

MAIN INTERVIEW



# EGYPT – THE NEXT BIG HUB FOR DIGITAL AND HIGH-END SERVICES

*An interview with Amr Mahfouz, CEO of Egypt's Information Technology Industry Development Agency (ITIDA), Assistant Minister for Growth and Development, Ministry of Communications and Information Technology (MCIT).*

” **With the current supply chain disturbance and post-Covid consequences, we believe this is the right time for Egypt to have its fair share of the global offshoring market.**

**Wiktor Doktór, Pro Progressio: Egypt, one of the most attractive tourist destinations worldwide has many other advantages, including those focused on IT and ICT industries. What is the current size of Egyptian ICT industry?**

**Amr Mahfouz, ITIDA:** Egypt is already home to 500 *Fortune* companies with the likes of Valeo, Teleperformance, Amazon, Microsoft, IBM, Uber and many more tech giants as well as local tech unicorns and startups like Instabug, Vezeeta, Fawry and Swvl. The Information and Communications Technology (ICT) sector in Egypt is very robust and it's the highest growing sector with a growth rate of 16% in 2020/2021, compared to 15.2% in 2019/2020. The sector's contribution to the GDP increased from 4.4% in 2019/2020 to 5% in the fiscal year (FY) 2020/2021. The value of Egypt's digital exports grew from \$4.1 billion in 2019/2020 to \$4.5 billion in 2020/2021.

We're confident that the sector will witness further growth amid the accelerated endeavors to achieve full digital transformation and the increased reliance on the automation and digital services.

**Each industry for its growth needs a talent pool. How does the tertiary education system of Egypt look like? How many ICT studies graduates do you have per year?**

In fact, Egypt has a population of about 107 million people where 70% of this population is below 40 years. The country is home to a world-class education ecosystem – 250+ universities and institutes provides access to 600K+ graduates each year (one of the highest in EMEA) out of which 60k are ICT grads, 100k are Financial and Accounting grads.

This is in addition to the state's commitment and approach towards spreading more technology focused universities, tech parks, digital innovation hubs across the country.

The investment in our talent pool and capacity building is unprecedented. We have multiplied the capacity building budget 22 times, helping achieve a 50-fold increase in the number of trainees. This year, our target is to train 200,000 people with an allocated budget of 1.1 billion EGP cost.

The Ministry of Communications and Information Technology (MCIT), with ITIDA as the ministry's executive IT arm, have a strategic focus on building a wide base of professional and skilled talent in all ICT related specializations and equipping our youth with the latest and highly in-demand skills in both local and international labor markets.

We have led a commissioned study with EY on the global demand which guided our investment in supply (training) to the right segments/subsegments, right geographies and right languages. So, we're driving focused initiatives under a robust vision for 2026, to propel the offshoring industry on a high growth trajectory. We target several levels of educational stages, starting from high school to postgraduate degrees.

The ministry of CIT has established Egypt University of Informatics – EUI, a leading University in the MENA region offering world-class education in Engineering, Computing & Information Sciences, Business Informatics and Digital Arts. In addition to this, the ministry has launched *Digital Egypt Builders Initiative* (DEBI) a fully funded scholarship that offer a professional Master's degree from a top-notch university in one of six

majors: data science and AI, cybersecurity, robotics and automation, digital architecture, digital arts, and fintech. Learners also receive training certificates from major technology companies and certifications in leadership and management, and English language.

From our side, ITIDA also offer training programs to university-level students, like the summer and graduation internships support, *Learn to Go Offshoring* (L2GO), *German Training Initiative* focusing on qualifying university students in Upper Egypt to provide offshoring/contact center services in German after graduation.

Most notably, ITIDA has trained more than 200k young talents so far on various skills, including technical, entrepreneurial, soft and language skills in the labor market, through *Egypt FWD initiative*. We've launched the second edition of *Future Work is Digital* (FWD 2.0), delivering technical training, including tech-based courses in the most demanded fields such as web development, data analytics, and cloud, customized for all career levels. The initiative also covers career enablement, which includes preparing students for the job market through full digital freelancing training, Agile management training, and career consultation. In addition, the scholarship involves job opportunities where students have access to multiple options whether freelancing or employment in technical fields.

Therefore, we could confidently say that Egypt's talent pool is not only unique but quite large where every year about 60k young people graduate from the Faculties of Engineering, and Computers and Information ready to enter the labor market.

**And how about languages? What are the languages used by employees of Egypt based companies?**

Egypt has the largest and youngest multilingual talent pool in the Middle East, and second largest in EMEA region. This avail access to an abundant talent pool well versed in 20+ languages. This strongly differentiates Egypt from any other delivery location helps multinationals to grow and expand their GBS operations in Egypt. We have more than 80% of the working population speak English and other European languages (French, German, Italian and Spanish), compared to 20-65% in other leading off-shore destinations.

Above this, ITIDA collaborates with Komet Institut, Speak Up, Almentor, DFA, and Guide Academy to develop soft skills, as well as European language including English, French, and German language capabilities for students and fresh grads looking for job opportunities through a fully-funded program *Learn To Go Offshoring Program (L2GO)*. The program targets training up to 10k students, grads.

Additionally, ITIDA offers language training programs like *The German Training Initiative* for Upper Egypt, in collaboration with the Goethe Institute, offering a German training program for second, third and final year students in Upper Egypt. The language training is funded by the Agency to qualify students for the ICT labor market after graduation. We look upon Upper Egypt and "Tier 2 Cities" as future hubs for offshoring and contact center services for German speaking countries.

**Is it easy to hire ICT employees in Egypt? How does such process look like?**

Of course, it's the process of finding the potential calibres and hiring the perfect candidates is quite easy and simple

especially in Egypt; the most populous country in the Arab world and the third most populous country in Africa. Unlike many other locations, Egypt has proven experience in delivering an array of world class services across the entire spectrum of offshoring landscape.

We, at ITIDA help a lot the businesses in this process where we avail our talent pool of fresh university graduates and our training initiatives' pool of graduates as well. Additionally, Egypt has a long list of leading online job, recruitment platforms, and efficient employment marketplaces.

To this end, we have recently launched the *Skills Bank portal* which provides access for IT/ITES companies to comprehensive data of qualified cadres required by the labor market.

Through this portal, the ICT companies can display the data of skilled registrants as per the company's needs where they can pick competent and eligible personnel for the IT business at the push of a button.

**Let's look at the salaries. What is the average ICT salary in Egypt and how do the salaries look like on sample Junior, Middle and Senior IT positions?**

The competitive cost is one of the key differentiating qualities of Egypt as a global delivery location where the cost of living in Egypt is USD 500 making it -1.4X times less expensive than world average and this is even before the latest currency devaluation.

Looking at the salaries structure per FTE in Egypt, and compared with labor cost for software development in popular nearshore locations for Europe, like Bulgaria, Romania or Poland, the savings reach up to about 60% with average salary \$8,500 per annum for an Egyptian software developer with 2 years' experience.

**If any of the European companies would be interested to open IT company in Egypt, what would be the process? Are there any incentive programs for foreign investors?**

The process is made quite easy, as ITIDA provides a one-stop shop for foreign IT & business services companies where our Investment & International Business Development personnel provides 360-degree support throughout the investor journey to help them maximize the benefits of investing in Egypt. We help them in building the business case, due diligences, and provide the right information.

In addition to ITIDA's full-fledged and the aftercare support for global tech players and ICT investments, ITIDA provides a full suite of incentives and other support to enable an impeccable investor journey. ITIDA offers incentives and assistance designed carefully from an investor's perspective and provided through the entire business life-cycle. We primarily target to improve the overall cost competitiveness of Egypt's offshoring industry, attract more foreign direct investment and encourage the expansion of existing industry players and investors.

Early on in 2022, ITIDA revised its incentive scheme, through its newly launched "**Digital Egypt Strategy for the Offshoring Industry 2022-2026**". The new strategy offers a quantum of incentives in the form of annual reimbursement on OPEX per new hire with a declining scale between 2022 and 2026.

ITIDA also offers additional incentives for companies operating from Knowledge City Innovation Center, in addition to Government Support offered specifically for Electronics Design & manufacturing.

” **We, at ITIDA help a lot the businesses in this process where we avail our talent pool of fresh university graduates and our training initiatives' pool of graduates as well.**

**ITIDA is the Agency supporting the growth of ICT sector in Egypt. What is the main scope of your activities?**

ITIDA is the executive IT arm of the Ministry of Communications and Information Technology (MCIT); therefore it is mainly concerned with the overall development of the Egyptian IT sector, including Talent Development, Technology Innovation & Entrepreneurship, Local Companies Development, FDI Attraction & Support, Business Ecosystem Development. Additionally, ITIDA also is focused on positioning Egypt as the regional and global hub for offshoring business and home to innovative entrepreneurs and tech startups.

ITIDA is currently implementing a demand-driven strategy, developed with EY. It is based on a thorough and objective study of the Egyptian market, while simultaneously measuring and monitoring the growing demand in the global market for offshoring services, which is projected to amount to USD 540bn, with an annual growth rate ranging between 8% to 9% until 2026.

Digital Egypt strategy for offshoring industry consists of three main pillars: development of talent capabilities; development of industry ecosystem; and promotion of Egypt in international markets. Jointly, these pillars include 9 main initiatives to achieve desired goals. The most sought-after goals are to make inroads into local exports of offshoring services, with an annual growth of 19%, and to create nearly 215k jobs in the strategy's conduct phase (2022–2026).

Moreover, we have also formulated a comprehensive five-year strategy in cooperation with Deloitte and funded by the U.S. Agency for International Development (USAID) for the tech and innovation-based entrepreneurship thriving sector in Egypt, to further support the ecosystem capabilities and ensure greater access to finance, access to talent, access to markets, and an enabling environment.

**If you were to name three reasons of why to invest in Egypt, what would they be?**

Egypt generally offers a variety of compelling advantages positioning it as an attractive hub for foreign investments, on top of which is first, its unique position at the nexus of Europe, Africa, and the Middle East. It is considered a nearshore location to Europe and it shares an Eastern European Time (EET) zone.

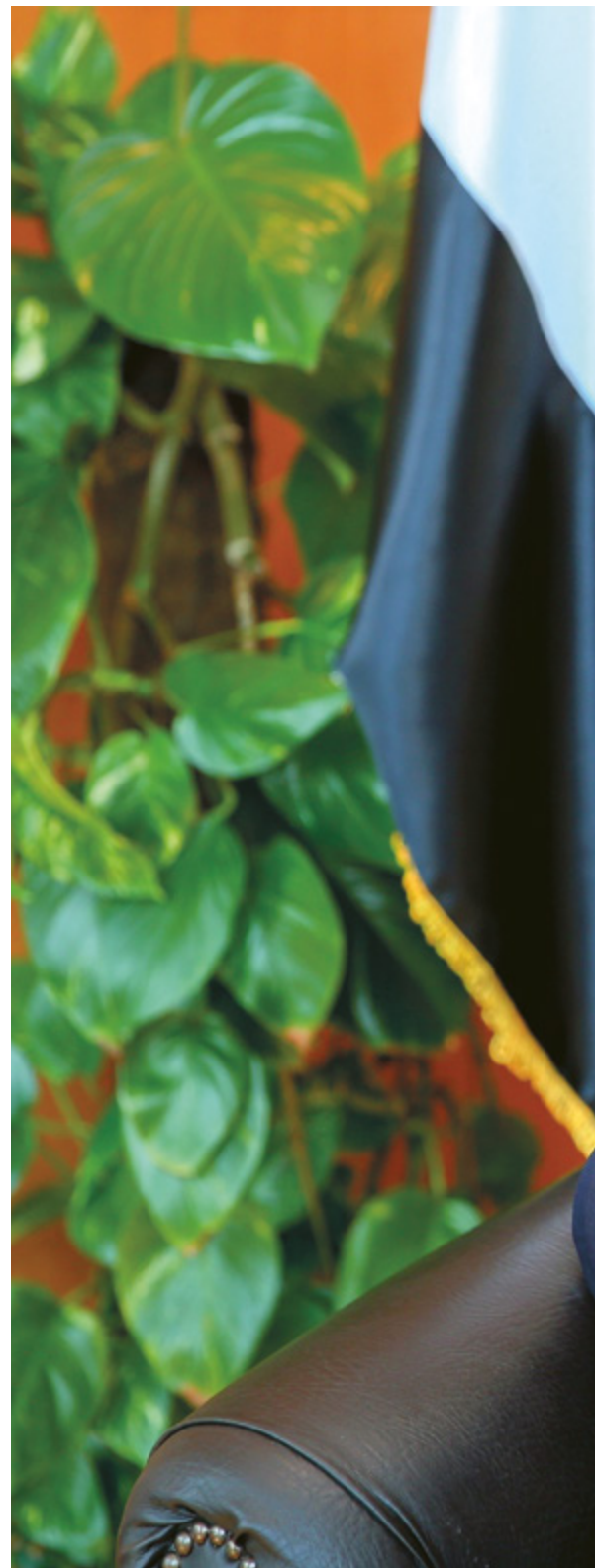
Second, Egypt is home to a large multilingual cost-competitive talent pool of +600k annual graduates; Egypt is therefore strongly pivoted to serve EMEA region due to the availability and abundance of multilingual skills, time zone, and cultural affinity.

Third, Egypt offers a set of attractive incentives to foreign investors provided through the entire business lifecycle, aiming at tripling the size of Egypt's BPO and ITO exports over the next five years.

Above all, Egypt has long been an attractive GBS location for multinationals with its large, well-educated talent pool, strategic location, European time zone, and reliable infrastructure. Amid the current global situation where the supply chain of many industries is being disrupted and reshaped, and hence the IT offshoring is not an exception. So, we firmly believe that this time for Egypt to have its fair share of the global business services market while emerging as an economic powerhouse in the region, enabled by the recent structural reforms and Egypt Vision 2030 national agenda.

Many businesses are diversifying their operations and delivery location portfolio where we see Egypt is very well positioned to cater for the global demand and bridge the digital skills gap and global shortage of talent.

**Thank you for the interview.♦**





” **Digital Egypt strategy for offshoring industry consists of three main pillars: development of talent capabilities; development of industry ecosystem; and promotion of Egypt in international markets.**