

Secretary IT & Telecom speech on IT Outsourcing, 12th August, 2008

Distinguished Guests, Ladies and Gentlemen,

AOA,

I would like to thank you all for joining us at this session today. And I take pride to be amongst the most prominent and eminent IT experts, domestic corporate executives, investors and thought leaders. We welcome you all to exchange views and ideas in this session.

To start, retain and grow a business is the core concept behind any commercial activity. With global village shrinking further, populations, without boundaries, are coming even closer with each passing day. In this scenario, cut-throat competition has forced organizations to look at the ways and means to improve the bottom line i.e. *profitability*.

Global business trends in the last decade or so are to generate revenue and cut costs. Therefore, it is not surprising to see a world class brand in the largest shopping mall of the most-advanced city, tagged with '*Made In*' of a very far away and less-developed country. This is all due to outsourcing.

Information Technology is no exception. In fact it was among the first sectors that realized the potential of outsourcing. Companies in USA started to outsource functions of their businesses to specialized firms, first inside USA and then to anywhere where they find it cost-effective. As a result IT outsourcing has now become a viable, sustainable and specialized business itself at a global scale.

Pakistan was very much behind to catch up this global trend. Companies and institutions were reluctant to share their information with external entities. Most of the local companies started to get outsource business from the west as off-shore business activity. Once established, the concept penetrated into local mindset. Increasingly companies have now started to outsource IT activities.

In financial sector desktop and network support is the largest area that has been outsourced so far. Hundreds of branches of banks are now looked after by companies that has trained, specialized staff to support the bank staff for their daily hardware/network related issues. This is also the trend in many MNCs and large industrial groups. With increasing confidence, the financial sector, especially, wanted to do more on this side.

Fortunately, the Central Bank, that regulates the banking industry in a most professional way, realized this and has issued IT Outsourcing Guidelines for the banks. Banks can now outsource many activities that were not allowed before. Even ATMs are now working on fully outsourced model, except for cash and bank account handling. Call Centers have been outsourced. Large banks have now actually outsourced many application-related activities that were not even thinkable before.

In the Telecom sector, the growth has been remarkable in Pakistan, in a very short span of time. Resources were limited and Telcos have to look towards the industry, which has responded very well. Document maintenance is mandatory for Telcos, some MNCs, banks and medical institutions. Physical archiving had become a big problem for retrieval

and perseverance due to huge volumes and costs involved. Document archiving solutions now made it possible for companies and institutions to electronically save images of the physical documents that can very easily be retrieved and processed. Most of this activity has been outsourced to local Pakistani companies that have either developed their own systems and/or have deployed foreign solutions. In either case they have done a remarkable job. The resulted information saving is extremely cost-effective and solved many regulatory and security issues of national level at an affordable cost.

In the software field, with the active support and patronage of PSEB and Trade bodies representing interest of IT Industry, software houses have so far developed thousands of applications and programs for other local and foreign companies. This is a continuous, on-going exercise that has generated million of dollars of precious foreign exchange for the country, and saved another millions of dollars that otherwise would have been paid to foreign companies to deploy solutions.

Overall, the IT outsourcing has contributed significantly for the growth of IT industry and boost of economy. When one consider the alternates of doing business at their own, this contribution is even more significant. The savings for companies have improved their profitability. IT outsourcing has generated thousand of skilled, professional, well-paid jobs. It has also created a young, energetic and innovative generation of entrepreneurs, some of whom have performed wonders. In short, IT outsourcing has indeed created a win-win situation for everyone. The Government of Pakistan will continue

to encourage this growing trend and support all such initiatives offered within the legal and regulatory frameworks.

Thank you!