

## Invest In Egypt

# Communications and Information Technology

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## Communications and Information Technology

### Sector Overview

Egypt's communications and information technology sector is a leading global outsourcing destination ranked sixth on A.T. Kearney's 2009 Global Services Location Index. This puts Egypt ahead of competitors including the Czech Republic, the UAE, Poland, Canada, Australia and Ireland.

In 2008/2009, the CIT sector has sustained an annual growth rate of 14.5%, and received about EGP 44.4 billion of issued capital flow that recorded a growth rate of 26% since 2006. Moreover, the sector generates annual revenues of EGP 40.97 billion and contributes 3.8% to real GDP.

Egypt is a regional powerhouse of CIT innovation and is planning to expand further. The Ministry of Communications and Information Technology has set a goal of US\$ 3 billion in annual revenues from the sector by 2010, and is working hard to achieve that target.

Leading global players ranging Intel and Oracle to Orange and Vodafone have established product development divisions and call centers serving global operations. Home-grown players are making their marks nationally, regionally and globally.

Egypt's CIT businesses cover the entire sector. Call centers based in Egypt serve customers worldwide at all ends of the value chain. Software developers produce Arabic-language solutions for major global software packages and plug-ins for popular English-language programs from Adobe and Microsoft, to name but two. A research-based technology house created part of the global WiMAX standard. Niche businesses conduct research and data mining operations, and still others focus on telecom and infrastructure projects.

The total number of direct employees in the CIT sector reached 181.734 thousand employees in 2009, this figure includes IT, Telecom, Post and Smart village employees.

A key to the success of this industry sector is the close partnership between the government and businesses. In keeping with the government's reform efforts, there has been a significant and ongoing deregulation of the business environment. In response, there was a 67.6% increase in the number of companies operating in the CIT sector in Egypt between 2006 and 2009, recording 3470 company in 2009.

## Competitive Strengths and Capabilities

*Core Areas for Investment: Business process outsourcing, key-process outsourcing, call centers, localization and Arabic-language development*

**A Pro-Business Government and Regulatory Body.** Egypt's Ministry of Communications and Information Technology is widely credited with having created the conditions allowing the sector to flourish. The National Telecommunications Regulatory Authority promotes competition in broadband, fixed-line and mobile telecommunications. And the Information Technology Development Authority helps IT players based in Egypt become more globally competitive.

**A Robust Infrastructure.** Egypt is served by three mobile networks, including Mobinil (a joint venture between Orascom Telecom and France Telecom's Orange), Vodafone Egypt and Etisalat. All three networks are at least 3.5G. Telecom Egypt, The nation's fixed-line player, will soon face competition for the first time from a network that will also have the right to offer WiMAX services. As the incumbent, TE serves 10.31 million subscribers and has a capacity of over 14 million line at the end of 2009. wireless and wireline broadband cover every major urban centre in Egypt.

**A Large and Growing Domestic Consumer Base.** More than 16.6 million Egyptians regularly surf the internet — more than the population of many European countries from which over 1 million subscriber has ADSL line.

**A Skilled Multilingual Workforce.** Egypt generates tens of thousands of university graduates each year that have strong commands of foreign languages and neutral, easy-to-comprehend accents. Of 324.3 thousand university graduates entering the workforce in 2008/2007, about 39.4 thousand received professional CIT training in 2009, compared to the 33.1 in 2008, representing an annual increase of 19%; Egypt has over 181.7 thousand working in the CIT sector.

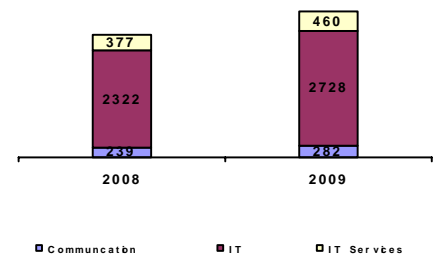
**Critical Mass.** Egypt has emerged as a destination of choice for multinationals looking to establish cost-effective product developments and call centers. Developments such as Smart Village, the premiere technology park in the Middle East and North Africa, create key industry clusters providing high-tech telecom and IT infrastructure.

**Feeder Companies Abound.** Major global and Egyptian companies based in Egypt can call on the expertise of thousands of proven Egyptian niche players.

## CIT Holds a Special Place in Egypt's Economy

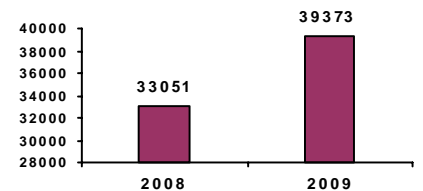
- Egypt has three advanced mobile phone networks. All three either have, or soon will have 3.75 G infrastructure, they serve over 55 million subscribers as of 2009, growing by 34.1% since 2008 – and hitting a penetration rate of 72.13%
- Every landline provides dialup internet access for the cost of a local call.
- There are more than 16.6 million regular internet users.
- Over 1 million subscribers enjoy ADSL line, another 25,000 sign up each month.
- Four major urban centers are testing WiMAX high speed wireless broadband networks (Cairo, Giza, Luxor and Aswan).
- Fixed line subscribers have exceeded 10 million (Urban areas 7.90 million, rural areas 2.57 million).
- The country's network of postal outlets is being reconfigured to be a business communications network as well as points of contact for government services.
- WiFi networks are provided countrywide by businesses, restaurants and cafes for their customers.

Number of companies working in CIT sector



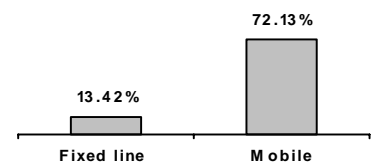
Source: MCIT

Number of specialized ICT trainees



Source: MCIT

Telecommunication penetration (2009)



Source: MCIT

## Policy Support for CIT Industry Investment

- The government's Information Technology Industry Development Agency (ITIDA) supports the IT and BPO industries in Egypt.
- The General Authority for Investment operates a One-Stop Shop that streamlines and expedites investor services — most businesses can incorporate in 72 hours.
- Talent initiatives. Under a new program, 80% of training costs for the first two years are reimbursed to employers. This includes multinational training programs for managers and dedicated training programs for BPO/IT professionals. By 2012, 40,000 new workers will be trained, annually.
- Nile University is dedicated to improving technology-related education, and enhancing the skills of the nation's young labor.
- The Technology Development Fund is a pioneer in IT venture capital financing in Egypt and the MENA region. It has successfully helped turn a number of forward-thinking entrepreneurial projects into thriving companies. In late 2008, the Fund announced the closing of its second venture capital fund, TDF II, at USD 40 million. The first venture capital fund, TDF I with USD10 million in capital is fully vested in several promising companies such as: TimeLine, Opencraft, Si-Ware, and Oztez Online

## Exports

- Egypt has a significant IT and business-processes outsourcing industry in place, serving international customers. Major multinational corporations including Intel and France Telecom's Orange are developing products in Egypt for export to the global marketplace.
- Local players including ITWorx, ITsoft, Sakhr, Harf and Arabize export software ranging from Arabic-language solutions to plug-ins and modules for popular software packages globally. Major MNCs including Microsoft, Adobe and Corel also develop their products in Egypt for global export. New R&D centers in niche areas of data mining and wireless technologies are exporting to major markets as well.
- In 2009, Egypt's total exports from the CIT sector reached USD 1 billion. MCIT is targeting to reach US\$ 1.1 billion of IT exports by the end of 2010.

Sector Drivers	Egypt's Value Proposition	Investor Benefits
Labor Force	In 2007/2008, 324.3 thousand Egyptian obtain university degree, of whom 64.5 thousand leave with commerce degree, 15.5 thousand with engineering degree, and over 4 thousand with IT Degree.	Large potential talent supply with the skill sets necessary to succeed in CIT.
Language Skills	Egyptians speak European languages with a neutral, easily understood accent. Annually, more than 22,000 students graduate with European language skills including English, French, German, Italian and Spanish. Many of these students have studied their second language since primary school.	Large potential supply of talent with the language skills to succeed at all levels of the value chain, from call-center operators to senior researchers at offshore development centers for MNCs.
Infrastructure	Egypt has a state-of-the-art IT infrastructure in place. Submarine fiber-optic cables link Egypt to Southeast Asia, the Middle East and Europe. All landlines have dial-up access. High-speed broadband and wireless networks are in place in major urban areas throughout the country.	Existing state-of-the-art IT infrastructure greatly eases start-up costs, and enhances day-to-day productivity.
Labor Costs	Skilled labor is readily available at reasonable prices. For instance, programmers earn an average of US\$ 4-10 per hour. And, wages are stable — growing only 5% annually.	Consistent and competitive labor costs improve profitability year after year.
Large Domestic Market	More than 16.6 million Egyptians are internet users; every householder with a landline has dial-up access, while ADSL subscribers reached over 1 million users.	A technology-savvy consumer base larger than the entire populations of many European countries is hungry for new products and services.
Proximity to Major Markets	Egypt is close to major CIT consumers in Europe, Africa and the Middle East. It is closer to Europe, the United States and Canada than is India or the Philippines. Just five hours' flight time to most European cities, Egypt is also close to India and Asia.	Strong regional markets and proximity to major export markets.
Proximity to Suppliers	All CIT components are available locally. Egypt is also very close to major CIT component providers in Europe and Asia. Egypt is home to a broad network of skilled service providers.	Easy to find components and to subcontract design and production work.

## Success Stories

### Orascom Telecom

Home-grown Orascom Telecom, established in 1998, is one of the world's top emerging-markets mobile network operators. Orascom Telecom operates GSM networks in Algeria ("OTA"), Pakistan ("Mobilink"), Egypt ("Mobinil"), Tunisia ("Tunisiana"), Bangladesh ("banglalink"), and North Korea (Koryolink). OTH has an indirect equity ownership in Globalive Wireless (Wind Canada) which has been granted spectrum licenses in Canada. Through its subsidiary Telecel Globe, OTH also operates in Burundi, the Central African Republic, Namibia and Zimbabwe

As of September 2009, Orascom Telecom had almost 89 million subscribers.

### Oracle Global Support Center (GSC)

Launched in June 2005, The centre is one of only eight Global Product Support centers across the world, it provides support services to Oracle customers around the globe as a key unit within Oracle's international support network.

GSC now employs over 600 engineers and supports over 100,000 customers in 140 countries. GSC is located in Smart Village and is Oracle's fastest growing center worldwide.

### Xceed Contact Center

The largest and most sophisticated contact center in the southern Mediterranean region, Xceed supports clients on four continents from its offices in Smart Village. It has a current capacity 2,500 web-enabled, multi-channel workstations, expected to increase to 5,000 by the year 2011. Xceed provides business process outsourcing and inbound/outbound integrated customer contact solutions. Established at the end of 2001, Xceed's team supports its clients in Arabic, English, French, Italian, Spanish, Greek, Portuguese and Hebrew.

### Vodafone Global Contact Center

Vodafone Egypt has staff supporting the real-time operations of other Vodafone operators in the United Kingdom, Australia and New Zealand in addition to Group operations. A significant revenue driver for the highly profitable mobile network operator. The contact centre employs 1200 agents with simple to technically complex enquiries in multiple languages: English, Arabic, German and Spanish.

### Alcatel Lucent Egypt

Alcatel-Lucent is a long-term committed market leader in Africa and the Middle East. Headquartered in Cairo-Egypt, it brings a broad range of solutions to meet the diversity of customers' requirements across the region; from basic mobile connectivity to advanced convergence services through IP and broadband technologies.

## Link Development

Link Development is the fastest-growing software exporter in the Middle East and North Africa, serving governments, multinationals and local companies in Europe, Africa and the Middle East. Founded in 1996 as a subsidiary of LinkdotNet, its headquarter is in Cairo and has offices in Italy, the United Arab Emirates and Saudi Arabia. Their clients include Telecom Egypt, Dubai Financial Market, the Egyptian Ministry of Finance, Dubai Civil Aviation, Pfizer, Intel, Mobinil, NSGB, Honda and AlRai TV.

## ITWorx

A global provider of IT services, ITWorx is the largest software professional services firm in Egypt. ITWorx offers portals, business intelligence, SOA and application development outsourcing to top global companies including Microsoft, Vodafone, United Technologies Corporation (Sikorsky, Carrier, Pratt & Whitney), Arab National Bank and a range of governments across the region. The firm's primary clients are financial services operators, educational institutions and telecommunications players.

## SySDSoft

Among the first research-intensive technology development companies in Egypt, SySDSoft designs baseband and RF/analogue circuits for the wireless broadband market. The company's portfolio of products covers technologies including WiMAX, WiFi, Bluetooth and Wireless USB. The company's clients include chip manufacturers, OEMs and OMDs.

## Egypt's CIT Industrial Clusters

**Smart Village** — Founded in 2001 to lead and foster a branded chain of Technology clusters and Business Parks on the local and regional level.

This 67-building cluster of excellence is home to tens of MNCs and top Egyptian IT players employing more than 36,000 people. Among those entities locating in Smart Village are Oracle, Vodafone Egypt, Alcatel-Lucent and Microsoft - to name but a few. With state-of-the-art telecom infrastructure and stunning architecture, Smart Village will soon become home to Egypt's financial services sector when the Egyptian Stock Exchange relocates there. Major financial services players including EFG-Hermes, Citadel Capital and Beltone Financial are constructing offices in Smart Village. Smart Villages Company is currently preparing to open a second Smart Village in the export hub of Damietta.

Highlights of Smart Village's cutting-edge telecom infrastructure includes a high-speed broadband fiber-optic network that connects all buildings allowing networking with other businesses on site and throughout the region. Video conferencing, voice over IP, cable television, private networks, video transmissions and other important global IT business functions are in place or easily enabled.

The Smart Villages Company is a successful model of "Public Private Partnership- PPP" investment model, with 80% ownership to the private sector and 20% to the Ministry of Communications and Information Technology.

Smart Village Cairo was launched in 2003 as the first fully operational technology cluster and business park in Egypt. It accommodates multinational and local companies, governmental, financial authorities and organizations, as well as educational institutions and R&D centers all of which share the sophisticated infrastructure, up to date facility management and a full range of business and recreational services.

By the end of 2009, Smart Village Cairo had hosted more than 28,000 professionals in more than the 120 companies enjoying their presence in the park.

With the growing number of new buildings and companies joining the Smart Village Cairo, the Park is expected to host more than 500 companies and more than 100,000 employees by 2014.

Smart Villages Company is expanding its presence, experience and know-how in different locations, locally and internationally, with a concept plan for Smart Village Damietta Business and Logistics Park, and Smart Village Alexandria Business Park, as well as the Smart Villages Company's Franchise and consultancy Services.

**Maadi CIT Park** — Egypt's first Contact Center Park in Maadi is equipped to cope with the country's fast development in the Communications and Information Technology (CIT) and to benefit from Egypt's exclusive and strategic advantages, namely the availability of qualified and multilingual workforce, excellent infrastructure, strategic location and political stability. The contact center park offers the latest call center technologies, making Egypt one of the top offshore outsourcing contact center destinations in the region.

The Park accommodates 40,000 seats in 40 buildings. The seats are offered in different models: mega, medium and small clusters to fit different needs.

The park provides multiple investment options that cater to the investors' variant needs: renting a space with a competitive rate, constructing and operating according to "right of use" of land with a competitive rate, investing, constructing and leasing according to "right of use" of land with a competitive rate.

#### **Incentives**

- **Human Resources:** The Park provides fully funded training programs according to investor's standards (Curriculum – Duration – Specs). The trainings are offered to the potential recruits from whom the investor will get the opportunity to hire.
- **Telecommunications Infrastructure:** The Park provides custom connectivity and pricing schemes that satisfy different needs along with the processes to be outsourced; per FTE, per hour, or per transaction from which the investor can choose from.
- **Logistical Support:** Through a One Stop Shop, logistical support is provided to the investors during the setup phase and in the initial phases of operation, including facilitating different logistical issues, and ensuring that government procedures are handled expeditiously and efficiently.

## Leading CIT Firms Operating in Egypt

Alcatel-Lucent

[www.alcatel-lucent.com](http://www.alcatel-lucent.com)

Allied Soft

[www.alliedsoft.net](http://www.alliedsoft.net)

Etisalat

[www.etisalat.ae](http://www.etisalat.ae)

IBM

[www.ibm.com](http://www.ibm.com)

Intel

[www.intel.com](http://www.intel.com)

Link Development

[www.linkdev.com](http://www.linkdev.com)

Mentor Graphics

[www.mentor.com](http://www.mentor.com)

Microsoft Corporation

[www.microsoft.com](http://www.microsoft.com)

Motorola

[www.motorola.com](http://www.motorola.com)

Oracle

[www.oracle.com](http://www.oracle.com)

Orange

[www.francetelecom.com](http://www.francetelecom.com)

[www.mobinil.com](http://www.mobinil.com)

Orascom Telecom

[www.otelecom.com](http://www.otelecom.com)

Raya

[www.rayacorp.com](http://www.rayacorp.com)

Satyam Computer Services, Ltd.

[www.satyam.com](http://www.satyam.com)

SySDSoft

[www.sysdsoft.com](http://www.sysdsoft.com)

Teleperformance

[www.teleperformance.com](http://www.teleperformance.com)

Valeo

[www.valeo.com](http://www.valeo.com)

Vodafone

[www.vodafone.com.eg](http://www.vodafone.com.eg)

Wipro Technologies

[www.wipro.com](http://www.wipro.com)

Xceed

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