From a country known more for pyramids, sphinxes and sand, Egypt has undergone an impressive metamorphosis and truly blasted onto the outsourcing scene in 2009, argues Toby Brown

EGYPT

Egypt has taken the UK by surprise, moving from almost nowhere to become an IT and outsourcing powerhouse in less than twelve months. As is usually the case, there has been a fair amount of legwork behind this sudden ascension going back far beyond 2009.

On the political stage Egypt is not known to be a big player, gaining more notoriety for its sometimes harsh legal system. However, the country packs more of a punch on an economic level. Unbeknownst to many, Egypt ranks second only to South Africa in GDP for the entire African continent. The country has not reached this lofty position through luck however – much of its recent economic growth has been driven by its incumbent government.

In 2005, Prime Minister Ahmed NAZIF's government reduced personal and corporate tax rates, energy subsidies, and privatised several enterprises. The aim was to make Egypt a better place to do business and encourage interest from outside investors.

This led to a huge stock market boost and has seen GDP grow at about seven per cent each year since 2006 to reach $444.8bn in 2008. Such impressive reforms and growth has won praise from the World Bank who placed the country in the world's 'Top 10 Most Active Reformers' for the fourth time in a row.

But it's not all rosy. As with most countries involved in the global economy, Egypt has also been hit severely by the worldwide financial crisis. Though not sinking as deeply as many, the country's GDP growth slowed significantly in 2009. With current estimates stating figures as low as 4.5 per cent. The global slowdown has clearly wreaked its havoc on the Egyptian economy. But the country hasn't rested on its laurels in the face of this adversity, responding through trade diversification.

The UK's trade relationship with Egypt has a long history, going back almost 200 years. Traditionally this trade has been in oil and gas, with the UK being Egypt's fourth-largest export market. However, in 2008, as with the US and UK before it, Egypt became a net importer of oil. For this reason the government and businesses are investing in new export markets to maintain economic growth – the most successful of these is IT and business process exports.

A FLOURISHING IT INDUSTRY

Since 2008, Egypt has been investing in the development of its nascent IT industry through its dedicated Information Technology Industry Development Agency (ITiDA). While such development agencies are often underfunded government committees, Egypt appears serious having invested millions into the industry's promotion and development. In 2009 for example, few industry events went by without seeing the now well-known 'Egypt-on' and ITiDA liveries heavily displayed.

Of course, promotion alone cannot create a quality offshoring destination. Egypt backs itself up with some impressive statistics. For example, a recent report, 'The Shifting Geography of Offshoring', saw global management consulting firm, A.T. Kearney place the country sixth in its Global Services Location Index due to the country's skilled, low-cost workforce. This is boosted through the country's 300,000 new graduates each year, who have particular strengths in IT and languages.

The importance of funding both on the ground development alongside promoting a country elsewhere, has been demonstrated by Egypt's various educational initiatives. Egypt's European Language Programme is training more French, German, Italian and Spanish speakers. While EduEgypt initiative, an unprecedented university intervention programme, aims to train 20,000 professionals ready for the IT and BPO industries annually by 2012.

This is supplemented by a second programme which is aiming to train an additional 20,000 professionals in the same time frame.

Churning out so many graduates for the outsourcing industry has allowed Egypt to keep costs relatively low. Though due to its overall economic development, it cannot compete with much of Asia or its sub-Saharan rivals, the country still promises to be 20 per cent cheaper than Eastern Europe and North Africa.

THE RIGHT PLACE, THE RIGHT TIME

On the ground, Egypt has invested in the 'outsourcing city' concept that has proved popular in other offshoring locations. Its 'Smart Village', an IT-focused centre on the outskirts of Cairo, now accommodates 20,000 outsourcing workers, with capacity for another 60,000. Its 'Maadi Contact Centre Park' in Cairo, scheduled for completion in 2012, will hold 45,000 BPO workers. Growing the industry around dedicated business parks has allowed the installation of top-level infrastructure and built-for-purpose real-estate rather than attempting to adapt existing premises.

As with most African locations, Egypt benefits from its timezone positioning, being only two hours ahead of London and within a few hours of most big European capitals. Flight times are also attractive as Egypt can be reached within approximately four hours from major European locations.

All these factors have worked in the country's favour over the last few years, especially in 2009. The country has grown from not making outsourcing shortlists to a real contender competing with the biggest established players. Extensive deregulation and privatisation has seen a wealth of new investment, both from multinational call centre providers and companies purchasing services from the

country. For example, in the past 18 months the country has secured several major international contracts such as a new Cisco contact centre, a $10m contract from Google and a pledge from HSBC for a new regional contact centre. Companies currently investing in the region also make an impressive list, from financial giant, Citi Bank through to IT company, HTC.

However, while ITiDA has succeeded in creating much interest in all things Egypt, it is important to recognise the still nascent nature of its market. Its largest BPO centre seats 3,000 people, a middling-sized centre compared to many of the Indian giants. Likewise the largest application and development centre is owned by IBM with just 500 seats.

This said, observing the success that ITiDA has had in 2009 despite the global recession, more growth in profile and business 'on the ground' can only be expected in 2010. Testament to ITiDA's heavy investment is the ICT sector's (including BPO) continued 20 per cent annual growth rate. This is likely to continue in 2010 as the country's talent pool is clearly large enough to absorb many more contracts.

Captive outsourcing, made popular through deregulation, also looks set to see increasing interest. As a result of the ongoing growth of many 'new' offshoring destinations around the world and Africa coming to the fore as a new sourcing talent pool, it seems 2010 could really be time to look again at Egypt.

EGYPT: KEY STATISTICS

POPULATION SIZE:
77.4 MILLION

GOVERNMENT:
SEMI-PRESIDENTIAL REPUBLIC

CAPITAL CITY:
CAIRO

GRADUATES PER ANNUM:
300,000 GRADUATES

LANGUAGES SPOKEN:
ARABIC, ENGLISH, FRENCH

TIME ZONE:
GMT + 2 HOURS

SPECIALIST OUTSOURCING SECTOR:
IT, BPO