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*EITPA*  
*IT Researches in Ethiopia*  
*and*  
*IT & Outsourcing Opportunities in Ethiopia*

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*Operating as Offshoring 2.0 Technology Services, PLC in Ethiopia*

- The global market economy is more integrated today than it has been in the past five years or ten years ago.
- As a result every nation feels instantaneously the cause and effect of the actions taken by the global market mover's.
- Whether we like or not we are part of this global market phenomenon that shapes, controls and destroys our economy in the way we know it today.
- Today, every nation feels the effects of the Chinese and Indian economies stretching into their own economies in more than one industry sector in our everyday life.
- The Chinese industry has risen to undisputed prominence in many economic sectors with its massive over-investment in manufacturing
- China has become the world's production Mecca, producing products at times below the cost of the raw materials required to make the products locally.
- On the other hand, the Indian ICT Industry has emerged as the undisputed powerhouse for all ICT related products and services.
- The Indian ICT Industry has grown to \$38 billion industry in a matter of 30 years,
- 90% of the growth is realized in the last 15 years.
- Today 50% of Fortune 100 companies in the US outsource their product and services to India or have their own in-source facility in India.
- India has become the world's ICT Mecca.

## *Ethiopia has Socio-economic Problems Like the Rest...*

- Ethiopia has similar socio-economic problems like the rest of the nations that have embarked on developing the ICT Industry Sector.
- An average per capita income of \$116, has 36% of its population living under poverty and 42% unemployment among 18 years and older population in the urban areas.

### **In Summary:**

***We need to look at the above socio-economic problems as opportunities, with the proper education and training, it can be turned around to fuel the ICT sector development in a relatively short time, here is why:***

- Lower wage structure than the competition countries
- Abundance Human Resource
- English speaking population
- Committed government to ICT Development
- Ready infrastructure for ICT enabled services

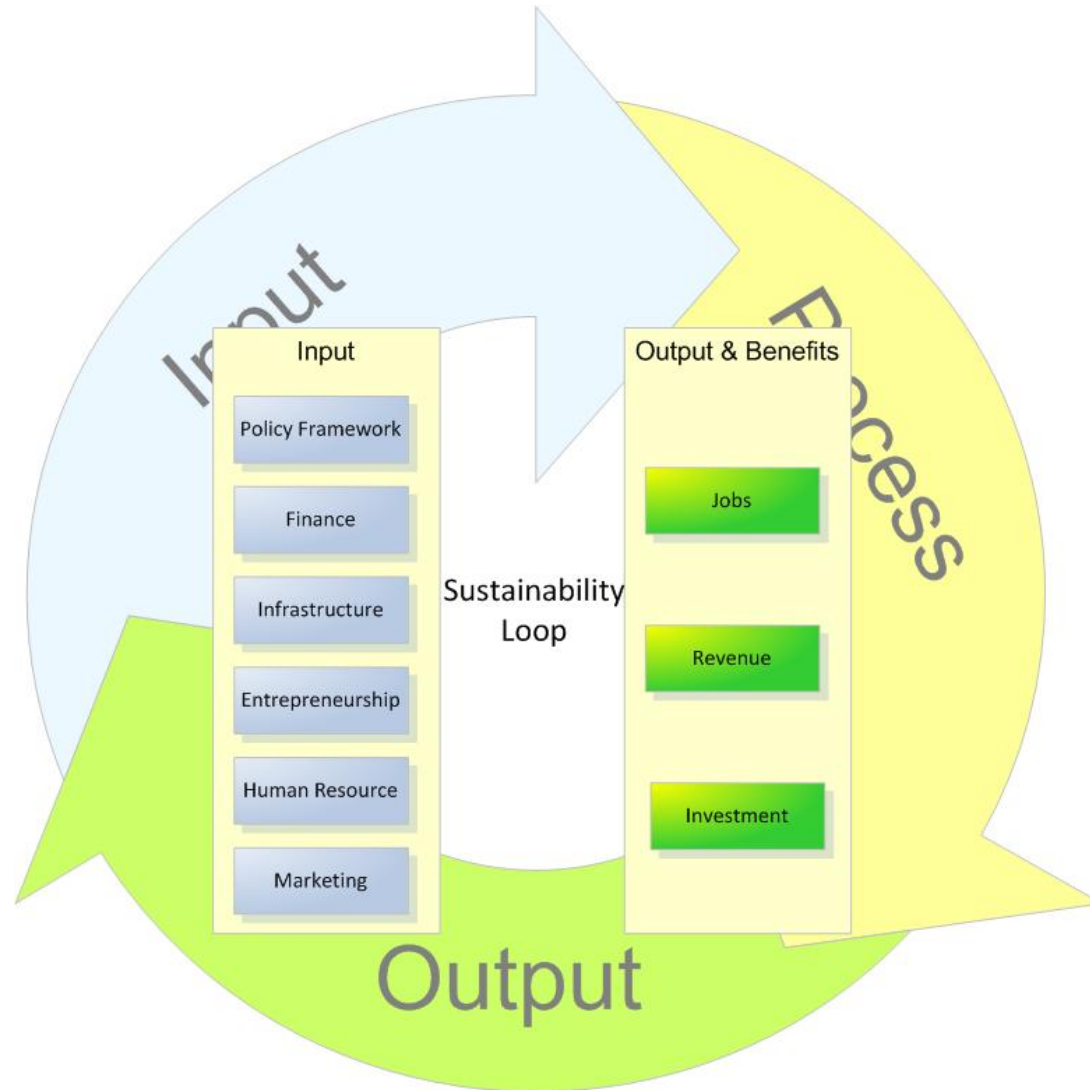
## **The Fundamentals are favorable for those who can harness it...**

- Ethiopia has favorable fundamental conditions for ICT Sector development specially for the export of ICT products and related services.
- These fundamental conditions are imperative capabilities needed for a successful development of the ICT sector:
  1. Ethiopia will have one of the largest fiber optics networks in Africa with redundant international connections through Sudan, Djibouti and VSAT link. Ethiopia will enjoy one of the lowest Internet access cost structures among the non-developed nations in short order.
  2. Ethiopia's federal government commitment to ICT as demonstrated by the investment made to date to create an ICT literate society. The most inter-networked public school systems and districts in the world due to "SchoolNet" and "WeredaNet" initiatives.
  3. Most importantly the commitment to develop a world-class hi-tech ICT Technology Park and the establishment of ICT Incubator to help foster and nurture ICT related businesses in Ethiopia.
  4. Ethiopia can deliver ICT products and services at one-eighth of the cost of India while increasing three folds today's cost structure in this sector.
  5. Last but not least, a world class ICT promotion capability in terms of sales and marketing to promote Ethiopian ICT Industry Sector worldwide.

*In order to create the next pillar of the economy based on ICT, the Ethiopian government should enable conducive environment for ICT development in Ethiopia.*

Complex “Value Chain” requires the coordination of government, public and private sector to realize the vision.

ICT Sector Development				
Infrastructure Development	ICT Sector Development	National Policies and Regulatory Framework	Human Resource Development and ICT Culture Promotion	eGovernment
Technology Park	Government Guaranteed Fund	Policies	ICT Culture Promotion	Public Sector eGovernment
Telecommunication	Training Incentive Program	Legal Framework	ICT Education in Primary and Secondary Schools	Information Security
	Incentive to Attract Professionals to Emerging Sectors	Government Institution Setup	Human resource Development	Electronic Transaction Act
	Promotion of ICT Sector Abroad	Liberalization of Telecommunication	Capacity Building at the Tertiary level	
	ICT Investment Board			
	ICT Development Incentive Program			
	ICT Incubator			



- **Action Required**

- Revise ICT Policy to incorporate BPO model
- Enactment of Cyber Laws which shall address the Data Protection and Privacy Laws – Companies who are willing to outsource need their customer data protected
- Laws should be enforced and awareness on the laws spread across all key stakeholders
- Establish clear guidelines for investment in the BPO industry

- **Action Required**
  - Financial support for startups in form of Grants and Incentives to be extended to BPO operators
  - Start up costs of the following
    - Infrastructure
      - Telecommunications costs
      - Bandwidth
      - Computer hardware and related software
      - Furniture and fittings
      - Power backup systems
    - Skills development - Training
    - Premises rentals and Construction – Technology Park
  - Provide incentives such as tax holidays

- **Action Required**

- Establishment of low cost connectivity access for BPO operators;
- Bandwidth costs Subsidy for BPO Operators through e.g. World Bank (cf. Kenya)
- Provision of sufficient and reliable power supply should be ensured;
- Set up well serviced Information Technology Parks where premises can be provided at subsidized rates. The IT Parks would also enable defining Special Economic Zones (SEZ) for firms that operate within these IT parks.
- Promote private sector to develop, build and operate IT parks as PPP or as purely privately owned venture. This would assist Government in avoiding heavy investments in the development of the facilities.
- Encourage private sector investment in telecoms for voice, data and video (esp. for last mile solutions) through investor-friendly policies eg. ease of establishment, tax waivers/holidays, etc.

- **Action Required**

- Potential Local entrepreneurs should be sensitized and encouraged to invest in BPO industry.
- Financial institutions should be brought on board and offered training to understand how BPO industry operates and encouraged to extend equity financing.
- Targeted Global vendors and Multinational firms to be encouraged to invest in the BPO industry in Ethiopia.

- **Action Required**

- HR Training should be of highest priority, as BPO is a “people intensive” business.
- Targeted training courses to be developed and arranged to meet major segments of the BPO industry.
- HR training for BPO operators to be subsidized by:
  - Providing grants for BPO Training
  - Train-the-Trainer approach
- Accrediting Centres to offer training in BPO

- **Carry out an aggressive marketing campaign including the following:**
  - Branding the Ethiopian BPO Industry
  - Conduct International and Local Advertising campaigns to attract investment and vendors
  - Promote linkages with BPO providers in other countries eg. India, China, South Africa, etc.
  - Promote local and international media campaigns would boost local investors confidence
  - Positioning and participation in targeted international exhibitions and conferences
  - Promote international conferences to be held in Ethiopia for international vendors as well as local investors



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*What is the Output?*

- **Benefits** =  $f(F, P, H, I, E, M)$   
=  $\beta_1 F + \beta_2 P + \beta_3 H + \beta_4 I + \beta_5 E + \beta_6 M$

$$\Sigma \beta = 1;$$

### **Where**

F - Finance  
P - Policy framework  
H - Human resource  
I - Infrastructure  
E - Entrepreneurship  
M - Marketing

### **Partnership**

Public/Private  
Public  
Public/Private  
Public/Private  
Public/Private  
Public/Private

- **The following are assumed in Year 1:**
  - 30 firms each with A capacity of 150 to 200 call centre agents/data entry operators per shift
  - Two shifts recommended per day
  - Operating area - 5000sq. Metre space.
- **Output**
  - A maximum total number of jobs created will be  $30 \times 200 \times 2 = 12,000$  Jobs in Year 1

- **Supporting 10 more firms in years 2 and 3 yields the following output.**
- **Ten firms employ about 4,000 call centre agents and/or data entry operators, that is 400 per company**
- **20,000 jobs in three years can be created**

	Year 1	Year 2	Year 3
Number of jobs	12,000	16,000	20,000

- **The following is assumed :**
  - 8 hrs days work at a rate of \$6 per hour for each agent/operator.
  - 12 months each 30 days
  - Yr 1 Revenue = \$6 x 8 hrs x 30 days x 12mo. x 12,000

	<b>Year 1(1/2 yr)</b>	<b>Year 2</b>	<b>Year 3</b>
Number of agents	12,000	16,000	20,000
Annual revenue	US\$103,680,000	US\$276,500,000	US\$345,600,000

- **Generate \$724 Million in revenues in 3 years**
- **It requires \$10 Million investment over 3 years**
- **Not a Rocket Science**





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## *eVentive's BPO Strategy*

## *Our Strategy is Simple and Straight Forward*

- We cannot wait for the government to have everything ready to begin BPO Outsourcing – ***It is our responsibility as well***
  - We will invest in Ethiopia on ICT Enabled service for export and domestic consumption – ***Generate foreign currency and build the domestic ICT Industry***
  - Provide ICT and BPO capabilities to domestic corporations so that they can compete globally – ***Enable other sectors with ICT, increase productivity, efficiency and revenue***
  - We will focus on Offline outsource model for export and Online outsource model for domestic customers – ***Launch ICT services that the infrastructure allows today***
  - We will train and build capacity of our resources in using BlueNile SED Boot Camp in the areas of:
    - Work Culture
    - Teamwork
    - Technology Fundamentals
    - System Development Methodology
    - Soft skills (time management, presentation, project management, etc)
    - Project Simulation
- Build the human resource capacity and structure so that we can sustain growth and have repeatable business model***
- We will act as the industry advocate to EICTDA – ***Help build ICT as the next pillar of the economy***

- **We've been working with the Addis Ababa municipality and EICTDA since November of 2004 to establish Technology Park**
- **Developed the ICT Industry Sector Development Framework for Ethiopia in May 2005 for EICTDA**
- **Established the first software outsourcing facility in Addis Ababa in July 2007 – with 20 technical resources**
- **We've invested over 20 million birr in BPO Operations to date**
- **We have a Fortune 16 company's entire division (\$6 Billion Turnover division) software development outsourced in our facility in Ethiopia**
- **We have three domestic companies Outsourcing their entire IT Services and BPO to us in (Financial, Hotel and Transport) sectors**

- **We have 37 technical resources here in Addis soon to be:**
  - 60 in January '09
  - 120 in June '09
- **We've established a 20 seat call center soon to expand to hundreds of agent seats in 2009**
- **Building three regional BPO centers by partnering with regional governments in 2009**
- **In March '09 (CeBIT - Hannover) we will be showcasing our BPO Services**  
**"BPO Outsource Destination - Ethiopia"**



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## *The Industry Challenges*

- **Lack of government incentives to promote investment and support the establishment of BPO operators in terms of:**
  - Facility
  - Tax holiday
  - Duty free on software, hardware and furniture
  - Reduced tariff on telecom services (Internet, Voice, etc)
  - Lack of specialized telecom service such as E1, VoIP, 9xx numbers for business, etc
- **Rapid rising of salaries due to inflation**
- **Employee retention and attrition**
- **Professional work culture of 24X7x365 not universally accepted in Ethiopia**
- **Prohibitive Cost-of-Entry to establish BPO operation due to Capital Expenditure requirements**
- **Lack of financing options for BPO Operators or to recoup sunk-in establishment costs through investment incentives**



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## *BPO Services to Offer*

*Building conducive business environment will create the right atmosphere for innovation since innovation is the key driver for wealth creation and economic competitiveness*

The high-end activities that should be targeted are:

- Software development
- Multimedia activities
- Web-site creation
- Internet applications
- 3 D Animation
- Graphical design
- IT Managed Services
- Back Office operations
- Telemarketing / Call Centers
- Data backup and Disaster Recovery Centers

Business Process Outsourcing (BPO) activities such as:

- Invoicing services
- Financial or Administrative operations related to accounting
- Financial reporting
- Credit/Debit card services
- Treatment of Bank Check
- Treatment of taxes
- Transcription services (medical and legal)
- Document management
- Database management
- Hosting of web-sites and databases
- Network and systems management
- Treatment of reclamations
- Data capture and treatment



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*End*

*Thank You*