Experts

by Dr. P.K.Mukherji, President & Managing Partner, Avasant Asia

Africa- The Next Outsourcing Frontier

Countries across Africa are trying to position themselves as competitive destinations for IT/ BPO by promoting low-cost labor and nurturing conditions for a build-up of world class IT infrastructure.

Following in the footsteps of India and the Philippines, countries across Africa are trying to position themselves as competitive destinations for IT/ BPO by promoting lowcost labor and nurturing conditions for a buildup of world class IT infrastructure. These nations are leveraging their advaantage of younger demographics, population with good English and Frenchl anguage skills, a high degree of cultural alignment to Western countries coupled with a similar timezone to Europe and a shared business culture. The countries are realigning their focus to address the paradigm shift in the outsourcing arena and are developing comprehensive strateggies to rapidly position themselves as attractive destinations for IT/BPO services opportunities and to gain considerable marketshare.

A number of African nations are regaining traction as emerging IT/BPO destinations. While South Africa leads Africa's BPO sector; performing call center services and all types of backoffice operations, in the continent, other nations across the continent are emerging as favorable outsourcing destinations. Countries like Kenya, Ghana, Egypt, Mauritiuus, Tunisia and Morocco are using outsourcing as a key tool to alleviate themselves from the current situations to achieve Economic Proogress and prosperity. Most of the African nations are using their differentiated version of the *"four-pronged approach"* to attract BPO companies: taxbreaks; competitivet elecommunication rates; training funds; and marketing aid.

Rank	Country	Finan cial	People & Skills	Business	Total Score
1	India	3.13	2.48	1.3	6.91
2	China	2.59	2.33	1.37	6.29
6	Egypt	3.07	1.2	1.37	5.64
7	Philippines	3.19	1.17	1.24	5.6
15	Ghana	3.26	0.7	1.36	5.32
17	Tunisia	2.86	0.91	1.45	5.22
25	Mauritius	2.32	0.95	1.77	5.04
26	Senegal	3.06	0.88	1.08	5.03
30	Morocco	2.62	0.93	1.42	4.97
39	South Africa	2.28	1.02	1.44	4.74

Source: AT Kearney Global Services Location Index 2009

Vast Talent Availability, Untapped The Next Billion

Second only to Asia, Africa provides access to a large pool of youthful workers. The continent, in its entirety, has a favorable demograpphic wherein majority of the population is in the less than 25 years age group. To illustrate, South Africa and Egypt are the leading nations, each contributing a labor force of over 20 million. Following them are nations like Ghana, Kenya and Morocco, each with an available workforce at or around 11 million workers.

However, inspite of the availability of a reasonably large labour pool, a very small percentage of the pool is directly deployable in the industry. Challenge for most of these countries is to provide traiining to the labour pool to increase the level of skill for deployment in the induustry. It is thus imperative for them to bring a larger cross section of the population into the labor force

and transition to a global services-centric model. In this evolution, these countries are investing in skills development and enhancement to enable their vast young population to take up jobs in the growing services sector.

	Total Population	<14 years	51–64 years	Labor Force
Morocco	34,343,220	31%	64%	11.39 million (2007 est.)
South Africa	48,782,756	29%	66%	20.49 million (2007 est.)
Mauritius	1,274,189	23%	70%	574,000 (2007 est.)
Kenya	37,953,840	42%	55%	11.85 million (2005)
Ghana	23,382,848	38%	59%	11.29 million (2007 est.)
Egypt, Arab Rep.	81,713,520	32%	64%	22.1 million (2007 est.)
Tunisia	10,383,577	23%	70%	3.593 million (2007 est.)

Source: CIA Factbook 2008, July 2008 estimates

Vast Continental Market Opportunnity

Africa also has the fastest growing telecommunications industry. The total number of mobile subscribers in Africa is expected to reach500 6600 Million by 2013. Nigeria alone, being the most populous country in Africa, has over 74 million subscribers and is growing at the rate of 23 percent each year.

South Africa and Egypt lead the banking sector in Africa, with both these nations succcessful in attracting foreign banks to operate in the local market. In 2008, Egypt attracted FDI of $13B, outpassing South Africa's $8.5B. Kenya's 45 commercial banks posted a 14 percent growth, while Nigeria grew at 15 percent in 2009. With a low rural penetration, Kenya, has less than 10 percent of its population utilizing banking facilities. This offers a great opportunity for growth in the African banking system. These are expected to further propel the growth of the BPO industry in the region because of the need for better customer service in the growing industries.

Africa-Outsourcing Market Drivers

- Multi-lingual Delivery Capability
- Near Shore advantage for Europe and
- proximity to Middle East Markets
- Access to local market economies which
- is growing at 5–6 percent
- Improving infrastructure and connectivity

As per International Monetary Fund (IMF), the gross domestic product (GDP) of the African region has been growing 5 to 6 percent annually, since 2001. In parallel, foreign direct investment into the region has shown significant growth since the turn of the century. Governments of a number of countries with support from international organizations like the World Bank and The Commonwealth Trade Development have been proactively working towards attracting investment into the IT& BPO sectors.

As per IMF, GDP of the African region has been growing 5 to 6 percent annually, since 2001. In parallel, FDI into the region has shown significant growth since the turn of the century

Conclusion

While the world still views Africa as a region marred by conflicts, corruption and health issues, governments in many countries are taking the lead on branding their countries, by putting out right positive messages and countering the negative perceptions. Countries in the region are taking the lead to make the infrastructure in the leading cities world class so that they become destinations of choice for providing best in class global services and making them conducive to do business.

A positive case for outsourcing is built not just with labor cost arbitrage but coupled with multiple key drivers such as a nation's ability to provide and sustain a host of catalysts, such as a sustainable output of industry ready talent pool, availability of quality infrastructure, a risk free macroeconnomic environment, financially attractive incentives and business structures, employment laws, quality of life etc. Investors in Africa today, are finding considerable benefits from leveraging the vast multilingual talent pool, competitive cost structures, proximity to European and Middle East markets and the growing domestic markets.

Hence there is a need for a concentrated effort by regional governments to analyze internal strengths and weaknesses to build a specific niche. In parallel, countries need to undertake macrolevel development across sectors to enhance available skills, brand and position their respective countries and put in place necessary incentives to boost further investment in the region. GS

Dr. P.K.Mukherji is President & Managing Partner, Avasant Asia