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COUNTRY SPOTLIGHT:

How Egypt is Meeting Industry Demand with Flourishing IT and Business Process Outsourcing Sectors



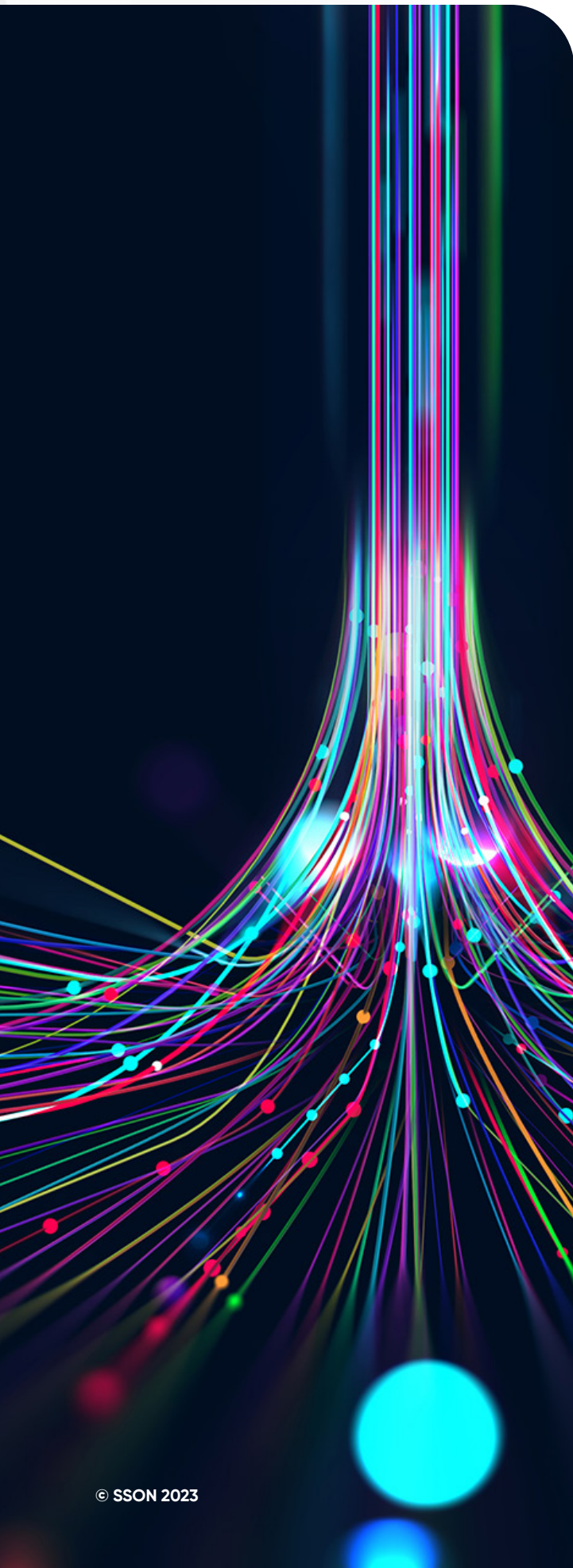


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Introduction

Egypt Strengthens Its Position on the World Outsourcing Stage

Egypt continues to develop its capabilities as a strong IT offshoring and outsourcing hub. With mature MNCs having been situated there for over 20 years, the central location, strong talent pool, and government support have inspired both long-term shared services investment and a recent upsurge in new organizations wanting to come and set up centers. For example, last year the country welcomed 29 different IT offshoring and business process outsourcing (BPO) providers with client lists that span business sizes and industries. Growth like this has resulted in Egypt's information and communication technology (ICT) sector becoming the country's fastest growing sector, with a **16.7% growth rate** during the 2022 fiscal year. The impact of this growth has resonated nationwide as the country's GDP increased 5.9% during the 2022 fiscal year.

These MNCs who have come to Egypt have hit the ground running, and the country has supported them in their expansion which led to the creation of over 34,000 positions and 35 global delivery centers. Additionally, many of these businesses are European and American-based and are planning to triple their size in the country over the next 2-3 years. This recent growth is just one instance of many over the past 20 years, during which Egypt has inserted itself as a mature market for outsourcing.

"These agreements reflect Egypt's conducive business environment and multinationals' confidence in our qualified local talent"

H.E Amr Talaat, MCIT Minister

In November 2022 a signing ceremony was held by the Information Technology Industry Development Agency (ITIDA) to welcome the 29 IT offshoring and BPO providers and recognize Egypt's growing position as a global offshoring and outsourcing hub. During the ceremony, Dr.

Amr Talaat, Minister of Communications and Information Technology, confirmed how these agreements with multinational companies (MNCs) would benefit Egypt.

This confidence is showing in the global business services (GBS) space as well, where the country was voted by The Hackett Group in 2020 as the #16 location for GBS, and #1 in the Middle East and North Africa (MENA) region. The success Egypt has found is due to its ongoing strategy to develop talent, deploy cost competitiveness initiatives, and provide government support to ITIDA and the businesses it works with.



Through the year 2026, ITIDA and Egypt have strategized how they will continue growing the country's offshoring industry. Over the next 4 years, Egypt's vision is focused on tripling the export revenue for the country through digitally-enabled offshoring services, creating long-lasting employment opportunities in the offshoring services sector, and establishing Egypt as a brand name for digital services/technologies such as AI and data analytics.

The goal of this report is to analyze how each piece of this strategy has been effective in establishing Egypt as a global hub for IT offshoring, outsourcing and business centers, as well as how the country plans to continue growing in the years to come. This report will also share the real-life experiences of businesses that have already made the move to Egypt in order to illustrate exactly what it's like to outsource or offshore there. But first, we must establish why the subject of business process outsourcing (BPO) has become more pertinent than ever.

The Resurgence of BPO and Offshoring

BPO is the practice of contracting a specific work process or processes to an external service provider, and in the shared services and global business services (GBS) space, **6 out of 10 organizations** are currently outsourcing.

GBS organizations are going beyond just outsourcing IT help. In today's digital age, it is also common to outsource processes in finance, supply chain, and even HR. Businesses are expanding their use of outsourcing because today's BPO providers are more equipped than ever to handle different businesses' unique processes. They are working with best-in-class tools that enable businesses to seamlessly transfer their processes to the outsourcing agency. Data backs up businesses growing reliance on process outsourcing. According to 2021 data from **Grand View Research**, the business process outsourcing market is expected to grow at an annual rate of 9.4% from 2023 to 2030.

Offshoring is also seeing similar growth globally, and according to a report from **EY and Parthenon**, the offshoring services industry is expected to be worth \$546 billion by 2026. IT offshoring specifically will be the main focus of this growth, which according to **BusinessWire**, will have a growth rate of 6.68% through 2027.

Egypt has positioned itself to become one of the global leaders in BPO and offshoring thanks to factors such as location, technological infrastructure, and cost effectiveness, which are some of the important attributes businesses are looking for when selecting a BPO. This shows when looking at the impressive list of businesses that have set up in Egypt, including PepsiCo, Sutherland and Amazon to name a few.

Egypt's Desirable Location

Geographically speaking, Egypt is positioned as a great place to open a business center. Thanks to its central position globally on the Mediterranean and access to multiple waterways that reach several continents such as Asia and Europe. This premium location is important for offshoring because it allows businesses to expand their global reach and presence. Additionally, the country is in a flexible time zone that makes communicating with Egyptian-based employees convenient for people based across the world. Egypt is several hours behind outsourcing favorite, India, and thus in many ways better able to serve Europe and the US.

Dell Technologies has had a presence in Egypt since 2009. According to **senior executives from Dell**, Egypt has been rated one of the "best" locations in the world for investment and growth.

Tom Bangemann, Head of Research and Development for SSON Research & Analytics recently spoke to the value of the MENA region, saying "for most, MENA is one of the less obvious choices for GBS to locate to. Nevertheless, there are some very interesting options. Based on SSON R&A databases, salary levels can be almost as low as in India. The footprint in several locations in the region is growing. Talent is still abundant. As an addition to the global GBS footprint, the region will most likely profit from the issues in other parts of the world."

In the next section, we will dive into another advantage Egypt possesses, which is a resilient and agile workforce.



The Growing Egyptian Workforce Meeting the IT Skills Demand

On the global stage, there is fierce competition to attract technologically and digitally savvy talent. This scarcity is directly impacting IT departments. A September 2021 survey from **Gartner** states that IT executives list talent shortages as the most significant barrier to the adoption of 64% of emerging technologies, ahead of cost and security. That is an incredible increase from only 4% in 2020.

This shortage was caused by a variety of regions, such as the acceleration of digital transformation initiatives caused by the pandemic, the ongoing great resignation, and organizations failure to upskill their employees in new technologies.

ITIDA recognized this shortage and saw it as an opportunity for the Egyptian workforce. Each year Egypt has 600,000 college graduates enter a workforce that is already heavily represented by people under the age of 40 (71%). According to a 2021 report by **EY and Parthenon**, 80% of Egypt's working population speaks English and other European languages, compared to 20–65% in other leading offshore destinations. The educational background and skills of Egypt's workforce are valuable benefits in demonstrating Egypt is a strong outsourcing hub.

Another aspect that stands out about the Egyptian workforce is the support systems that have been put in place to build knowledge capabilities for the younger demographic. The Egyptian government has been sure to

assist these young workers by continuing to establish more job fairs and workforce development initiatives through the Ministry of Communication and Information Technology (MCIT), which aimed to **train 200k Egyptian and invested EGP 1.1 billion in 2022** in order to transform their young people into qualified IT professionals and outsourcers.

Over the past several years ITIDA has also hosted virtual job fairs that inform people about Egypt's rise as a global outsourcing hub and the growing opportunities in the ICT field. These job fairs are targeting Egypt's younger generation of post-graduates and giving them the tools to shape their business and digital skills, as well as a focus on the value-added services that are setting Egypt apart from any other outsourcing hub.



Preliminary Results Promise Long-term Success

So far, these initiatives are already driving the desired results for the Egyptian workforce. According to ITIDA, these workforce training programs, such as job fairs and the **Egypt FWD program**, are rapidly accelerating the digital skills of young professionals and are giving them the ability to remain resilient in the face of adversity. As of December 2022, the **34,000 new jobs ITIDA has assisted in creating** are spread across the business process services sector (21,000), the IT services sector (10,500), and the engineering, development, and research sector (3,000).



Company Spotlight

PepsiCo's Investment in Egypt

PepsiCo first landed in Egypt in 1948, introducing its world-famous beverages to the Egyptian market, and ever since, it's always been focused on sharing and creating happy moments with every sip and every bite and through its inspiring story about passion and empowerment.

With the commitment and vision to become the fastest growing FMCG company in Egypt, PepsiCo Egypt now owns 8 operational facilities and 34 distribution, fueled by the passion and dedication of 15,000 employees.

PepsiCo is also committed to exemplifying the "Faster, Stronger and Better" strategy in the market with the focus on becoming Faster by winning in the marketplace, and Stronger by transforming our capabilities, costs, and culture, and Better through integrating purpose into business strategy and doing more for the planet and for the people.

Under the Stronger pillar, PepsiCo has globally established its Global Business Services (GBS) in 2019; leveraging global scale to fuel PepsiCo's growth by building Capability, driving Agility, and delivering Productivity. GBS operates globally through 6 centers in Mexico, Poland, Russia, India, China and Egypt, providing services covering HR, Commercial, Supply Chain, Global Procurement, Marketing and Financial Planning. Cairo Business Services currently employs 179 PepsiCo employees serving the Middle East, Africa, Pakistan and Europe markets, with plans to expand to other markets and functions over the coming period.

Over last year, PepsiCo Egypt had achieved a tremendous milestone to support the state's digital transformation efforts. The company has signed a cooperation protocol with ITIDA, which is bound to extend to three years; through which it aims to increase Egyptian exports of information technology products and services including shared services by encouraging PepsiCo Egypt to expand its services and markets.



Company Spotlight

Amazon's Experience Bringing 22 Delivery Centers to Egypt

Amazon launched in Egypt in 2021. At Amazon Egypt, we remain customer-obsessed as we continue to innovate and use global technologies to bring the best experience for our customers, while at the same time staying relevant.

We continue to focus on three main factors, which customers care about the most – offering great prices, a wide selection, coupled with fast and reliable delivery – bringing value, convenience, and delight to our customers. We currently have a robust infrastructure, which includes a Fulfilment Centre in the 10th of Ramadan, storing millions of items and providing customers with a wide selection of

products. This is in addition to 22 delivery stations across cities including Cairo, Alexandria, Tanta, Ismailia, and Assiut, and several established corporate and customer service offices. We also launched a new Customer Service Centre in Egypt, which provides a wide variety of opportunities ranging from customer support to technical and managerial roles in customer service, quality assurance, training, and communications. Amazon Egypt's collaboration with ITIDA provides opportunities for Egyptian talent to join the Customer Service Centre serving many countries around the world.

Egypt's High Investment in Business-Friendly Practices is Already Yielding ROI

Egypt has not shied away from improving its technological infrastructure. In recent years the country has invested more than \$2bn into evolving its internet infrastructure upgrades, and results are already beginning to show. Egypt is now ranked 4th in cybersecurity index ranking for the MENA region by the International Telecommunication Union and have improved nine spots in the digitization index.

These investments aren't just reflected by an investment in technological improvements, but also by the steps ITIDA has taken to foster a collaborative work environment in office spaces.

For example, Egypt has continued to assess commercial office spaces in the country and have made Grade A and B office spaces up to 1 million square meters available for potential investors. Similarly, Egypt has supported growth through innovation by giving businesses valuable space in the form of 8+ high-tech and knowledge parks scattered across the country.

The results from this investment is paying off, with Egypt becoming a popular hub to find starts ups and established MNCs. According to a report from **Wamda**, Egypt was recognized as having the most start-ups in the region, with 33% of all start-ups in MENA located in the country.

Furthermore, Egypt and ITIDA have embraced the remote and hybrid work models prompted by the COVID-19 pandemic. Initiatives introduced by ITIDA during the pandemic boosted remote working and supported opportunities for freelancing. This strategy has enabled businesses from around the world to work flexibly with the delivery centers throughout Egypt.

This growth in office space reflects the Egyptian government's willingness to establish a pro-business ecosystem throughout the country, and the government has created policies and regulations that make Egypt more

attractive to MNCs. These initiatives have been focused on continually building Egypt as a regional digital hub, and have promoted and developed digital transformation, digital skills, digital infrastructure, and a legislative and regulatory framework. Specifically, the Egyptian government has created data protection laws that fall in line with GDPR and established intellectual property rights centers that protect the innovative ideas Egypt is looking to bring in.

The ecosystem Egypt has fostered has strengthened its position as one of the world's quickest growing digital economies, with a current digital export revenue of \$4.9 billion, which is expected to increase by \$1 billion annually as more business comes into the country. So far, the efforts to build up a technological infrastructure and compelling office spaces are paying off for Egypt, as the country has attracted Fortune 500 companies to do their IT offshoring and outsourcing within their borders.



Adding Value Through Cost-Efficiency

One of the main pillar's businesses seek when looking to offshore their IT work and other business processes is cost effectiveness. They are seeking an outsourcing provider who will manage business processes efficiently but at as low a cost as possible. Fortunately for many global businesses, Egypt is one of the most affordable countries on the planet. In fact, Egypt has been rated one of the top ten least expensive countries in the world.

This is reflected in the price of labor in Egypt. Per EY, cost arbitrage for Egyptian talents is up to 60% in relation to other leading regional offshoring hubs. This is on top of the fact that ITIDA has invested heavily in making their workforce skilled in IT and outsourcing, so businesses are not only working with quality talent when they come to Egypt, but it is also inexpensive. This attribute is very impactful in the IT space, where talent is becoming increasingly hard to come by and more costly.



Support from Egyptian government

One recurring theme throughout this report has been the Egyptian government's willingness to support its IT offshoring and BPO sectors by any means necessary, and we yet again see it in the steps taken to keep the cost of doing business in Egypt low, and thus enticing more MNCs to outsource in the country.

The Egyptian government has made it cost-effective to do business in their county through two strategies, **incentives and tax breaks**. In January 2022, ITIDA revised its incentive program to last for the next four years. The program provides incentives in the form of annual reimbursement, and the figure is determined based on the operating expense per new hire. These incentives vary based on the types of services new hires are delivering offshore but extend for three years after the new hire and are available to foreign companies provided that services are being exported.

The tax reductions and exemptions Egypt is offering are also helping the company become a premier IT offshoring and BPO hub, especially when it comes to technology development. As of 2023, Egypt is currently **offering 30 to 50% corporate tax reduction**, as well as customs and tax exemptions to machines, tools and equipment being brought into tech parks.

By offering so many perks, Egypt is ensuring the best of the best are bringing their business centers to the country and are providing them with employees that flawlessly execute IT offshoring and BPO best practices



Company Spotlight

Sutherland's BPO Experience in Egypt

Sutherland established a wide range of global business operations in Alexandria, Egypt in 2010 bringing a Business Process Outsourcing company into the region as a result of expanding its global customer experience. For over 35 years, Sutherland continue growing across the world, and with Egypt's strong geographical position, the company's mission in expanding its operation successfully thrives across the region producing thousands of professionals and two large offices in the country.

Sutherland Egypt brings broad-based individuals and multilingual professionals into a global operation within its core of developing and thriving support in the industry. Leading the transformation of the industry in the region in its first site in Egypt, Alexandria supports multiple languages across the world - Arabic, English, Japanese, French, Korean, Turkish, Polish, German, Dutch, and Portuguese are the main languages supported by Alexandria site while the newly built Sutherland office in Cairo focuses on delivering and supporting the English language globally.

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Conclusion

ITIDA and Future Opportunities in Egypt

ITIDA's mission is to make Egypt globally competitive in the IT and BPO industry through well designed programs, workforce development initiatives, and policy advice. So far, the organization has found incredible success and has been responsible for establishing a mature outsourcing and Shared Services hub with several Fortune 500 companies opening sites in Egypt.

Throughout this report, we have laid out the competitive advantages businesses have to outsourcing in Egypt. We first looked at Egypt's vast and educated workforce, and the steps ITIDA is taking to train the younger generation in IT and BPO skills. Next, it was an analysis of the country's efforts to build a strong business ecosystem, one that has a solid technological infrastructure and the necessary office space. Finally, we observed Egypt's cost-friendly business

practices that are making the country more desirable than any other outsourcing hub in the world.

In the months and years to come, ITIDA plans to keep its momentum rolling as it continues to work with Egypt's business-friendly government. The organization will continue its workforce development programs that are giving young Egyptians the IT, BPO, and language skills they need to thrive in global business. Additionally, ITIDA will continue working with the Egyptian government to analyze more opportunities for incentives and tax breaks, which can potentially lead to an entrepreneurial environment and further innovation within Egypt. These initiatives will continue propelling Egypt as a globally recognized offshoring hub, and **ITIDA** is anticipating even more business centers to begin opening in the country.



www.itida.gov.eg

Contact us

The IT Industry Development Agency (ITIDA) is the executive arm of the Egyptian Ministry of Communications & Information Technology. Since its establishment in 2004, ITIDA has been spearheading the development of Egypt’s IT and business services industry to increase its global competitiveness. ITIDA acts as a strategic partner and key advisor for foreign investors looking to leverage Egypt for their global delivery of services. ITIDA’s 5 Main Pillars:

- Market**

1 Driven Skills Development
- Enabling**

2 Digital Transformation
- Stimulate**

3 Growth in Innovation
- Attract FDI**

4 & Increase Digital Exports
- Enabling**

5 Business Environment



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The Shared Services & Outsourcing Network (SSON) is the largest and most established community of shared services and outsourcing professionals in the world, with over 170,000 members. Established in 1999, SSON recognized the revolution in support services as it was happening and realized that a forum was needed through which practitioners could connect with each other on a regional and global basis. SSON is a one-stop shop for shared services professionals, offering industry-leading events, training, reports, surveys, interviews, white papers, videos, editorial, infographics, and more.



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