which is from international investors. Many of our startups have won awards at international events while competing with international startups.

**ICMA: What are the key issues of the IT export industry and how your Ministry is facilitating the industry?**

**IT Minister:** IT & IT-enabled Services (ITeS) Industry is experiencing phenomenal growth resulting in certain challenges that are being addressed by the Ministry's programs and initiatives launched in collaboration with the Industry:

- 1) **Growing demand for skilled IT & ITeS professionals:** ongoing HR development programs include ICT internships, Certification of IT Professionals, IT Industry Readiness Bootcamp, IT Industry Academia Bridge, DigiSkills, and Soft Skills Training Program.
- 2) **IT-Ready Infrastructure:** Ministry is developing state of the art IT Parks in Islamabad and Karachi, and establishing 25 Software Technology Parks (STPs) in secondary and tertiary cities. In addition, Special Technology Zones Authority (STZA) has been directed by the honorable Prime Minister to extend the benefits available under the STZA Act to the existing IT Industry through clustering in major cities. Measures are also being taken to repurpose/convert unutilized/underutilized industrial plots in Sector I-9, Islamabad for setting up IT Parks.

- 3) **Access to Capital:** PSDP funded project "Raising Smart Capitals PSX" to enlist 40 IT & ITeS Companies over a period of three years on the Growth Enterprise Market (GEM) Board of the Pakistan Stock Exchange (PSX) to raise equity capital, and fund their expansion plans.
- 4) **International Marketing, Branding, Promotion and Business Development:** Technology Marketing Export Program is being launched with PSDP funding to address international public relations, branding and marketing for accelerated growth of IT & ITeS exports. Initially, a comprehensive feasibility study of top export destinations is being carried out to design the technology marketing export program framework. Participation in international events is vital for projecting Pakistan's IT & ITeS industry as a viable and feasible destination for outsourcing and investment. IT & ITeS companies are being subsidized and facilitated to participate in major trade events to generate sales leads and business contracts. For instance, GITEX Dubai, Mobile Work Congress (MWC) Barcelona, LEAP Saudi Arabia, London Tech Week, Collision Canada, Game Developers Conference (GDC) San Francisco, Digital Tech Summit Denmark, China Hi-Tech Fair and Japan IT Week etc. Furthermore, Tech Destination Pakistan campaign has been launched with an aim to brand and market local IT & ITeS Industry globally to augment foreign investment, generate business, and enhance IT exports.
- 5) **Taxation Facilitation:** FBR has been directed by the honorable Prime Minister to take measures to swiftly implement the simplified processes as per Income Tax Regime agreed between the IT & ITeS Industry and the FBR.



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- 6) **Banking Hurdles:** On the directions of the Prime Minister, State Bank of Pakistan has advised the banks to facilitate IT & ITeS exporters in opening their exporters' special foreign currency accounts to retain up to 35% of export remittance receipts and for carrying out remittances transaction from their Exporters' Special Foreign Currency retention accounts by: (i) issuing corporate debit cards, and (ii) providing digital platforms including FX digital portal. Implementation at the level of banks and their branches is underway.
- 7) **Ease of Travel:** Both inbound and outbound visa facilitation for IT & ITeS sector is a necessity for the growth of exports and to attract investment. The Ministry is coordinating with the Ministry of Foreign Affairs, Ministry of Interior and relevant stakeholders to enable ease of travel.

**ICMA:** What is your vision for the future of the telecom industry in Pakistan and what steps has your ministry taken to encourage investment and innovation in the telecom sector?

**IT Minister:** The telecom industry in Pakistan has witnessed significant growth over the past decade, with increased mobile phone and internet usage across the country. The country's telecom industry is dominated by four major players: Jazz, Telenor, Zong, and Ufone. These companies have invested heavily in expanding their networks and improving their services, resulting in increased competition and better quality and more affordable telecom services for consumers.

The following steps are being taken to encourage investment and innovation in Telecom Industry:

- a) **Mobile teledensity and broadband proliferation:** This Ministry has taken several steps to encourage investment and innovation in the telecom industry. One major development in recent years has been the widespread adoption of 4G technology, with 5G networks being planned for the near future. The mobile teledensity rates has reached more than 85% and 124 million subscribers using mobile broadband. This growth in 4G users has been attributed to the availability of affordable 4G smartphones and low data prices offered by MNOs.
- b) **Telecommunication Policy:** The government has also introduced several policies and initiatives to encourage investment in the sector. The Telecommunication Policy 2015 aims to promote the growth of the telecom industry by promoting investment, competition, and

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innovation. Additionally, the government has shown a commitment to investing in the country's digital infrastructure, with initiatives like the Digital Pakistan vision and the provision of tax incentives to encourage foreign investment in the tech sector.

Furthermore, the government has established the **Universal Service Fund (USF)** to promote the deployment of telecom services in remote and underserved areas of the country. The USF provides funding for projects aimed at expanding telecom infrastructure and services in these areas.

**ICT R&D fund** is introduced to develop ICT eco-system in Pakistan for the creation of valuable Intellectual Property in ICT, particularly in telecommunications, that may be exploited for the benefit of all sectors, contributing to socio-economic development.

**With the introduction of Right of Way Policy,** the fiber penetration increased from 124,000 km to 190,000 km in 2021- March 2023.

**Under the mobile device manufacturing policy,** a total of 31 smart devices units' licenses were granted by Pakistan Telecommunication Authority (PTA). During annual year 2022, 21.94 million mobile devices have been manufactured/assembled locally, surpassing the commercial import of 1.53 million mobile devices.

**Cybersecurity and Cloud Policy:** The MoIT has introduced cybersecurity regulations aimed at protecting consumers and businesses from cyber threats. The regulations provide a framework for the secure use of ICTs and promote innovation in cybersecurity services. For facilitating data centers, this Ministry has published Pakistan First Cloud Policy in 2021, to guide local and internal cloud service provider in Pakistan.



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Currently there are 21 colocation data centers in the major 3 cities in Pakistan.

In Pakistan, lucrative telecom regimes are currently opened for Technology, Media & Telecommunications (TMT) investments including fiberization, Cable landing stations, TIP, LDI, IoTs, smart device manufacturing.

MoITT has developed key new **draft frameworks like “Telecom Infrastructure Sharing”, and “Frequency Spectrum Re-farming”** that are available on the Ministry's website for industry stakeholder consultations. These frameworks will reduce unnecessary inefficiency while ensuring the accessibility and availability of affordable digital/telecom services throughout the country.

### Future Vision:

- a) **Seamless connectivity:** The telecom industry in Pakistan should strive to provide seamless connectivity to all citizens, regardless of their location or economic status. This could involve expanding network coverage to remote areas and investing in new technologies to ensure fast and reliable internet access.
- b) **Digital transformation:** The industry should continue to lead the digital transformation of Pakistan, by enabling businesses and individuals to access digital services and tools that can improve productivity, efficiency, and quality of life.
- c) **Innovation:** Innovation should be at the forefront of the industry's vision for the future, with companies investing in research and development to create new products and services that meet the evolving needs of customers.

- d) **Collaboration:** Collaboration between telecom companies, regulators, and other stakeholders should be encouraged to ensure that the industry is working towards common goals that benefit all stakeholders.
- e) **Sustainability:** The telecom industry in Pakistan should also focus on sustainability by investing in green technologies and reducing the industry's carbon footprint. This could involve adopting renewable energy sources, reducing waste, and promoting eco-friendly practices throughout the industry.

Some of the key accomplishments by MoITT are as under:

- Cellular Mobile Subscriptions: 192.78 Million
- Broadband Internet Subscriptions: 124.67 Million
- Optical Fibre Connectivity: 190,000 KM
- Telecom Contribution to National Exchequer (Jul-Dec 2022): Rs. 137.7 Billion
- Telecom Industry Investments (Jul-Dec 2022): USD 632 Million
- USF project initiatives worth PKR 19.5 Billion undertaken
- Restoration of 3251 flood affected telecom sites within three weeks
- Mobile Devices Manufactured/Assembled in Pakistan: 21.94 Million in Year 2022
- Telecom Infrastructure Sharing & Spectrum Reforming Frameworks Developed

### ICMA: What advice would you give to aspiring entrepreneurs looking to start a business in Pakistan?

**IT Minister:** Pakistan is an untapped and unexplored market that has a huge potential to outperform other markets and become a regional startup hub. The diverse demographic and its geographical location make it an excellent market for aspiring entrepreneurs looking to start a business. The government of Pakistan is providing a conducive environment for startups to flourish. Pakistan is a great destination for any international business that is looking to expand into new markets for their ideas.

*The Editorial Board thanks Syed Amin Ul Haque, Federal Minister for IT & Telecom for sparing from his precious time to give exclusive interview for Chartered Management Accountant Journal.*