Emerging Markets and Countries for Outsourcing

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Produced by: Elix-IRR Partners LLP

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Introduction

❑ This analysis takes the form of:

    ❑ An overview of emerging / tier 2 outsourcing countries

        ❑ Overview of countries and qualitative comparison
        ❑ Profile per country
        ❑ Assessment of potential relevance for Financial Services (FS)

    ❑ Analysis and opinion is primarily in the form of subjective assessment derived from:

        ❑ Elix-IRR's experience
        ❑ Market perceptions and publically available information

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Scope: List of Offshoring Locations Reviewed in this report

☐ *Reviewed in Emerging Markets report*

North America
- US Tier 2 (e.g. Florida, Texas, etc.)
- Canada
- Mexico

Central America
- Panama
- Costa Rica
- Caribbean (Barbados, Jamaica, Trinidad, etc.)

South America
- Brazil
- Chile
- Argentina
- Colombia
- Uruguay

Western Europe
- UK Tier 2 (Belfast, Glasgow, etc.)
- Ireland
- Spain

Central & Eastern Europe
- Poland
- Czech Republic / Slovakia
- Hungary
- Russia
- Ukraine
- Romania

Middle East & Africa
- Israel
- Jordan
- Egypt
- Morocco
- Tunisia
- Algeria
- South Africa
- Madagascar
- Ghana
- Senegal
- Kenya

China
- Tier 1 (Hong Kong, Shanghai, Beijing)
- Tier 2 (e.g. Dalian, Hangzhou, etc.)

Southeast Asia & Oceania
- Singapore
- Philippines
- Thailand
- Vietnam
- Indonesia
- Malaysia
- Korea
- Australia
- New Zealand

Indian subcontinent & Indian Ocean
- India
- Pakistan
- Sri Lanka
- Mauritius

Scope: Selection Rationale

Country	In scope?	Rationale
North America		
• US Tier 2 locations	N	Not emerging – well understood
• Canada	N	Not emerging – well understood
• Mexico	Y	Most prevalent Central American centre for US BPO
Central America		
• Panama	N	Small scale, little differentiation to Mexico
• Costa Rica	N	Small scale, little differentiation to Mexico
• Caribbean (Barbados, Jamaica, Trinidad)	Y	Emerging English language BPO centre
South America		
• Chile	Y	Largest , most stable of Spanish language offshore centres in South America
• Brazil	Y	Major emerging world economy, IT hub for South America
• Colombia	N	Similar to Chile, but more politically unstable and risky
• Uruguay	N	Mainly providing outsourcing services to local Montevideo banks

Scope: Selection Rationale

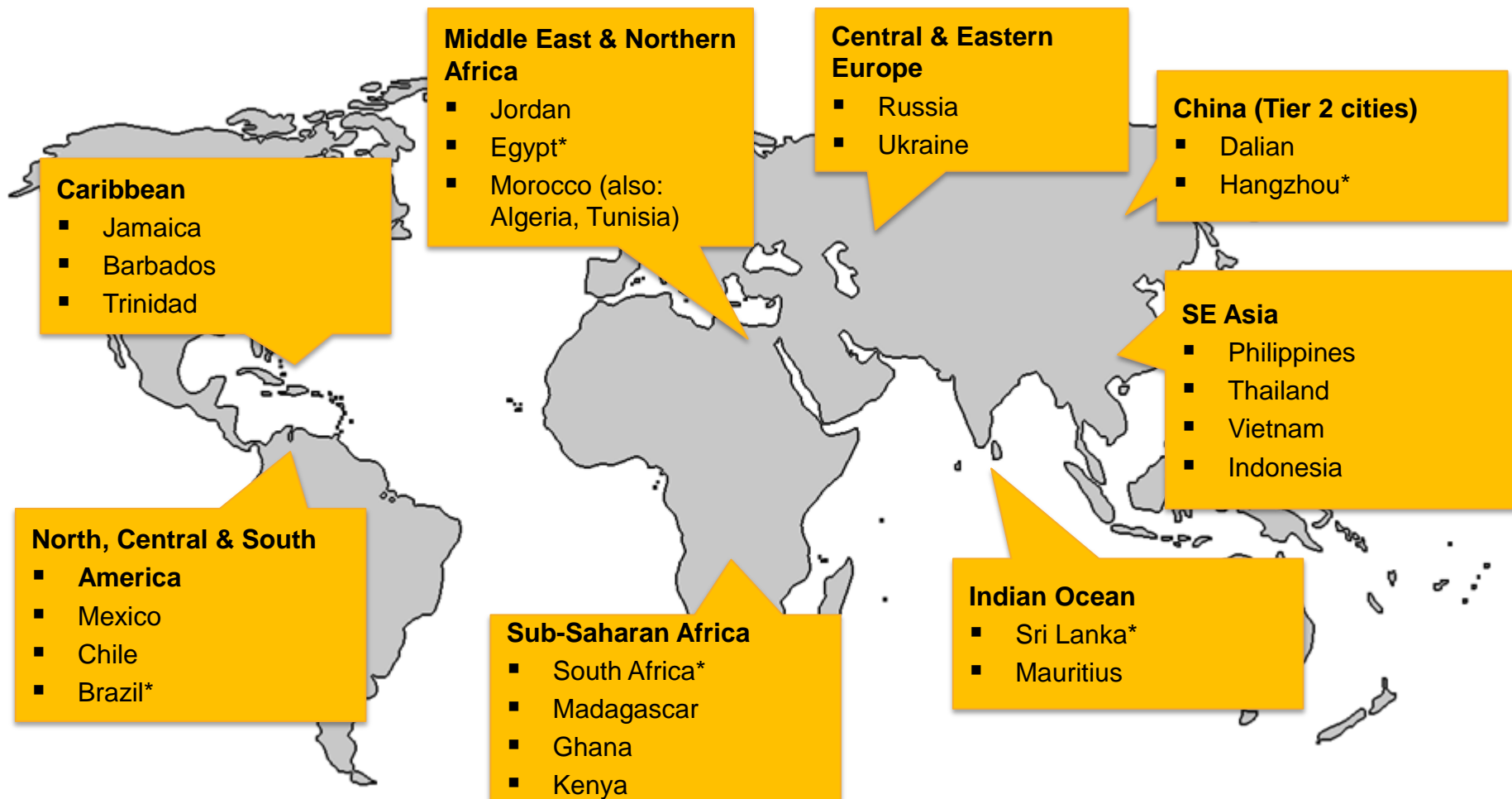| Country	In scope?	Rationale
Western Europe		
• UK Tier 2 locations	N	Not emerging markets – well understood
• Ireland	N	Not emerging market, limited arbitrage for UK/US due to Euro
• Spain	N	Not emerging market, limited arbitrage for UK/US due to Euro
Central & Eastern Europe		
• Poland	N	Relatively mature BPO centre, reduced arbitrage opportunity
• Czech Republic / Slovakia	N	Relatively mature BPO centre, reduced arbitrage opportunity
• Hungary	N	Relatively mature BPO centre, reduced arbitrage opportunity
• Russia	Y	Financial centre, large graduate pool, major emerging economy
• Ukraine	Y	Next outsourcing centre in Eastern Europe, good IT skills, lower cost of salary and real estate than Poland/ Czech Rep/ Hungary, large graduate pool
• Romania	N	Relatively minor BPO centre, similar to other Eastern European countries in profile
Middle East & North Africa		
• Israel	N	Strong infrastructure but limited arbitrage and unrest dissuades some businesses
• Jordan	Y	Emerging IT centre for the Arabic world
• Egypt	Y	Potential emerging alternative to Eastern Europe
• Morocco	Y	French language skills, most developed as offshore centre out of Morocco/ Algeria/ Tunisia trio

Scope – Selection Rationale

Country	In scope?	Rationale
Middle East & Africa (cont'd)		
• Tunisia	N	Similar to Morocco but less established
• Algeria	N	Similar to Morocco but less established
• South Africa	Y	Strong F&A and FS BPO, English language and good time zone
• Ghana	N	Very immature, limited talent pool
• Senegal	N	Very immature, limited talent pool
• Madagascar	Y	Very low cost, emerging as secondary location for Mauritius
China		
• Tier 1 cities	N	Relatively mature BPO centres, reduced arbitrage opportunity
• Tier 2 cities	Y	Major emerging world economy, huge resource pool, government investing heavily in certain cities (e.g. Dalian, Hangzhou)
South East Asia & Oceania		
• Singapore	N	Mature centre for FS but costs approaching those of other major centres such as HK, London, New York
• Philippines	Y	Major outsourcing centre, particularly for US companies
• Thailand	Y	Emerging centre with large resource pool, current standing as a regional operations centre for Southeast Asian businesses
• Vietnam	Y	Emerging IT outsourcing industry, favoured by Japanese businesses for low cost
• Indonesia	Y	Similar opportunities to Vietnam and Thailand

Scope: Selection Rationale

Country	In scope?	Rationale
South East Asia & Oceania		
• Malaysia	N	Main centre in Kuala Lumpur is not an emerging market – well established delivery centre. However emergence of Tier 2 centres may require a review of this status
• Korea	N	Strong manufacturing base but limited track record of outsourcing
• Australia	N	Mature FS service centre, limited arbitrage available
• New Zealand	N	Limited arbitrage and small resource pool, isolated location
Indian Subcontinent and Indian Ocean		
• India	N	Not an emerging centre – global leader in ITO and BPO
• Pakistan	N	Politically unstable, weak infrastructure
• Sri Lanka	Y	Stabilising and potential satellite for Indian CoE
• Mauritius	Y	Strong language skills, major outsourcers already established

Map of Emerging Countries for Outsourcing

Middle East & Northern Africa
- Jordan
- Egypt*
- Morocco (also: Algeria, Tunisia)

Central & Eastern Europe
- Russia
- Ukraine

China (Tier 2 cities)
- Dalian
- Hangzhou*

Caribbean
- Jamaica
- Barbados
- Trinidad

SE Asia
- Philippines
- Thailand
- Vietnam
- Indonesia

North, Central & South
- **America**
- Mexico
- Chile
- Brazil*

Sub-Saharan Africa
- South Africa*
- Madagascar
- Ghana
- Kenya

Indian Ocean
- Sri Lanka*
- Mauritius

* Medium or High potential relevance for FS institutions
Note: Country list not intended to be exhaustive, indicator of primary emerging delivery centres

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Summary Descriptions of Emerging Outsourcing Countries

North, Central & South America (including Caribbean)

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
Mexico	✓	✓	✓		• Spanish language support for US businesses (especially retail banking) – mainly BPO and call centre, some infrastructure management • Robust infrastructure • Seen as complementary to other offshore centres rather than standalone
Chile	✓		✓	✓	• Spanish language support to US and Spain • Politically and economically stable relative to other South American countries (largely escaped the hyper-inflation seen in other South American countries, e.g. Argentina, Brazil) • High-value BPO and KPO services already established – e.g. Evaluserve has FS research and analytics delivery centre in Valparaiso
Brazil	✓	✓	✓		• Rapidly growing world economy, population of over 180 million • South American 'Silicon Valley' at Curitiba ensures strong IT talent pool • Language barriers mean most ITO/BPO services are consumed domestically • Tax and bureaucracy issues also dissuade international outsourcing business
Caribbean	✓		✓		• English language contact and BPO centres • Low-risk political environments • Talent pools relatively thin in terms of specialised graduates – basic BPO only • Jamaica already has 15,000 employees in the outsourcing industry

Summary Descriptions of Emerging Outsourcing Countries

Middle East & Northern Africa

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
Jordan		✔	✔		• Strong IT capabilities • Most favourable business environment in the Middle East outside the UAE • Fairly small talent pool, limited language skills • Rated #9 outsourcing location by AT Kearney 2009
Egypt	✔	✔	✔		• Location and time-zone convenient for European businesses • Strong talent pool compared to the rest of the region • Investments in infrastructure • Major government incentives • Security and political stability risks remain • Offshoring Destination of the Year , 2010 European Outsourcing Association Awards • #6 ranked outsourcing location, AT Kearney 2009, # 20 Gartner 2010
Morocco	✔				• French language skills • Good location for European business support • Relatively small talent pool and moderate costs • 25,000 BPO workforce – including Dell, Telefonica, SocGen/ CapGemini • Rated #26 outsourcing destination, Gartner 2010

Summary Descriptions of Emerging Outsourcing Countries

Sub-Saharan Africa

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
South Africa	✓	✓	✓		• English as 1st language for much of population, cultural fit for W Europe / US • Strong graduate pool (90k p.a.) • Deep F&A pool; high numbers of CFAs, accountants, actuaries • Reasonably robust infrastructure (some issues on electricity grid) • Convenient time-zone for European markets • Good transport links • Relatively mature delivery centre capabilities (Accenture, IBM) plus domestic FS centres (which could be used for BPO) • Established FS hub for the region • Now regarded as stable with good data security record • Rated #17 outsourcing location by Gartner 2010
Madagascar	✓		✓		• Unstable, politically and economically • Low cost French speaking resources, typically used back-to-back with more mature Mauritius outsourcing delivery centres

Summary Descriptions of Emerging Outsourcing Countries
China

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
China (Tier 2)		✓	✓		• Dalian and Hangzhou are emerging as major ITO & BPO centres for China • Increasingly popular for support of Southeast Asian businesses (Hong Kong, Japan, Singapore), especially for FS • Still face large concerns over data and IP security and bureaucracy • Heavy investment in so-called 'Base Cities' in technology and transport infrastructure • Hangzhou plans to become a leading national city for FS outsourcing by 2015 – already has revenues of c. $210 million from 13 Financial Services centres, including State Street and several Asian banks • Hangzhou included in 'Ones To Watch' list in 2009 KPMG report on Top APAC outsourcing locations • Microsoft have established the first Cloud Computing centre in China in Hangzhou • Dalian is established as a major regional hub for IT services • Hi-Tech Zone, Software Park and University of Technology • Major international outsourcers have already established delivery centres (Accenture, IBM, HP, Infosys, Dell, GenPact)

Summary descriptions of Emerging Outsourcing Countries
SE Asia

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
Thailand & Indonesia			✓		• Recent political instability hampering growth • Low cost labour without the hyper-inflation seen in other offshore locations • Limited language capabilities for international offshore services • Indonesia has a lean pool of suitable graduates due to the poor education system • Infosys' acquisition of Philip's operations centre has established the first major BPO capability in Thailand
Vietnam		✓	✓		• Small but strong growth in software development off-shoring – particularly popular with Japanese businesses • IBM and Infosys already have a presence in the country • Hampered by education problems similar to other Southeast Asian countries (40% of workforce have no formal training or skills)
Philippines	✓	✓	✓		• Second largest provider of offshore services after India, approx. 15% of global offshore market • Traditionally it served the contact centre market, particularly the US markets, but now, it is increasingly moving toward IT and non-voice BPO services • Large pool of English-speaking IT and accounting graduates • Total 2009 IT-BPO revenue = $7.2 billion, employing > 400,000 people
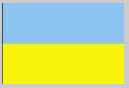
Summary Descriptions of Emerging Outsourcing Countries

Indian Ocean

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
Sri Lanka		✔	✔		• Political situation stabilising • Near to Indian hub of offshoring • Availability of F&A skills – many resources trained in elements of UK accounting practice • FS presence – HSBC centre established in 2005 • Low cost compared to India but with far lower real estate costs
Mauritius	✔		✔		• Established delivery centres (e.g. Accenture and Infosys) • English and French language skills • Stable • Small country – limited growth potential

Summary Descriptions of Emerging Outsourcing Countries

Central & Eastern Europe

Country	Primary Services				Comments
	Contact Centre	ITO	BPO	KPO	
Russia		✔	✔		• Cost in major centres has limited arbitrage against Western European locations • Increasing multi-lingual graduate pool, strong education system with high number of technical graduates • Many FS institutions already have presences in Russia for domestic business and some have begun to leverage there for offshore services; particularly software development capabilities - LSE, Thomson Reuters, Deutsche Bank all have application development functions in Russia • ~#20 in Gartner 2010 rankings
Ukraine	✔		✔		• Strong technical resource pool for ITO but relatively immature as offshore centre • Lower cost than more mature offshore centres in Czech Republic, Hungary and Poland – potential alternative location now that arbitrage for those centres has narrowed significantly • Barcap has announced the creation of an IT CoE in Kiev • Political and economic instability dissuade many businesses from significant investment

Qualitative Assessment of Countries

○ = Poor
● = Excellent

COUNTRY	Financial Attractiveness	Political En-vironment	Talent Pool	Infra-structure	OVERALL	Relevance for FS	Comment
China	●	◐	◔	◔	◔	High	Major emerging economy, huge resource pool, strong government support
Egypt	◔	◐	◐	◔	◔	High	Potential as alternate to ME and E Europe
Sri Lanka	●	◔	◔	◐	◐	High	Strong F&A, stabilising, could be managed by Indian hub
South Africa	◐	●	◐	◐	◐	High	F&A strength, Time zone & language convenient for Europe, FS centre for region
Philippines	◔	◔	◔	◔	◔	High	Major mature global offshore centre, especially for English language BPO/ call centres
Brazil	◐	◔	◐	◔	◔	Medium	Large IT pool, emerging global economy but mainly domestic, language and bureaucracy barriers
Mauritius	◐	●	◔	◔	◐	Medium	French & English skills, major DCs established by MNC outsourcers
Vietnam	●	◐	◔	◔	◐	Medium	Popular for Japanese business, very low cost
Chile	◐	●	◐	◔	◔	Medium	Spanish language support, KPO centre, government incentives
Jordan	◐	◐	◐	◐	◐	Medium	Potential for ME business support, especially in IT
Morocco	◔	◔	◔	◔	◐	Low	Niche French language centre
Russia	◔	◔	◐	◐	◔	Low	Insufficient return on investment required
Ukraine	◐	◔	◐	◔	◔	Low	Immature but potential Eastern Europe alternate in future
Thailand	◔	◔	◐	◐	◐	Low	Southeast Asian support, low cost but recent stability issues
Indonesia	◔	○	◔	◔	◔	Low	Southeast Asian support, low cost but stability issues
Madagascar	●	○	○	○	◔	Low	French language back up to Mauritius only
Mexico	◔	●	◔	◐	◔	Low	Similar to Chile but more relevant for US dominant businesses/Spanish language
Caribbean	◔	●	◔	◔	◔	Low	Limited skill base - suitable for US contact centres

N.B. Order based on relevance for FS. Position within same ranking does not indicate any relative value, e.g. Brazil is not ranked 'more relevant' than Chile

Country Profiles

Profiles are provided for the following countries, rated medium or high relevance to FS institutions:

1. China
2. Egypt
3. South Africa
4. Sri Lanka
5. Philippines
6. Brazil
7. Mauritius
8. Vietnam
9. Chile
10. Jordan

Country Profile - China

Background

- Popular offshoring destination for Japanese, Korean and Hong Kong businesses or to support company operations in Japan, South Korea and Southeast Asia

- In 2007, China's onshore and offshore outsourcing market was worth only $7.5 billion in revenue p.a., but by 2009, it had risen to £13 billion in revenue p.a.

- China now recognised as a 'mature location' by Everest Group, a classification given previously only to India and the Philippines for operating over 50 delivery centres for leading global suppliers and Fortune 2000 captives

Major Outsourcers / Captives

- The following companies have captive centres in China: Microsoft, Citi, GE, HSBC, UPS, Pfizer and Sanofi Aventis

- Leading outsourcesuppliers with Chinese delivery centres include: Accenture, HP, IBM, Infosys, TCS and Wipro

Summary Data

Area	Data
Major Cities	Beijing, Shanghai, Dalian
Population	c. 1,338.6 million (2010)
GDP	$4.9 trillion (2009)
Official Language	Mandarin

Skills Availability

- Talent Pool Rated 'Good', Education system 'Good' (Gartner 2010)

- 6.1 million university graduates in 2009, more than 730,000 of which are engineering graduates, compared to 490,000 in India, 70,000 in the United States and 23,000 in the UK

- Multi-lingual language skills in Japanese, Korean and other Chinese dialects (e.g. Hong Kong Cantonese)

Positive and Negative Factors

- ✓ Provides large supply of low cost outsourcing resources
- ✓ Increasingly popular destination for low cost software development
- ✓ For Western companies dealing with clients or companies with Asian headquarters, there are cultural and language advantages
- ✓ Setting up delivery centres in China gives companies a good foothold into the domestic Chinese market in addition to serving clients in East and Southeast Asia

- ✗ Lack of strong English language capabilities and cultural affinity to Western companies among Chinese workers
- ✗ Lack of strong IP protection and regulation (software products easily duplicated) and concerns around data security/ privacy
- ✗ China is many time zones away from Western countries, especially the US, creating difficulties in communication

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Country Profile – China - Assessment

Criteria	Rating	Comment
Financial Attractiveness	●	• On average, a Chinese software developer with similar education and experience will cost half of what he /she will cost in India • Real estate costs in Tier 2 cities far lower than major Indian cities
Socio-Political Environment	◑	• Strong government support for growing the outsourcing industry • Chinese government has now made English a mandatory subject at primary schools through to universities • Difference in cultural fit with Western businesses • Tax relief, low interest rates and subsidies given specifically to outsourcing oriented companies.
Talent Pool	◕	• China produced nearly 70,000 PhD graduates in 2009, 4,000 of which specialised in computer science • In Shanghai alone, its engineering graduate pool is 30,000-40,000 p.a. which provides around 4,000-5,000 p.a. of employable pool with good English skills • China also benefits from large number of high quality Chinese talents returning from the UK, US and Canada with top degrees • China also benefits from large Indian outsourcing firms such as Infosys, Wipro and TCS setting up in the country to support their existing Indian labour to deliver large scale contracts with improved cost-effectiveness • Availability of commercially experienced people – large companies like Microsoft, Oracle and IBM all have R&D centres in China and most Fortune 100 companies have set up Chinese operations • Over 300 million people actively learning English in 2010
Infrastructure	◕	• China invests £370 billion p.a. on infrastructure - major projects to ensure steady power supply and high speed broadband in big cities • New software parks with state-of-the-art facilities in major cities, e.g. Dalian Software Park and Beijing Zhongguancun Software Park (known as China's "Silicon Valley")
OVERALL	◕	Current major outsourcing destination for East and Southeast Asian operations and IT services, but with large global potential

Relevance for FS

High

- ❏ Labour cost is almost half of that in India
- ❏ High levels of government support for outsourcing and IT businesses
- ❏ Opportunities in China tend to be in IT and R&D/ engineering rather than BPO
- ❏ Large talent pool of hard-working skilled engineers, IT developers and technicians

Country Profile – China – Gartner 2010 Ranking

Ranking No. 19

Key:	
Poor	1
Fair	2
Good	3
Very Good	4
Excellent	5

Criterion	Rating
Language	Fair - 2
Government support	Good - 3
Labour pool	Good - 3
Infrastructure	Very Good - 4
Education System	Good - 3
Cost	Very Good – 4
Political and economic environment	Good -3
Cultural compatibility	Fair - 2
Global & Legal Maturity	Fair - 2
Data and intellectual property security and privacy	Poor - 1

Total Score: 27/50

Country Profile - Egypt

Background

- ❑ Emerging as the major outsource destination for MENA region
- ❑ Majority of business and industry is located in and around Cairo and Alexandria (Egypt's largest port)
- ❑ Increasingly secular government (religious political parties are outlawed) has helped stabilise Egypt in recent decades

Summary Data

Area	Data
Major Cities	Cairo, Alexandria
Population	c.82 million (2008)
GDP	$162.28 B (2008)
Official Language	Arabic

Major Outsourcers / Captives

- ❑ IBM (more than 500 developers)
- ❑ HP / EDS
- ❑ Orange Business Services
- ❑ Oracle (Global Support Services)

Skills Availability

- ❑ Talent Pool Rated 'Fair', Education system 'Good' (Gartner 2010)
- ❑ c. 90,000 graduates p.a.
    - ❑ Multilingual; 30,000 p.a. with English language, 3,000 p.a. with French language skills
    - ❑ 14,000 p.a. technical/ engineering degrees
- ❑ Young population (avg. 24) with high unemployment (9-10%)

Positive and Negative Factors

- ✓ Strong government support and incentives– ITIDA (Information Technology Industry Development Agency) offers tax breaks, 90% training subsidies and price matching on telecommunications and infrastructure costs
- ✓ Competitive costs of operation - fully loaded cost per FTE is claimed to be on a par with India (higher salary but lower real estate)
- ✓ Good location for Europe – 4 hour flight, 1-2 hours time difference
- ✓ Improved IP protection – piracy rate below global median
- ✓ Multi-lingual labour pool

- ✗ Political/ social stability risk – largely authoritarian government, terrorist attacks in 2005-2006
- ✗ High levels of corruption – ranked 110 out of 180 in 2009 rankings, highest outsourcing destination excluding Philippines
- ✗ Limited experience in 'higher level' BPO processes - mainly basic contact centre activities; many of these activities are already offshored elsewhere
- ✗ Currency is currently artificially pegged to USD - could be a disadvantage in the event of a US recovery

Country Profile – Egypt - Assessment

Criteria	Rating	Comment

Financial Attractiveness	◕	• Low total costs – on a par with/ slightly above India due to lower costs of real estate
		• Incentives;
		  • Network infrastructure costs matched to other offshore locations
		  • Tax breaks for business investors
		  • 90% subsidy on vocational training
		• Lower cost of knowledge transfer due to location/ time zone
		• Risk of currency being tied to USD – has benefitted Egypt in last 3 years but could have adverse affects vs. other centres in future

Socio-Political Environment	◑	▪ Government relatively stable but authoritarian; aging leader with no succession plan may cause unrest in near future ▪ Very strong political support for outsourcing businesses – dedicated government body set up to grow the industry ▪ Good cultural fit with Middle Eastern businesses, less so for Western Europe/ US ▪ High levels of corruption concern for confidential data though piracy position has improved dramatically
Talent Pool	◑	• Large population, high unemployment • Large graduate pool from a reasonable education system • Currently basic BPO/ some AD only – no great diversity of skills • Established delivery centre industry in IT and basic BPO • Reasonable English language skills • Lower attrition than India
Infrastructure	◕	• Reasonably robust technology infrastructure in major cities • Interior transport is weak but international connections to Europe and elsewhere are good • Cost discrepancies subsidised by government
OVERALL	◕	Key emerging centre for MENA region, may become viable alternative to Eastern Europe BPO

Relevance for FS

High

❑ Low cost alternative to Eastern Europe

❑ High levels of government support for setting up businesses

❑ Immature capabilities – this is an 'invest' rather than a 'sweat' opportunity so probably not a short term play

Country Profile – Egypt – Gartner 2010 Ranking

Ranking No. 20 (tie)

Criterion	Rating
Language	Good - 3
Government support	Good - 3
Labour pool	Fair - 2
Infrastructure	Good - 3
Education System	Good - 3
Cost	Fair - 2
Political and economic environment	Good -3
Cultural compatibility	Good - 3
Global & Legal Maturity	Fair - 2
Data and intellectual property security and privacy	Fair - 2

Total Score: 26/50

Country Profile – South Africa

Background

- ❑ Politically and socially stabilising and open for international business since the end of the Apartheid regime in the early 90s

- ❑ Development centres are heavily focused on 4 hubs (Johannesburg, Pretoria, Port Elizabeth, Durban, Cape Town) with the rest remaining very rural/undeveloped

- ❑ The BPO industry in South Africa currently employs c. 30,000 people. The industry has been growing rapidly at a rate of 33% p.a.

Summary Data

Area	Data
Major Cities	Johannesburg, Cape Town, Durban, Pretoria
Population	c.49.3 million (2010)
GDP	$276.5 B (2008)
Official Language	11 languages, but English is the most common

Skills Availability

- ❑ Graduate pool of c. 90,000 pa

- ❑ 30,000 employed in BPO

- ❑ 60-75,000 employed in domestic captive financial services

- ❑ Strong F&A pool – 26,000 chartered accountants (2nd highest after India)

- ❑ Gartner only rated talent pool and education system 'Fair'

Major Outsourcers / Captives

- ❑ Outsourcers with delivery centres:

  - ❑ Accenture, IBM, CSC

- ❑ Multinationals with captive centres

  - ❑ JP Morgan, Deloitte, Shell, Lufthansa (telesales)

Positive and Negative Factors

- ✓ Strong F&A pool – higher numbers of accountants, actuaries and CFAs than most other outsourcing destinations

- ✓ Strong graduate pool – 90,000 graduates per year

- ✓ English first language and Western cultural fit

- ✓ Good time zone for Europe – 0-2 hour time difference

- ✓ Financial hub for the whole of Sub-Saharan Africa

- ✗ Infrastructure concerns – particularly power outages experienced in 2009; telecom costs are historically high but now reducing rapidly (47% YoY for last 4 years

- ✗ The political and social environment whilst improving is still relatively poor – high levels of poverty and crime

- ✗ Arbitrage is moderate at best compared to other offshore hubs; - c. 10-15% less arbitrage than Bangalore

Country Profile – South Africa - Assessment

Criteria	Rating	Comment
Financial Attractiveness	◐	• Still more expensive than India – 10-15% reduction in arbitrage vs. Bangalore for a customer service resource • Lower real estate costs than India • Not subject to high levels of inflation like India and other emerging markets so cost gap is narrowing • Good arbitrage in comparison to nearshore sites
Socio-Political Environment	◐	• Despite the fact that South Africa is ranked 25th in the world in terms of GDP (PPP) as of 2008, it has high levels of poverty and low GDP per capita ▪ There is strong political support to strengthen the talent pool and encourage outsourcing, plans to increase BPO workforce to 100,000 in next 5 years ▪ In 2008, South Africa placed 5th out of 48 sub-Saharan African countries on the Ibrahim Index of African Governance -scored well in the categories of Rule of Law, Transparency & Corruption and Participation & Human Rights, but was let down by its relatively poor performance in Safety & Security.
Talent Pool	◕	• Large talent pool (90,000 graduates p.a., 30,000 BPO employees, 65,000 employees in domestic FS industry) • Ranked #6 out of 52 countries for strength of Finance and Accounting skills • c. 5,000 employees working in FS specific Back Office BPO • c. 6,000 employees working in Front Office roles in FS
Infrastructure	◐	• Electricity crisis in 2008-2009 – power cuts in major cities is cause for concern – under-investment in power generating infrastructure means this problem could take years to resolve • Telecom infrastructure is reasonable in major cities though broadband not at levels of major destinations such as India • Telecoms costs declining rapidly (47% YoY 2006-2009) • Strong international transport links
OVERALL	◐	Medium-cost, strong F&A and FS skills coupled with English language offset weak infrastructure and concerns over social climate

Relevance for FS

High

❑ High standard and availability of English language skills

❑ Financial centre for Africa with large number of resources already working in front office and back office processing activities for capital markets banks

❑ Convenient time zone for support of European businesses

❑ Arbitrage more attractive than nearshore sites and has many of the advantages (skill pool, language, culture, time zone)

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Country Profile – South Africa – Gartner 2010 Ranking

Ranking No. 17 (tie)

Criterion	Rating
Language	Excellent - 5
Government support	Fair - 2
Labour pool	Fair - 2
Infrastructure	Fair - 2
Education System	Good - 3
Cost	Fair - 2
Political and economic environment	Fair - 2
Cultural compatibility	Very Good - 4
Global & Legal Maturity	Good - 3
Data and intellectual property security and privacy	Very Good - 4

Key:	
Poor	1
Fair	2
Good	3
Very Good	4
Excellent	5

Total Score: 29/50

Country Profile – Sri Lanka

Background

- ❑ Closest substitute to the Indian offshoring environment due to similar socio-political history, culture, affinity with Western education system and English language capabilities

- ❑ Low costs, especially far lower real estate costs than India

- ❑ Recently attracted increased interest from SMEs in Europe

- ❑ Wide F&A outsourcing capability due to readily available supply of chartered accountants trained on same accounting standards used in the UK

- ❑ Increasingly attractive due to low labour costs structure, particularly labour costs in comparison to India

Summary Data

Area	Data
Major Cities	Colombo
Population	c. 21.3 million (2010)
GDP	$41.32 billion (2009)
Official Language	Sinhala, Tamil

Skills Availability

- ❑ Multi-lingual language skills in English, Tamil and Sinhala

- ❑ Tertiary education remains limited in Sri Lanka – 11% of population attain tertiary education

- ❑ Surplus of unemployed labour with English language skills

Major Outsourcers / Captives

- ❑ Multinationals in Sri Lanka: HSBC, Aviva, RR Donnelley

- ❑ Outsourcing providers in Sri Lanka: WNS Global Services, Convergys, OfficeTiger, Quatro BPO Solutions

Positive and Negative Factors

- ✓ Close proximity to India
- ✓ Availability of F&A resources trained in same manner as Indian providers allows Sri Lanka to be a possible backup to Indian centres
- ✓ Reasonable English language skills (not as strong as India's but higher than China's) and affinity to Western customs and culture
- ✓ Improved domestic political situation

- ✗ Infrastructure not fully developed and relatively higher costs of telecommunications and electricity
- ✗ Rigid labour regulations raise the labour costs and decrease labour market flexibility
- ✗ Sri Lanka does not have a large labour supply like China or India
- ✗ Extensive legal process and delays stifle offshoring initiatives

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Country Profile – Sri Lanka - Assessment

Criteria	Rating	Comment
Financial Attractiveness	●	• Large cost savings/ arbitrage opportunities exist • Although real estate and labour costs are low, Sri Lanka suffers from high infrastructure costs • Office rent in Colombo is around half of that in New Delhi for a similar property, and three times less than in Shanghai
Socio-Political Environment	◑	▪ Rigid labour regulations as Sri Lankan system gives discretionary powers to labour commissioner who traditionally bases severance payments on an employer's ability to pay, thereby penalizing large multinationals ▪ Affinity with Western culture and customs ▪ Government under-invest in education – public spending on education is less than the South Asian regional average ▪ Exceptionally long time (440 days) to enforce contracts
Talent Pool	◕	• Sri Lanka's relatively smaller population means large companies are unlikely to attain greater savings by achieving the scale that results from concentrating activities in fewer locations • Although Sri Lanka has reasonable English language skills, English as a medium of instruction was dropped in the 1980s due to rising nationalism and younger generations do not have the same language skills as older generations or compared to India • Tertiary education remains limited in Sri Lanka – 11% of population attain tertiary education • Technical education has historically been neglected
Infrastructure	◕	• Sri Lanka suffers from relatively high telephone charges – the costs of landline phone call is almost double the cost in India and mobile phone costs are also higher than India, hampering efficiency in call centre services • Very high electricity costs due to businesses being charged higher tariffs to subsidize residential customers • High speed broadband internet access remains limited • Stability of electricity supply remains a problem • Roads are in poor conditions and not regularly maintained
OVERALL	◕	Potential to serve as a back up outsourcing destination for India

Relevance for FS

High

❑ Labour cost is less than half of India's labour costs for the same level of experience and background

❑ Office rental costs is half of that in India

❑ Opportunities in F&A offshoring services due to supply of chartered accountants

❑ Relatively poorer infrastructure hampers offshoring environment

Country Profile - Philippines

Background

❑ Philippines recognised as one of the more prominent and established outsourcing hub next to India, capturing approx. 15% of global offshore market

❑ Traditionally, it served the contact center market, particularly toward the US markets, but it is now increasingly moving toward IT and non-voice BPO services

❑ Its contact centre sector generates about 60% of the country's total $6 billion in outsourcing revenues

❑ Total 2009 ITO-BPO revenue = $7.2 billion

❑ Over 600 ITO-BPO companies in the Philippines

Major Outsourcers / Captives

❑ Companies with centres in the Philippines include: HSBC, Shell, HP

❑ Outsourcing providers in the Philippines include: Convergys, Sitel, StarTek, Wipro, Baker & McKenzie, TeleTech, Accenture, Convergys,, Sitel, Aegis PeopleSupport, IBM Daksh, IBM Business Services,, Infosy, Deutsche Knowledge Services

Summary Data

Area	Data
Major Cities	Manila, Quezon City, Cebu City
Population	c. 97.97 million (2010)
GDP	$161.0 billion (2009)
Official Language	English, Tagalog

Skills Availability

❑ Talent Pool Rated 'Good', Education system 'Good' (Gartner 2010)

❑ 450,000 college graduate per year (2009), a quarter of them qualified in business and accountancy

❑ Its English language contact centre employs more than 250,000 people

❑ In 2009, total number of employees in IT-BPO industry = 442,000

❑ High literacy rate of 92.6& (2009)

Positive and Negative Factors

✓ Most Filipinos are bilingual in English and Tagalog, speaking English with a good American accent which is easy to understand

✓ Good cultural fit to working with Western companies

✓ World class infrastructure in office space, transport, telecommunications and power

✓ Cost competitiveness

✗ The Philippines still lags behind India and China in the number of its science and technology graduates

✗ Relatively weak IP enforcement and some concerns over data security

✗ Smaller IT talent pool than India

✗ Time zone issues for European and US support

✗ Inflation continues to decrease arbitrage opportunities

Country Profile – Philippines - Assessment

Criteria	Rating	Comment
Financial Attractiveness		• Recognised for its cost competitiveness, especially labour costs • Office rental cost is less than $15 per sq metre per month • Total operating cost per FTE in 2008 was $17,000-$20,000

Socio-Political Environment		• Filipino economy faring better than other countries from the global financial crisis, helped by continued growth in the ITO-BPO industry
		• Strong government support and incentives to promote the outsourcing industry include:
		  ▪ Income tax holiday for 4 years (extendable to 8 years)
		  ▪ After the income tax holiday period, companies can benefit from a special 5% tax on gross income in lieu of all national and local taxes
		  ▪ Exemption on custom duties and taxes on imported capital equipment, spare parts, supplies and raw material
		  ▪ Exemption from VAT on allowable local purchases such as telecom, power and water bills
		  ▪ Additional deduction of 50% of total training costs under the special 5% gross income tax regime

Talent Pool		• Talent pool has native speaking and written English language skills with American accent • Government provides short term training for the ITO-BPO sector, which the industry then distributes and monitors • Minimum employment rates after training by training companies or industry players are tracked and only those who maintain hiring rates of 60% or more are given additional subsidies - this $8.4 million program has resulted in 43,000 trainees being hired in 2008 and 2009 • Businesses are active in working with universities/ colleges to include short term training in their curriculum • Industry working with top universities to promote post-graduate courses in BPO management to address the demand for mid-level managers
Infrastructure		• Adequate office space following boom in real estate development • Telecom companies continue to upgrade/ expand their networks to ensure reliability, redundancy, and to provide more location options • Government is active in expanding and upgrading transport infrastructure • Reliable power supply and extensive internet/ broadband connection
OVERALL		Competitive and popular offshoring destination for voice BPO, especially for US market

Relevance for FS

High

❑ High level of English language skills among its talent pool

❑ Strong government support and competitive incentives to encourage investment in Filipino offshoring industry

❑ Most competitive in the English language contact centre sector, its non-voice BPO sector is also enjoying rapid growth

❑ Its back-office and KPO sector has more than doubled in 2008, from $400 million to $830 million, and is continuing to expand especially in F&AO, HRO, and LPO

Country Profile – Philippines – Gartner 2010 Ranking

Ranking No. 11 (tie)

Key:	
Poor	1
Fair	2
Good	3
Very Good	4
Excellent	5

Criterion	Rating
Language	Very Good – 4
Government support	Good – 3
Labour pool	Good - 3
Infrastructure	Good - 3
Education System	Good - 3
Cost	Very Good – 4
Political and economic environment	Fair - 2
Cultural compatibility	Very Good – 4
Global & Legal Maturity	Good - 3
Data and intellectual property security and privacy	Fair - 2

Total Score: 31/50

Country Profile - Brazil

Background

- Proximity and shared time zones with the US has helped Brazil earn a reputation as a nearshore location for the US market, Canada and some Caribbean countries
- Known for their excellence in applications management, infrastructure managed services and security technology development
- IT sector in Brazil is a well developed $10 billion revenue p.a. market, with an $8.3 billion multinational presence
- Brazil's strength is in the FS sector, due to its experience in building robust software to cope with the financial crises in the 1980s and 1990s

Major Outsourcers / Captives

- Companies with captive centres in Brazil include: Nokia, Motorola, IBM, Intel, HSBC, AGCO, Alcatel, American Express, Blue Cross Blue Shield, Caterpillar, Citibank, Deutsche Bank , Dell, Oracle
- Outsourcing providers in Brazil include: IBM, Unisys, Deloitte, Unisys, TCS, Wipro

Summary Data

Area	Data
Major Cities	San Paolo, Curitiba, Recife, Brasilia, Rio de Janeiro
Population	c. 198.7 million (2010)
GDP	$1.6 trillion (2009)
Official Language	Portuguese

Skills Availability

- Talent Pool Rated 'Good', Education system 'Fair' (Gartner 2010)
- High concentration of post-graduates and PHDs increase Brazil's attractiveness for high-value outsourcing, such as R&D and engineering services
- With a population growth of 1.1% p.a., Brazil has an estimated educated workforce of 83 million
- Over 280,000 people employed in IT

Positive and Negative Factors

- ✓ Brazil's proximity to the US and Canada and their shared time zones as well as cultural affinity to Western companies
- ✓ Substantial labour pool with strong supply of skilled IT labour, including ERP-trained professionals such as SAP consultants
- ✓ Economy appears stabilized and no longer faces hyperinflation
- ✓ Low IT employee turnover rates

- ✗ Lack of strong English language capabilities and international experience in their labour force
- ✗ Security risks still a major issue
- ✗ Unable to offer lowest costs
- ✗ Bureaucratic red tape, especially on services and export taxes which prevents expansion in offshore industry
- ✗ BPO sector remains small compared to ITO

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Country Profile – Brazil - Assessment

Criteria	Rating	Comment
Financial Attractiveness	◑	• Although Brazil's operating costs are relatively lower than other developed countries, its cost structure is known to be higher than many other offshore destinations • Abundant property and high vacancy rates help provide lower real estate costs and good values for multinationals
Socio-Political Environment	◕	▪ The government is keen to develop the Brazilian offshoring industry, with a target of over $2 billion for IT services exports ▪ But Brazil continues to suffer from inflexible labour laws and bureaucratic red tape, especially on their services and export taxes which prevent expansion in the offshore industry ▪ Security is still a major issue in Brazil – social inequality, gun crime and drug dealing are prevalent in big cities like Rio de Janeiro and Sao Paulo ▪ The economy has stabilized and no longer faces hyper-inflation, although there are still fluctuating currency risks ▪ Brazil has an industry association in place, BRASSCOM, the Brazilian Association of Software and Service Export Companies (Brazil's version of India's NASSCOM) to promote/support IT outsourcing ▪ Brazil fares better than China, India and Russia in enforcement of IP
Talent Pool	◑	• labour pool lacks English language skills and international experience • Only about 10% of the total educated labour force completed tertiary education, and another 30% completed secondary education • Large IT centres like Sao Paulo and Rio de Janeiro have wide talent pools, strong local universities and well-developed markets • 23,000 new IT graduates enter the industry each year while graduates in other areas are trained internally to become IT professionals • Unlike India, Brazil has lower employee turnover in the IT sector
Infrastructure	◕	• Quality of Brazil's telecom and network service surpasses both China and India by measures such as network availability • Brazil is South America's largest telecom market • Tier II cities such as Belo Horizonte, Recife and Porto Alegre have created technology parks backed with strong universities
OVERALL	◕	Popular IT nearshoring destination serving US and Canadian markets

Relevance for FS

Medium

❑ Lowest labour costs among nearshoring countries serving US market, but not when compared to India

❑ Large talent pool of IT developers and technicians

❑ Brazil is trying to move towards more high level outsourcing jobs

❑ Various large Indian outsource suppliers are setting up presence or buying local companies to take advantage of Brazil's nearshoring advantage for US clients

❑ Attractiveness reduced by language and bureaucracy barriers

Country Profile – Brazil – Gartner 2010 Ranking

Ranking No. 11 (tie)

Key:	
Poor	1
Fair	2
Good	3
Very Good	4
Excellent	5

Criterion	Rating
Language	Good – 3
Government support	Good – 3
Labour pool	Good - 3
Infrastructure	Very Good - 4
Education System	Fair - 2
Cost	Good – 3
Political and economic environment	Very Good -4
Cultural compatibility	Very Good - 4
Global & Legal Maturity	Good - 3
Data and intellectual property security and privacy	Fair - 2

Total Score: 31/50

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Country Profile - Mauritius

Background

❑ Number of companies in the IT/ BPO sector rose from 100 in 2004 to over 300 in 2008, with the industry employing around 15,000 professionals and expected to grow to 25,000 by 2011

❑ IT/ BPO industry has sustained an growth rate of 25% p.a. and the sector has generated annual revenues of 5.7% of GDP

❑ Mauritius and India are close on cost structure, with the former being slightly higher, but unlike Mauritius, India faces much greater competition for talent

❑ Mauritius was previously recognised as the lowest cost destination for French outsourcing work, although it has now replaced by Madagascar

❑ As a hub, Mauritius supports the North African belt with French skills and the southern part of Africa with English skills

Major Outsourcers / Captives

❑ Global companies with captives in Mauritius: DHL, Deutsche Bank, Huawei, Orange, Fidelity, AXA, TNT

❑ Outsourcing suppliers with Mauritius operations: Ceridian, Accenture, Infosys, Intelenet, Thomson Digital

Summary Data

Area	Data
Major Cities	Port Louise
Population	c. 1.28 million (2010)
GDP	$8.76 billion (2009)
Official Language	French, English

Skills Availability

❑ Mauritius people are bilingual in French and English, also some Chinese and Hindi speakers

❑ Relatively smaller size talent pool with c. 2000 people working at entry level and c. 9,000 tertiary graduates annually

❑ Typical scale of centres is very low, between 100-500 FTEs

❑ Employee split by outsourcing sectors: call centres 41%, non-voice BPO 35%, ITO 11%, KPO 9%, others 4%

❑ Recognised as a centre for data hosting, disaster recovery, shared service and other high value added service

Positive and Negative Factors

✓ Working hours are close to Europe

✓ Stable government, keen to invest in BPO

✓ Significant infrastructure development

✓ Talent pool is multilingual and culturally compatible to Western firms

✓ Data Protection Act is enforced

✗ With a small population, Mauritius lacks in potential talent pool

✗ Suffers from lack of talent in specialised skills, especially in IT and F&A, e.g. SAP

✗ Although Mauritius serves diverse BPO functions, scalability is still limited

✗ Long average flight time to Europe (12 hours to Paris)

Country Profile – Mauritius - Assessment

Criteria	Rating	Comment
Financial Attractiveness	◐	• At an average cost per professional of $300-$350 per month, Mauritius offers cost benefit over other African countries like South Africa, Senegal, Tunisia and Kenya • Previously recognised as lowest cost destination for French outsourcing work, but now replaced by Madagascar • Mauritius BPO providers who serve the French market are now setting up their own offshore centres in Madagascar to take advantage of uts French speaking workers at lower costs • With respect to the UK and France's operating costs, Mauritius is operating at approx. 60%-70% level • Cost competitiveness likely to improve with drop in telecom costs with introduction of second fibre optic cable
Socio-Political Environment	●	▪ Strong government initiatives have developed an environment that is highly conducive to business, such as friendly immigration laws allowing people to obtain work permits within 3 days ▪ Data Protection Act enacted, allay concerns over data security ▪ Strong public support to strengthen talent pool and encourage outsourcing, such as investing in more seats at universities to raise the percentage of skilled labour to 75% of workforce in next 5 years ▪ Attracted a lot of FDI because of tax-friendly environment – corporate tax is only 15%; personal tax is also 15% ▪ Free repatriation of profits, dividends and capital ▪ Network of Double Taxation Avoidance Treaties (DTAs)
Talent Pool	◔	• Relatively smaller size talent pool with c. 2,000 people working at entry level, although there is potential to add 3,000-4,000 p.a. depending on the direction of government initiatives • Lack of talent in specialized skills like SAP • New ICT academy to cater for the training needs of the workforce for international standard service delivery in IT/ BPO sector • Despite small tertiary educated pool, providers can use high school and school leavers for transactional and call centre work
Infrastructure	◕	• World class infrastructure, including well-developed digital network, telecom facilities and access to scalable and stable power grid • Building on current infrastructure such as Ebene Cyber City and the Informatics parks, as well as investing in the Rose Belle Business Park and upcoming Eco Park to enable data centre projects
OVERALL	◐	Low-cost, stable location suited to support moderate-scale centres

Relevance for FS

Medium

❑ Cost structure is slightly higher than India, but is still far cheaper than Morocco, Tunisia, Jamaica, South Africa and East Europe

❑ High levels of government support and conducive environment for outsourcing business and developing talent pool

❑ Current IT/ BPO strategy is to move towards high value added knowledge intensive activities by focusing on the potential of industries where they have expertise, such as the financial sector, the hospitality and real estate sectors

Country Profile - Vietnam

Background

- Many Japanese, South Koreans and Indian software companies have started to outsource work to Vietnam and import Vietnamese IT resources to take advantage of low cost labour

- Increasingly viewed as an alternative to China due to rising labour costs and and taxes on foreign enterprises in China

- Rapidly gaining a reputation for low cost application testing and software development in ITO

- Many Vietnamese service providers are already serving as subcontractors to Indian firms

Major Outsourcers / Captives

- Companies with centres in Vietnam include: Honda, Intel, IBM, HP, Anheuser Busch, Bayer, BMG, BP, Cisco, Merrill Lynch, Nortel, NTT, Sony

- Outsourcing providers in Vietnam include: Infosys, Luxoft

Summary Data

Area	Data
Major Cities	Hanoi, Ho Chi Minh
Population	c. 88.58 million (2010)
GDP	$92.44 billion (2009)
Official Language	Vietnamese

Skills Availability

- Talent Pool Rated 'Fair', Education system 'Fair' (Gartner 2010)

- labour pool has about 80,000 IT graduates, growing by 9,000 p.a in addition to the 25,000 engineering graduates p.a.

- Over half of Vietnam's population is under 25 years old

- Vietnamese workforce (adults aged 23-65) expected to increase to 65 million by 2030

- 83% of all graduates are from science-based degrees

Positive and Negative Factors

- ✓ Abundant supply of young skilled IT labour
- ✓ Attractive low costs structure
- ✓ High growth and rapid economic expansion
- ✓ Recent political stability
- ✓ Favorable government tax treatment
- ✓ Central location in Asia and relatively easy access by flight between Asian cities

- ✗ Moderate English language capabilities (but significantly better than China)
- ✗ IP protection still relatively weak
- ✗ Scalability is an issue for Vietnamese ITO as local providers tend to be small
- ✗ Significant time difference with Europe and especially the US

Country Profile – Vietnam - Assessment

Criteria	Rating	Comment
Financial Attractiveness	●	• Labour costs are very low in Vietnam, although higher than China • Average salary for Vietnamese IT professionals 50% less than that of their peers in India • ITO and outsourcing software development to Vietnam is about 90% cheaper than doing the work in the US; compared to India, ITO in Vietnam is 1/3rd to 1/7th times cheaper • Outsourcing per person in Vietnam estimated to cost $20,000 compared to $40,000 per person in India – as India matures, this cost differential is expected to rise further
Socio-Political Environment	◐	• Conducive business environment due to low tax rates • Strong economic growth – Vietnam has the world's second highest GDP growth, after only China, and seen 7% growth for the last 20 years • Hanoi still faces relatively high levels of corruption • Vietnam is one of the region's worst violators of IP and has the highest percentage of pirated software in Asia • Favorable government treatments include: 1) exemption from corporate tax (28%) for first four years 2) software products have zero VAT and 3) preferential income taxation for IT professionals
Talent Pool	◓	• Incompetence continues to plague the Vietnamese education system due to problems of inadequate class time, secondary education not being free and relatively low teacher pay • Tertiary education faces problem in the quality of its engineering and science instruction • Employees likely to incur high costs for training & development • labour market not yet overheated and attrition rates are below 10% • High number of educated Vietnamese talent who studied abroad and are looking to return to seek business/ work opportunities • Low employee turnover rates due to tendency of Vietnamese to stay in jobs due to loyalty to the company and management team
Infrastructure	◓	• Vietnam's transportation system is relatively poor with less than 45% of all roads covered with asphalt • Telephone calls into the country, particularly from North America, can sometimes be difficult to connect
OVERALL	◐	Increasingly seen as a low cost alternative outsource destination to China for both manufacturing and services

Relevance for FS

Medium

❑ Labour costs remain very low in Vietnam, at about half the level in India

❑ ITO work done in Vietnam is 1/3rd to 1/7th times cheaper than in India

❑ Large pool of young highly motivated IT competent workers

❑ Scalability is an issue for Vietnamese ITO, as local providers tend to be small (less than 500 FTEs) and do not have the in-house technical talents or resources to take on large scale projects that need ramp up, such as ERP or enterprise applications, making it difficult to secure business from huge multinationals like Microsoft

Country Profile – Vietnam – Gartner 2010 Ranking

Ranking No. 27 (tie)

Criterion	Rating
Language	Fair – 2
Government support	Fair – 2
Labour pool	Fair - 2
Infrastructure	Fair - 2
Education System	Fair - 2
Cost	Excellent – 5
Political and economic environment	Fair -2
Cultural compatibility	Fair – 2
Global & Legal Maturity	Fair - 2
Data and intellectual property security and privacy	Poor - 1

Total Score: 22/50

Country Profile - Chile

Background

❑ Recently attracted a lot of foreign companies for its first rate regulatory and living environment and attractive risk profile

❑ Curitiba is rapidly gaining recognition as Chile's "Silicon Valley", with the government proactively providing incentives to attract entrepreneurs and R&D/ innovation, receiving second highest R&D investment in the region after Brazil

❑ US and Europe-based companies have located operations to Chile's major cities to serve Latin American customers

❑ Indian service providers have set up in Chile to serve the US market

Major Outsourcers / Captives

❑ Companies with centres in Chile include: Citigroup, Unilever, Yahoo, Equifax, JPMorgan Chase, Oracle, Delta Airlines, Air France, Zurich Financial Services, GE, Software AG, Shell

❑ Outsourcing providers in Chile include: TCS, Capgemini, Evalueserve, Synopsis, InterSystems, Orion Systems

Summary Data

Area	Data
Major Cities	Santiago, Curitiba
Population	c. 16.6 million (2010)
GDP	$161.8 billion (2009)
Official Language	Spanish

Skills Availability

❑ Talent Pool Rated 'Good', Education system 'Good' (Gartner 2010)

❑ Domestic IT market employs 75,000 people with over 500 local IT firms

❑ Chile's outsourcing industry currently employs over 20,000 people, generating $ 843 million in revenue in 2008, of which $169 million was from ITO and $198m was from BPO

❑ Chilean universities produce 1,400 graduates p.a. in science and IT; vocational schools produce another 4,500

Positive and Negative Factors

✓ Close proximity and shared time zones to US and Canada

✓ Low infrastructure costs

✓ Openness to trade and privatization and low inflation rates

✓ Relatively lower levels of corruption and political stability

✓ Safe and favorable living conditions attractive to incoming expats

✓ Strong financial incentives for companies to set up in Chile

✗ Limited potential as a domestic market lowers appeal to multinationals who want to offshore to support domestic expansion

✗ Small base of IT vendors lowers appeal to outsource providers

✗ Limited potential talent pool size due to small population, with 7.2 million workforce, of which 3.1 million are in Santiago

✗ Long travel times to key markets in Asia and Europe

Country Profile – Chile - Assessment

Criteria	Rating	Comment
Financial Attractiveness	◑	• Labour costs on a par with Mexico but higher than Brazil • Monthly average salary: call centre representative $900-$1100 ; IT software developer with 5 years experience $2,600-$3,100 • Highly competitive real estate costs
Socio-Political Environment	●	▪ Very high level of government support, with friendly immigration policy (work permits processed in 1 week) ▪ Similar living standards to developed countries and low corruption ▪ One of the world's lowest corporate tax rates at 17% ▪ Chile's market potential is limited by its small economy and those of its neighbours, lowering appeal to multinationals who want to offshore to support domestic expansion ▪ Chile is a resource rich country and over the past few years has achieved rapid economic growth through the commodity bubble ▪ The Chilean Economic Development Agency offers financial incentives for companies to locate there, including: 1) paying 5 years of rent (up to $1 million) if founder locates to one of their tech centres 2) covering 60% of a firm's due diligence costs, or up to $30,000 to visit and explore Chile 3) companies with $500,000 to invest over 5 years can launch with legal residency status ▪ Chile is an APEC member and signed various bilateral free trade agreements and double taxation treaties
Talent Pool	◑	• Despite an educated workforce, Chile faces a skills shortage as the total number of employees in IT sector is limited – Chile's IT sector is worth only c. $800 million compared to Brazil's $6 billion IT sector • Limited international experience by students/ workforce and engineering curriculums need to be more practical/ flexible to better adapt to changing market demands • Limited number of graduates in IT and science produced per year • Low English language skills (8% of technical graduates have good command of the English language)
Infrastructure	◕	• Chile's electricity cost is one of the world's lowest, comparable to the US and Canada because of regulatory reform in the 1980s • Strong telecom infrastructure, with highest broadband and mobile telephony penetration rates in the region (11.9% and 80.4% respectively)
OVERALL	◕	Relatively low cost high tech innovation/IT outsourcing center

Relevance for FS

Medium

❑ Labour costs are on a par with Mexico, but higher than Brazil, Colombia and Argentina

❑ Undertaking initiatives to shift to higher-value services, such as ADM, supply chain management and research & innovation

❑ Strong government support and incentives to support new businesses and attract entrepreneurs and R&D/ innovation

❑ Chile's risk profile is significantly better than China or India due to its transparent regulatory framework, low level of bureaucracy and stable legal environment

❑ IT talent pool are of very high quality and programming skills

Country Profile – Chile – Gartner 2010 Ranking

Ranking No. 15 (tie)

Criterion	Rating
Language	Fair – 2
Government support	Fair – 2
Labour pool	Good - 3
Infrastructure	Very Good - 4
Education System	Good - 3
Cost	Very Good – 4
Political and economic environment	Very Good -4
Cultural compatibility	Good – 3
Global & Legal Maturity	Good - 3
Data and intellectual property security and privacy	Fair - 2

Total Score: 30/50

Country Profile - Jordan

Background

❑ Jordan is recognised as a gateway to the Middle East and a leading ITO and BPO hub in the region as other Gulf countries still lack the talent pool to cater to regional technology needs

❑ Jordan has recently attracted US, Canada and UK clients looking for alternative locations where English is a primary second language

❑ Annual IT sector growth has risen to 50% p.a. over the past few years, generating income worth approx. 10% of GDP

Summary Data

Area	Data
Major Cities	Amman, Al Karak
Population	c. 6.27 million (2010)
GDP	$22.93 billion (2009)
Official Language	Arabic

Major Outsourcers / Captives

❑ Companies with centres in Jordan include: Microsoft, Intel, Oracle, France Telecom, Dell Perot Systems, Cisco, Google

❑ Outsourcing providers in Jordan include: HP, Estarta - Cisco Technical Assistance Center (founded with investment from Microsoft to provide IT services to firms in Middle East, Europe and US)

Skills Availability

❑ 60% of Jordan's population are less than 25 years of age

❑ Total workforce is 1.7 million (2009) with 82,000 engineers

❑ 50,000 university graduates p.a., with 25% in science & technology

❑ Talent pool is multi-lingual in Arabic, French and English; other language skills include Spanish and Russian

Positive and Negative Factors

✓ Relative political stability with a modern & progressive society
✓ Excellent infrastructure and highly educated workforce
✓ Open and welcoming attitude towards foreign labour
✓ Attractive and liberal taxation, Western-style legal system and strong IP regulation
✓ Closer proximity and time zone to Africa, Europe and US than India

× Limited number of current service providers
× Higher level of re-branding required to convince investors to disregard regional and Jordan's perception of instability
× Some cultural difference in working week as Friday –Saturday are days off in Gulf countries which may cause workflow coordination problems

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Country Profile – Jordan - Assessment

Criteria	Rating	Comment
Financial Attractiveness	◐	• Jordan's labour rates are considered favourable and compelling, compared to South Africa and Central and Eastern Europe • For comparison, salary of Jordan personnel vs. peers in the US: software developer 24.5% of US; junior BPO staff 15.3% of US; skilled BPO staff 34.9% of US • Salaries for highly trained professionals are some of the most competitive in the region, and less susceptible to inflation pressures • Stable and affordable real estate prices due to large supply of property available
Socio-Political Environment	◐	• Unlike other Gulf countries, Jordan welcomes foreign labour – companies are allowed to employ 100% expats • Jordan's DZC (Development Zone Commission) was set up in 2008 to increase FDI – within DZs, there is ease of capital ownership and labour • Through the DZC's One Stop Shop operations, there is no need to deal with multiple agencies on employment and immigration issues, facilitating businesses to fast track/ streamline setting up in Jordan • Strong government support to attract investments in IT and BPO • 5% income tax rate on income generated within DZs • 0% sales tax on goods and services bought or imported for use in DZs • 0% custom duties and 0% dividends tax within DZs • Outside DZs, corporate tax is 25% and indirect tax 16%
Talent Pool	◐	• Multi-lingual in Arabic, French and English; small minority also have Spanish and Russian language skills • Attractive English capabilities for their neutral-Arabic accent • Low employee attrition rates of 2% p.a. and limited unionization • Good capabilities in Shariah (Islamic law) compliant banking services
Infrastructure	◐	• Excellent infrastructure in power, roads and buildings • Strategically located IT free economic zones and Development Zones (DZs) that are fully connected and networked, supported with world class IT infrastructure • Arabic Development Zone is an IT city with parts inhabited by IT firms and parts by BPO firms • Internet access is 24.4 users per 100 people • Broadband access is 2 subscribers per 100 people • Mobile phone penetration is 86.6%
OVERALL	◐	Gateway into Middle East and recognised as the regional leader for IT and higher value added outsourcing

Relevance for FS

Medium

❑ Labour costs are relatively lower than South Africa and Central and Eastern Europe, although higher than Egypt

❑ Traditionally recognised for its strength in ITO, Jordan is now trying to position itself as leader in the higher value KPO space, rather than a competitor to Egypt in the BPO industry

❑ Jordan has had relatively less impact from unstable events in surrounding countries and is regarded as one of the most stable countries in the region

❑ Modern IT infrastructure, comprising fibre-optic link around the globe (FLAG) network, wireless application protocol (WAP) and general packet radio service (GPRS)

APPENDIX

1. Gartner Top 30 Outsourcing Countries, 2010: Ranking and Assessment Criteria

2. AT Kearney 2009 Global Services Location Index: Top 10 Countries

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YOUR REMEDY FOR BUSINESS RETURNS

Gartner Top 30 Outsourcing Countries, 2010

Country	Language	Gov't Support	Labour Pool	Infra-structure	Educational System	Cost	Political & Economical Environment	Cultural Compata-bility	Global and Legal Maturity	Data & IP security and privacy	TOTAL SCORE	RANK NUMBER
Canada	5	3	4	5	4	2	5	5	5	5	43	1
Australia	5	3	3	5	4	2	5	5	5	5	42	2
Ireland	5	4	3	4	4	2	5	5	5	5	42	2
Singapore	4	4	3	5	4	2	5	4	5	4	40	4
India	4	5	5	2	4	4	4	3	4	3	38	5
New Zealand	5	2	2	4	4	2	5	5	4	5	38	5
Spain	3	3	3	4	4	3	5	4	4	4	37	7
Israel	5	3	3	4	4	2	2	4	4	5	36	8
Mexico	3	4	4	3	3	4	3	4	3	4	35	9
Czech Republic	3	3	3	3	3	3	4	4	3	3	32	10
Brazil	3	3	3	4	2	3	4	4	3	2	31	11
Hungary	3	2	3	3	3	3	4	4	3	3	31	11
Philippines	4	3	3	3	3	4	2	4	3	2	31	11
Poland	3	3	3	2	3	3	4	4	3	3	31	11
Chile	2	2	3	4	3	4	4	3	3	2	30	15
Slovakia	3	2	2	2	3	4	4	4	3	3	30	15
Malaysia	4	3	3	3	3	3	2	3	3	2	29	17
South Africa	5	2	2	2	3	2	2	4	3	4	29	17
China	2	3	3	4	3	4	3	2	2	1	27	19
Costa Rica	3	2	2	3	2	3	3	3	3	2	26	20
Egypt	3	3	2	3	3	3	2	3	2	2	26	20
Romania	3	3	2	2	3	3	3	3	2	2	26	20
Russia	2	2	3	3	4	3	2	3	2	2	26	20
Argentina	3	2	2	2	3	3	2	3	3	2	25	24
Panama	3	3	2	2	1	3	3	3	3	2	25	24
Morocco	3	3	2	2	1	3	2	3	2	3	24	26
Thailand	2	2	2	3	2	4	1	3	2	1	22	27
Vietnam	2	2	2	2	2	5	2	2	2	1	22	27
Pakistan	3	2	2	2	2	4	1	2	2	1	21	29
Ukraine	2	2	2	1	3	4	1	2	2	1	20	30

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Rank	Country	Financial Attractiveness	People Skills & Availability	Business Environment	Total Score
1	India	3.13	2.48	1.30	6.91
2	China	2.59	2.33	1.37	6.29
3	Malaysia	2.76	1.24	1.97	5.98
4	Thailand	3.05	1.3	1.41	5.77
5	Indonesia	3.23	1.47	0.99	5.69
6	Egypt	3.07	1.20	1.37	5.64
7	Philippines	3.19	1.17	1.24	5.60
8	Chile	2.41	1.20	1.89	5.50
9	Jordan	2.99	0.91	1.59	5.49
10	Vietnam	3.21	1.02	1.24	5.47

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