Invest In Egypt

Communications and Information Technology
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Sector Overview

Egypt’s communications and information technology sector is a leading global outsourcing destination, Egypt is the leader in the MENA region and 4th worldwide on A.T. Kearney’s 2011 Global Services Location Index (GSLI)\(^1\). This puts Egypt ahead of competitors in the region including UAE which ranked 15th.

Egypt, one of the highest-growth potential IT markets in the Middle East, is receiving increasing attention from tier-one vendors and distributors, most of which are already very familiar with the market. Given the huge population, rising economy and relatively low PC penetration, the country will continue to be an important market over the forecast period.

A pro-active policy and clear long-term vision by the government of Egypt, in partnership with the private sector, seeks to make the CIT sector a key one in the country’s economy.

In 2012/2013, the CIT sector has sustained an annual growth rate of 2.31\(\%\), and received about EGP 46.76 billion till Sep 2013, with annual growth rate of 1.24\%. Moreover, in FY 2012/2013 the sector generates revenues of EGP 41.72 billion, contributes 2.77\% to real GDP.

Egypt offers easy access to markets in the Arabian Gulf, the Levant, North Africa and Sub-Saharan Africa as well as Europe. Open to the world and investor-friendly, Egypt is an ideal location to base a business with regional – and even global - ambitions. It is a key communications node, notably hosting SEA-ME-WE2, the world’s first submarine cable linking South-East Asia, the Middle East and Europe.

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

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

The total number of direct employees in the CIT sector reached 217.78 thousand employees in Q1 2013, this figure includes IT, Telecom, Post, Smart village and Maadi Technology Park employees.

A key to the success of this industry sector is the close partnership between the government and businesses. In keeping with the government’s reform efforts, there has been a significant and ongoing deregulation of the business environment. In response, there was a 11.04\% increase in the number of companies operating in the CIT sector in Egypt between Dec. 2012 and Dec. 2013, recording 5644 companies, of which 77.36\% were IT companies, 15.15\% Value added services and 7.49\% communication companies.

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\(^1\) The rankings were made before the recent political unrest began.
Competitive Strengths and Capabilities

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

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

A Robust Infrastructure: Egypt is served by three mobile networks, (Vodafone, Mobinil and Etisalat). due to the progress in the Egyptian market resulting from competition between the three mobile operators. Such competition is positively reflected on the cost of services, introducing the 3G network, spreading mobile database services and mobile phones applications as well as preparing for accessing the 4G network. Telecom Egypt(TE), The nation’s fixed-line player, serves 6.82 million subscriptions till Dec.2013. wireless and wireline broadband cover every major urban centre in Egypt.

Recently mobile phones have largely increased, due to the progress in the Egyptian market resulting from competition between the three mobile operators (Vodafone, Mobinil and Etisalat). Such competition is positively reflected on the cost of services, introducing the 3G network, spreading mobile database services and mobile phones applications as well as preparing for accessing the 4G network.

A Large and Growing Domestic Consumer Base: More than 38.75 million Egyptians regularly surf the internet — more than the population of many European countries from which over 2.63 million subscriber has ADSL line, till Dec. 2013.

A Skilled Multilingual Workforce: Egypt generates tens of thousands of university graduates each year having strong commands of foreign languages and neutral, easy-to-comprehend accents. No of university graduates entering the workforce reached more than 330 thousands in FY 2011/2012; in addition Egypt has more than 217 thousands working in the CIT sector till March 2013.

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

Feeder Companies Abound: Major global and Egyptian companies based in Egypt can call on the expertise of thousands of proven Egyptian niche players.
CIT Holds a Special Place in Egypt’s Economy

- Egypt has three advanced mobile phone networks (Mobinil, Vodafone Egypt and Etisalat Egypt). All three have 3G and 3.75G infrastructure, they serve over 99.70 million subscriptions till Dec. 2013, growing by 3% since Dec. 2012 – and hitting a penetration rate of 118.9%.
- Every landline provides dialup internet access for the cost of a local call.
- There are more than 38.75 million regular internet users till Dec. 2013.
- Over 2.63 million subscribers enjoy ADSL line till Dec. 2013, with annual growth rate of 17.4%.
- The country’s network of postal outlets is being reconfigured to be a business communications network as well as points of contact for government services.
- WiFi networks are provided countrywide by businesses, restaurants and cafes for their customers.
- In 2013, the number of citizens acquiring the ICDL certification for syllabus 5 in Egypt reached 8000.
- As of Feb. 2014, the CIT industry consisted of 5686 companies operating inland with total investments of USD 10.75 billion, and 38 companies operating in free zones areas with total investments of USD 100.98 million.

Exports

- The Information Technology Industry Development Agency (ITIDA) remained committed in 2013 to supporting ICT export promotion through several initiatives and programs. ITIDA ventured to recognize new funding sources and cooperation for ICT projects.
- Egypt has a significant IT and business-processes outsourcing industry in place, serving international customers. Major multinational corporations including Intel and France Telecom’s Orange are developing products in Egypt for export to the global marketplace.
- Local players including ITWorx, ITsoft, Sakhr, Harf and Arabize export software ranging from Arabic-language solutions to plug-ins and modules for popular software packages globally. Major MNCs including Microsoft, Adobe and Corel also develop their products in Egypt for global export. New R&D centers in niche areas of data mining and wireless technologies are exporting to major markets as well.
- In 2013, Egypt's total exports from the CIT sector reached USD 1.3 billion. MCIT is targeting to reach USD 2.5 billion in 2017 of ICT exports.
Policy Support for CIT Industry Investment

- The government’s Information Technology Industry Development Agency (ITIDA) supports the IT and BPO industries in Egypt.
- ITIDA provides end-to-end support for foreign direct investors seeking to enhance their global offerings using Egypt’s competitive advantages; It also helps overseas investors explore and apply for incentives covering all verticals of the IT industry and especially in the BPO/ITO field.
- ITIDA full-fledged support to investors includes backing all due activities required by investors including information gathering, site visits, case studies and others. It also includes facilitating the set-up and establishment procedures in Egypt, in addition to providing incentives that support the company’s business needs.
- ITIDA worked on reducing company’s start-up cost including reducing cost of telecommunication, especially the cost of circuits linking Egypt to the Gulf and other Arab Countries to be able to open new markets in these areas. The General Authority for Investment operates a One-Stop Shop that streamlines and expedites investor services — most businesses can incorporate in 72 hours.
- Nile University is dedicated to improving technology-related education, and enhancing the skills of the nation's young labor.
- The government provides an incentives package to cater to the investor's needs:
  - Provides data and internet centers, a high-tech Pyramids Smart Village and a free zone (Telecom Hotel) for international call centers and transit regional Internet traffic.
  - Offers special tax exemptions and reductions for ICT industries.
  - There are special reductions on land prices for investors in the ICT sector.
  - Easing of export and import regulations.
  - Offers training programs for professionals in IT, communications and networks according to investors’ standards and specifications. These training programs are often offered at the government's expense.
  - Assigns a government official to facilitate interaction with government organizations.
- MCIT seeks to support small and medium enterprises (MSMEs) by means of raising their performance and competitiveness through helping them identify new marketing and production opportunities. It also seeks to support MSMEs outside Egypt’s main cities with the aim of creating job opportunities in these communities. ITIDA adopts various initiatives to boost Micro and Small Enterprises by injecting them with direct and indirect financial support through a set of programs.

In May, ITIDA organized MicroCom Exhibition and Forum to support ICT small businesses and micro enterprises through a variety of programs to develop and market their products. 95 exhibitors participated and more than 200 applications and products were developed providing integrated solutions for all economic sectors in variety of fields, among which are industry, education, health and tourism.

A cooperation protocol was signed in June with the Financial Services Institute (FSI) to provide small and medium enterprises with training and consulting services related to non-bank financial areas, helping SMEs in ICT fields to get acquainted with the suitable funds, counter challenges and find solutions to improve their productivity.

In September, ITIDA signed a cooperation protocol with Bedaya Centre for Entrepreneurship and SMEs Development to encourage financial institutions to pump investments in ICT projects, especially small and medium sized companies.
Electronics and Manufacturing Industry

MCIT encourages the hardware and electronics manufacturing industry through supporting Egyptian manufactured products, promoting them locally and supporting their regional and international exports.

**Inar Tablet**

As part of encouraging the development of local manufacturing industry, ITIDA initiated a project for manufacturing Egyptian tablets in Egypt. In April 2012, ITIDA signed a cooperation protocol with the Supreme Council of Universities that encompassed -in its initial phase- launching a pilot project to provide students of Egyptian public universities with 10,000 low cost, high quality tablets.

Inar manufacturing entity is a local Egyptian company. At later phases, the tablet will be available for all consumers. The project objectives include increasing the efficiency of the educational process in Egypt through promoting e-learning and enhancing interaction and networking between members of the educational community.

It also aims at developing the Egyptian Information and knowledge Society to create a generation capable of coping with the era of technology and innovation, enriching the Arabic e-content industry and developing the manufacturing industry of local tablets to meet local needs.

**Pluto Tablet**

The new tablet Pluto was launched during the events of Gitex Duabi 2013 held in October. A partnership between the Egyptian government, the Arab Organization for Industrialization (AOI) and Intel Egypt helped assemble the first tablet with an Intel processor on Egyptian lands.

Pluto will strike the Egyptian market with a balance between performance, elegant design and price targeting cost-conscious consumers. Nordix Egypt will be responsible for all the supply, marketing, distribution and sales of the product which will cost 1777 Egyptian pounds and will offers consumers fast web browsing, multimedia capabilities and Android applications.
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<td>Labor Force</td>
<td>More than 300 thousand Egyptian obtain university degree every year, of whom 70 thousand leave with commerce degree, 18 thousand with engineering degree, and over 3,000 with IT Degree.</td>
<td>Large potential talent supply with the skill sets necessary to succeed in CIT.</td>
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<td>Language Skills</td>
<td>Egyptians speak European languages with a neutral, easily understood accent. Annually, more than 22,000 students graduate with European language skills including English, French, German, Italian and Spanish. Many of these students have studied their second language since primary school.</td>
<td>Large potential supply of talent with the language skills to succeed at all levels of the value chain, from call-center operators to senior researchers at offshore development centers for MNCs.</td>
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<td>Infrastructure</td>
<td>Egypt has a state-of-the-art IT infrastructure in place. Submarine fiber-optic cables link Egypt to Southeast Asia, the Middle East and Europe. All landlines have dial-up access. High-speed broadband and wireless networks are in place in major urban areas throughout the country.</td>
<td>Existing state-of-the-art IT infrastructure greatly eases start-up costs, and enhances day-to-day productivity.</td>
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<td>Labor Costs</td>
<td>Skilled labor is readily available at reasonable prices. For instance, programmers earn an average of USD 10-20 per hour. And, wages are stable — growing only 5% annually.</td>
<td>Consistent and competitive labor costs improve profitability year after year.</td>
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<td>Large Domestic Market</td>
<td>More than 38 million Egyptians are internet users; every householder with a landline has dial-up access, while ADSL subscribers reached over 2 million users.</td>
<td>A technology-savvy consumer base larger than the entire populations of many European countries is hungry for new products and services.</td>
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<td>Proximity to Major Markets</td>
<td>Egypt is close to major CIT consumers in Europe, Africa and the Middle East. It is closer to Europe, the United States and Canada than is India or the Philippines. Just five hours’ flight time to most European cities, Egypt is also close to India and Asia.</td>
<td>Strong regional markets and proximity to major export markets.</td>
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<td>Proximity to Suppliers</td>
<td>All CIT components are available locally. Egypt is also very close to major CIT component providers in Europe and Asia. Egypt is home to a broad network of skilled service providers.</td>
<td>Easy to find components and to subcontract design and production work.</td>
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Technology Zones

The government of Egypt is eager to establish technology zones across the nation to provide a supportive environment for the development of the national ICT industry, and boost Egypt’s reputation as a provider of world-class ICT and outsourcing services. Technology zones promote national growth in ICT-related fields while providing a number of benefits to member companies and organizations. These benefits include access to shared resources, such as uninterruptible power supply, high-speed telecommunications connections, security, management offices, convention facilities, parking, retail outlets, and entertainment and sports facilities.

Smart Village Egypt

Launched in 2003, Smart Village Egypt was the first fully operational technology cluster and business park in Egypt. Spread over an area of 3 square kilometers to the west of Cairo, the park accommodates local and multinational companies, government and financial authorities, educational institutions, and research and development centers, all of which share state-of-the-art infrastructure, modern facility management and a broad range of business and recreation services.

Smart Villages Company, which established and manages Smart Village Egypt, is a public-private partnership between the private sector and MCIT specializing in the establishment and management of technology clusters and business parks on the local and regional levels.

In 2013, five new buildings were finished and ready for operation. The international French company Valeo expanded and moved to a bigger building from 5000m2 to 9000 m2. The Arab Academy for Science & Technology & Maritime Transport increased the space from 1000m2 to 2450m2 and the students’ number increased from 70 to 340 students.

Smart Villages Company Endeavored to acquire the Quality Management International Certificate ISO 9001:2008 to apply latest working methods and organize work in a professional manner, raising performance and production. The Operation and Maintenance sector - succeeding in fulfilling its obligations and demonstrating employees’ professionalism - obtained the certificate in a record time given the number of employees working in the sector and the tasks they are entrusted with.

In December, Smart Villages Development and Management Company successfully completed all roads and infrastructure work of phase II with a total cost of 350 million pounds. The project, one of the most distinguished, was carried out in Smart Village in line with the volume of business; and cost and special measures taken to ensure safety, efficiency, security, traffic plans and professionalism of the trained and skilled technical teams.

Phase II of the infrastructure work- serving 38 buildings with a total administrative area of 372,018 m - includes sanitation systems , irrigation, low and medium voltage electricity , firefighting, drinking water, roads, Phone and internet network, air condition network, drainage system and service complexes.
Cairo Contact Centers Park

Cairo Contact Centers Park was established as a technology hub to bring together Egyptian and international companies specializing in business and knowledge process outsourcing (BPO /KPO) and information technology outsourcing (ITO), making Egypt one of the top offshore outsourcing contact center destinations in the region.

Located in the Cairo district of Maadi, the environment-friendly park, covering 303,000 m², offers the latest outsourcing and offshore technologies, and has contributed to making Egypt one of the world’s emerging destinations in the O&O industry.

In 2013, additional 36,000 m² office space was fully occupied by prominent Egyptian and international service providers from the outsourcing industry offering 12,000 direct job opportunities in addition to 29,000 indirect jobs. By the second quarter of 2014, the park will provide 24,000 m² more of office space for the O&O industry. Upon completion, the park will provide 40,000 direct and 100,000 indirect job opportunities.
Success Stories

Etisalat Misr

Is a leading international telecom company operating in 15 countries around the world. Egypt is one of the countries where operation was launched in May 2007 as the first 3.5G operator. Etisalat’s entry to the Egyptian market ushered in a new era for the telecom industry.

Today, Etisalat Misr’s 2G and 3G robust and high quality network covers and serves 99% of the population in Egypt. Moreover, Etisalat Misr is the first and the only operator in Egypt that has an exclusive international gateway and its customers enjoy competitive international rates to all destinations around the globe. In order to complete Etisalat Misr’s product portfolio, two well-established ISPs (Internet Service Providers) were acquired and provide broadband services to customers while at home and while on the move.

Likewise, Etisalat Misr is an active corporate citizen, taking every opportunity to engage in many social activities to serve the various groups of the Egyptian society.

Vodafone Egypt

In 1998, Vodafone Egypt (Ex. Misrfone Telecommunication Company/Click GSM) entered the Egyptian telecom market as the second operator; a consortium between Vodafone international, Air Touch, and local/ international partners.

In January 2002, Click GSM was rebranded to Vodafone Egypt. Since 2007, Vodafone Egypt’s shareholders structure consisted of Vodafone Group with 54.93% ; Telecom Egypt with 44.94% and a minority free float of 0.13%.

2006 witnessed another important step as Vodafone Egypt launched its off-shore operations under the name of Vodafone International Services. This subsidiary is dedicated to outsourcing business processes and IT services for Vodafone operators and beyond. Both its Business Process Outsourcing and Information Technology Outsourcing business units have seen success year after year with over 2,200 employees who collectively speak ten different languages to provide world class customer and technical support for customers in 80 countries.

Vodafone Egypt has grown over the years to become the leading mobile operator in Egypt, not only in revenue share but also to become the number one mobile operator in Egypt with the largest customer base. Vodafone proudly serves more than 36.3 million customers (December 2011) offering the most advanced technology for its customers, the best working environment for its 6,500 employees and the strongest corporate responsibility initiatives for the community.

Vodafone Egypt is proud to be one of the highest ranking among Vodafone operating companies worldwide in employees engagement and corporate volunteering, providing the most impactful corporate responsibility initiatives for its community.
Global Telecom Holding

Global Telecom Holding began as Orascom Telecom Holding (OTH), a member of the Orascom group of companies established in 1976. Orascom initially entered the field of information technology and telecommunications by trading and distributing equipment in Egypt. It eventually became the market leader acting as a regional representative for the most important names in this sector including Microsoft, Hewlett Packard, Compaq, IBM, Lucent Technologies (AT&T), Oracle, and Novell.

Orascom continued to build upon its solid foundation in 1994 by acquiring an interest in Egypt's first internet service provider, InTouch, marking its first step in offering services. As the communications sector in Egypt began to be privatized in the following years, Orascom continued to add more service companies to its portfolio. It participated in a joint venture that was awarded Egypt's first license for VSAT technology as well as acted as a lead member of the consortium formed to create Egypt's first private telephone network.

In 1997, Orascom Telecom Holding (OTH) was established as a separate entity to consolidate the telecommunications and technology interests of the Orascom family of countries led by its controlling shareholders the Sawiris family. The new organization quickly proved itself as an IT and telecom leader by becoming Egypt's only company to hold licenses in all three privatized sectors: wireless, fixed-line payphones and VSAT.

Throughout the following decade, OTH grew and expanded its portfolio of investments to include telecommunication services in promising markets throughout Africa, Asia, Europe, North America, and the Middle East. In 2012, OTH merged with Vimplecom Ltd, creating Global Telecom Holding and the world's sixth-largest mobile telecommunications provider by number of subscribers with more than 86 million customers.

Xceed Contact Center

Xceed is a rising star of quality, multilingual contact centers and Business Process Outsourcing services provider. With a total capacity of 2000 web-enabled multi channels, Xceed manages various outsourcing programs with commercial and governmental clients worldwide. Our core objective is to deliver superior quality and value to our clients in every aspect of the CRM cycle.

Xceed has the competence to execute complex project ramp ups for large organizations with an uptime of 99.9% through leveraging its multi site capability. Currently, Xceed has four sites where three are in Cairo and one site located in the Casablanca, Morocco.

Xceed is owned by Telecom Egypt, the incumbent Telco operator of Egypt.
TE Data

TE Data was established in 2001 by Telecom Egypt to function as its data communications and Internet arm. TE Data was awarded a Class A license, from Egypt's National Telecommunications Regulatory Authority (NTRA), which allows TE Data to build its own national network, and operate its international data gateway.

The company is the Internet Service Provider market leader in Egypt with a DSL market share of more than 60% ending 2010. Currently, with operations in Egypt and Jordan and ambitious plans in other parts of the MENA region, TE Data's portfolio includes narrowband and broadband Internet access services, managed dedicated Internet access services, IP VPN connectivity services, and global connectivity services. TE Data's portfolio of services covers the communications needs of all whether consumers, small and medium enterprises, large corporations, and Internet Service Providers. TE Data service’s purpose is to cater for everybody's needs online.

Link Development

LINK Development, an OTVentures portfolio company, is a well-established technology solution provider, founded in 1996. Through its offices in Egypt, the UAE, Saudi Arabia, Qatar, Italy and Canada, the company provides a wide range of solutions and services including Internet & Intranet portals, E-services Automation, E-commerce, Enterprise Integration, Microsoft Dynamics CRM & ERP, Mobile-based solutions, and Infrastructure solutions.

LINK Development’s client portfolio includes Fortune 500 companies in the region such as Microsoft, Intel and Pfizer in addition to leading governments as well as regional and multinational businesses and many more.

With a 250+ strong force of young certified professionals, LINK Development boasts best of breed team of developers, designers, architects, project managers and quality engineers. Being a Microsoft Gold Certified Partner, the highest level of partner certification from Microsoft, the company has positioned itself at the forefront of the industry in the region. LINK Development also acquired both ISO 9001:2000 certified and CMMI level 3 accreditation.

ITWorx

ITWorx is a global software professional services organization. Headquartered in Egypt, the company offers Portals, Business Intelligence, Enterprise Application Integration, and Application Development Outsourcing services to Global 2000 companies. ITWorx serves Governments, Financial Services firms, Educational institutions, Telecommunication operators, and Media companies in North America, Europe, and the Middle East.

ITWorx has partnered with Magic Quadrant technology vendors - Microsoft, Vignette, IBM, Oracle, MicroStrategy, Informatica, Ounce Labs, and Intel. We leverage these partnerships, our global delivery model capability, our ISO 9001:2008 and CMMI level 3 certified processes, and model-driven development tools to extend our customers IT organization; augmenting it with agile, high quality, productive capabilities, technology competences, and vertical industry know-how. ITWorx engagement model is based on forging long term strategic partnership relationships with its customers. It has thus since 1994 amassed a list of industry-leading Fortune 500 repeat customers the likes of United Technologies, Microsoft, Vodafone, and Mellon Bank.