

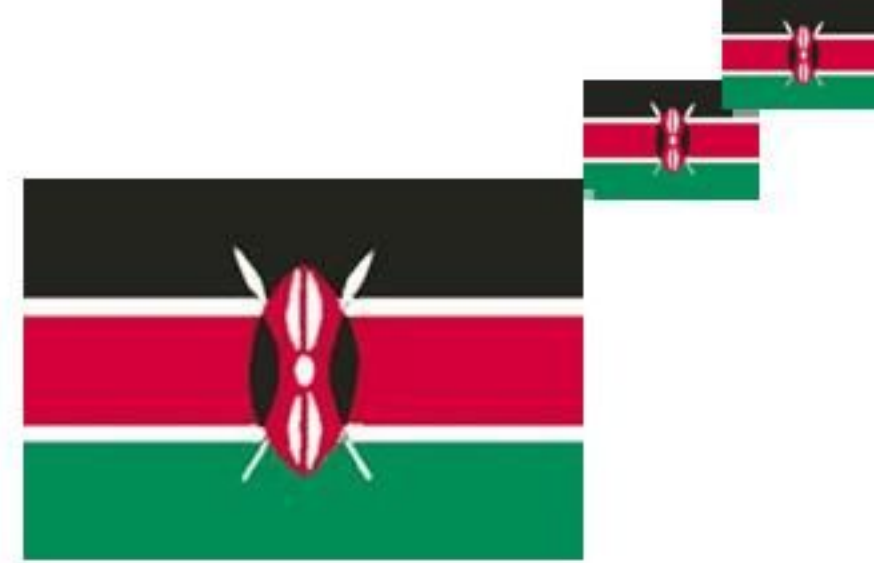


In Partnership with



# **Kenya's Business Process Outsourcing and Off-shoring (BPO & O) Value proposition**

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Deputy CEO- Marketing  
Kenya ICT Board,  
[www.ict.go.ke](http://www.ict.go.ke)



## **Business Process Outsourcing and Offshoring in the Heart of Africa**

# Kenya at a Glance



- Location – East coast of Africa
- Official name - Republic of Kenya
- Political system
  - Multiparty Democracy,
  - Coalition Government
- Head of state and government - President Mwai Kibaki
- Prime Minister – Hon. Raila Odinga
- Surface area - 582,646 sq. km
- Population - 32 million
- Population density 55 per sq. km
- Economic Growth – (2007) 6.5%

## Kenya at a Glance.....cont



- Currency Kenya Shilling (KSh)
  - Exchange rates
    - \$1 = KShs 70.07 ; 1 GBP = KSh.135
  - Official language - English
  - National Language - Kiswahili
  - Communities – 42, speak different languages
  - Principal religions –
    - Christian (78%)
    - Muslim (10%)
    - indigenous African and other (12%)
  - Time zone GMT + 3
  - Hub – Airport, Sea Port, Rail, **Fibre from** 2009 into EA and ESA
- Climatic conditions - Kenya lies on both sides of the equator and enjoys a varied climate ranging from tropical to temperate.
  - The central Highlands and the Rift Valley have the most pleasant climate, with temperatures ranging from the low tens to the mid-twenties Celsius.
  - Main cities/towns and their populations
    - Nairobi (capital) 2,143,254
    - Mombasa 655,000
    - Kisumu 504,000

# **KENYA'S ICT VALUE PROPOSITION**

## **A GOOD QUALITY AND AFFORDABLE SOLUTION FOR BPO&O**



### **1 A thriving economy**

*Kenya has solid economic, social and political foundations which make it attractive to foreign investors*

### **2 A growing BPO industry**

*Kenya has seen rapid growth in its BPO&O industry*

### **3 Public sector commitment**

*The Kenyan government is committed to expanding BPO&O as key driver for the ongoing success of the economy*

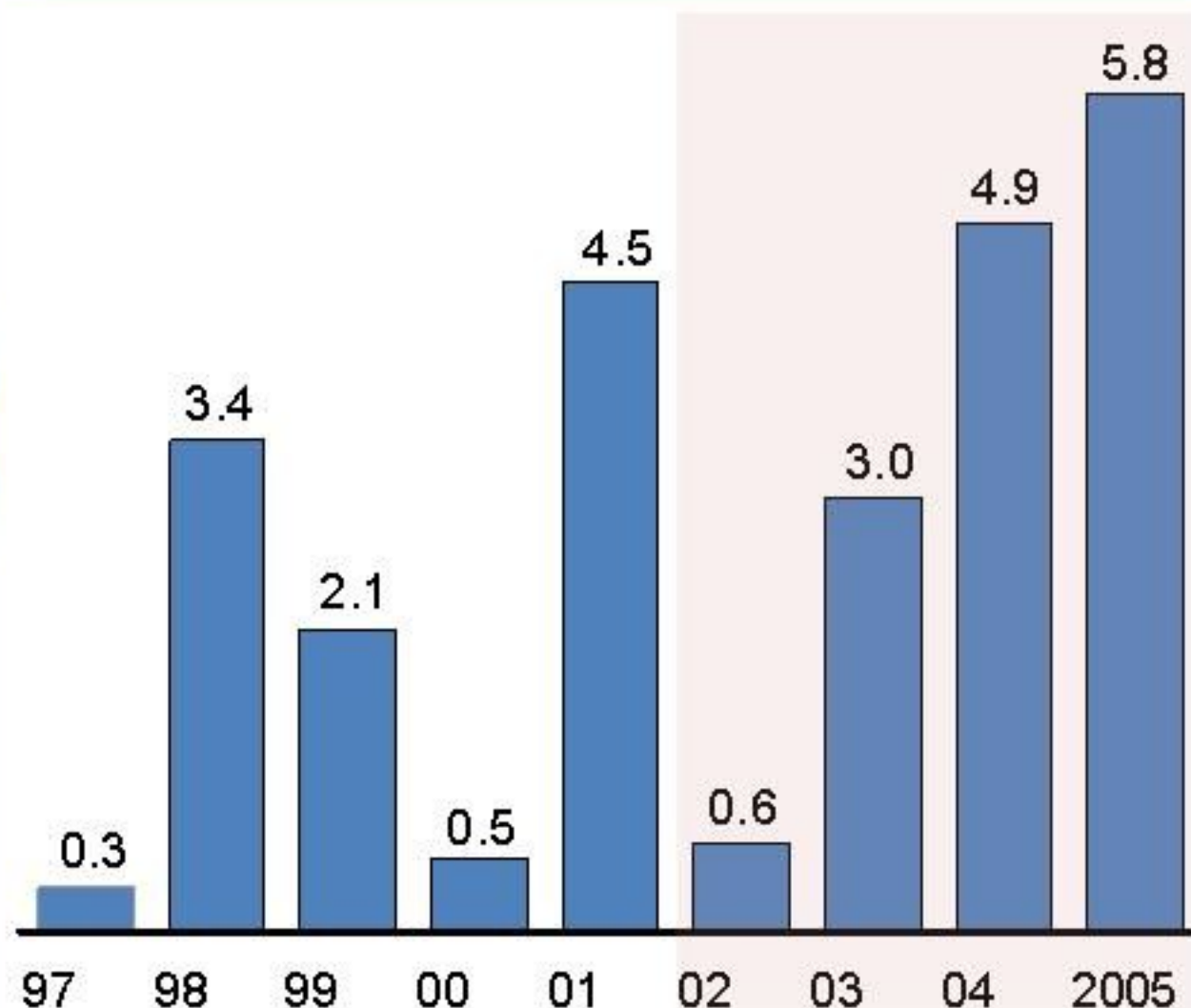
# KENYA'S ECONOMIC RECOVERY STRATEGY HAS CREATED STRONG GROWTH OVER THE PAST FEW YEARS



## 4 Key pillars of economic recovery strategy

- **Macroeconomics**
  - A monetary policy consistent with low inflation
  - Restructuring of expenditures to be more growth oriented
- **Governance**
  - Enhanced efficiency and improvement in governance
- **Infrastructure**
  - Rehabilitation, reconstruction, telecom and expansion of the road network, including the rural access roads
- **Concentration of human capital**
  - Free primary education
  - Improving health care facilities

## Percentage GDP growth\*



- The strong monetary policy has been effective at training high inflation from the early 90s
- Furthermore, the exchange rate has stabilised and is starting to appreciate

\* At constant prices; Source: Economic Recovery Strategy (ERS); 2006 Kenya Economic Survey; team analysis

# THE STRONG PERFORMANCE HAS ATTRACTED SIGNIFICANT FOREIGN INVESTMENT

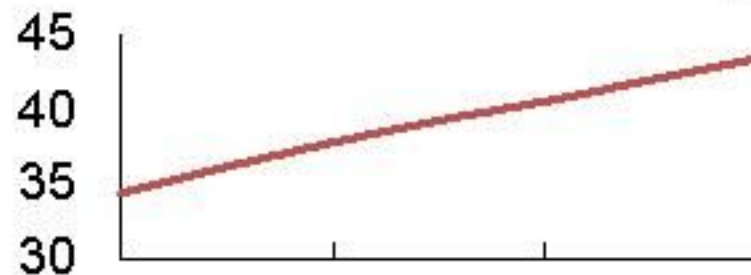


4 Key pillars of economic recovery strategy

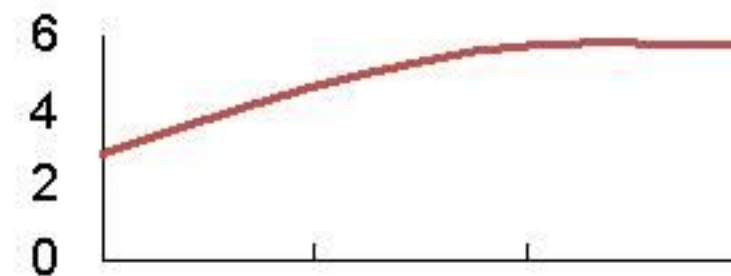
GDP per capita, Kshs '000

Examples of recent FDI

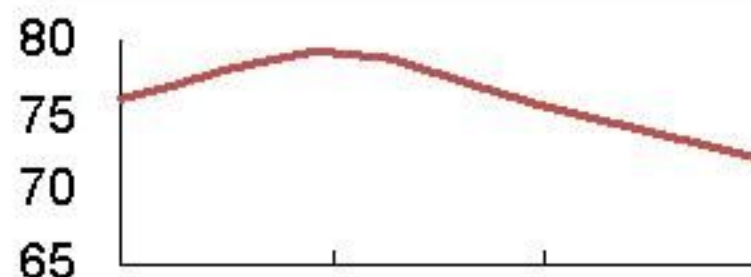
- Macroeconomics
- Governance
- Infrastructure
- Concentration of human capital



Real GDP growth, %



Ksh/\$



- Google
- Fairmount
- Stanbic
- Partnerships:
  - Vodafone
  - Orange
  - ZAIN
  - ECONET
  - Accenture...

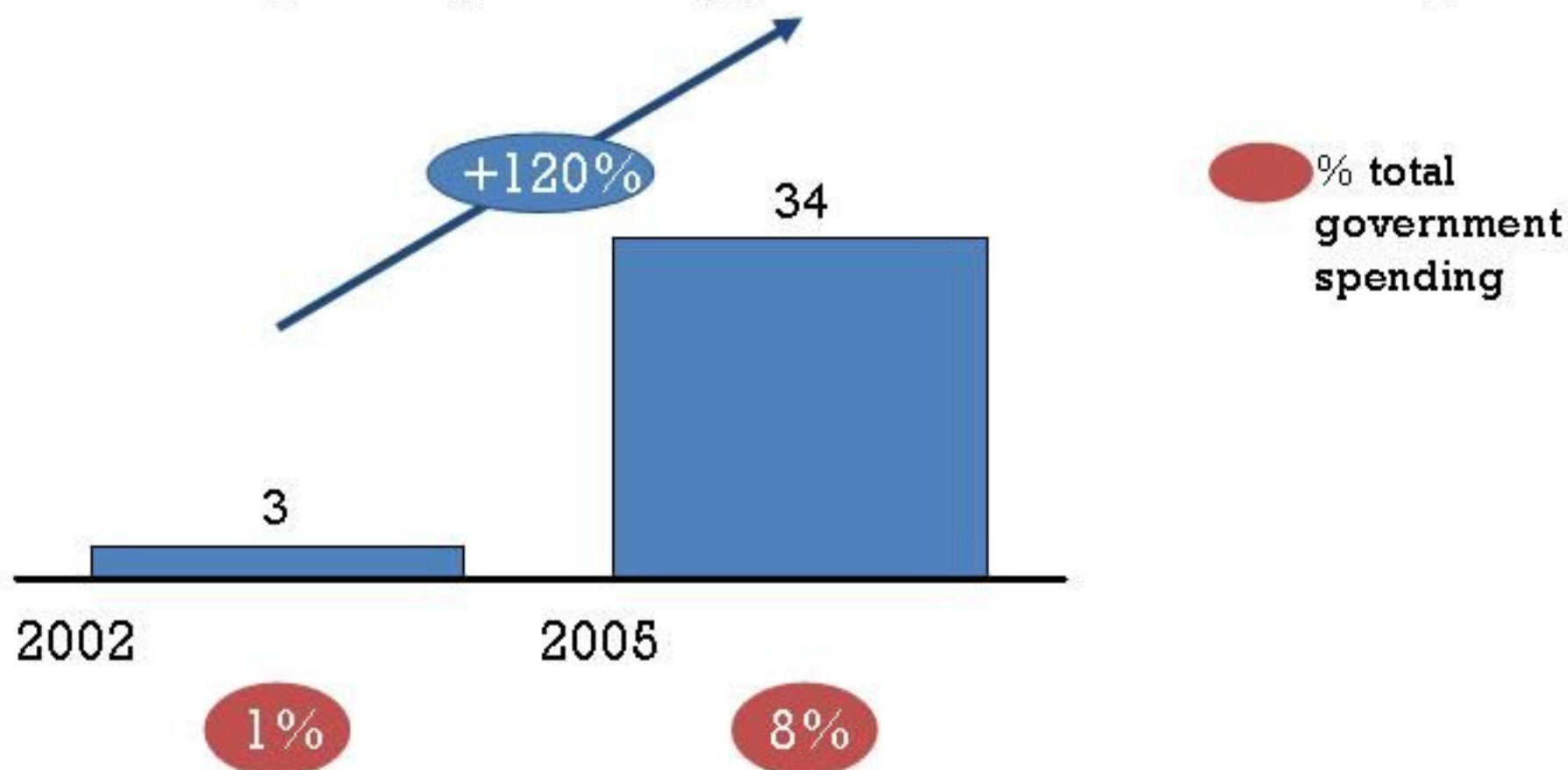
Source: WMM Global Insight, CIA world fact book

2003 04 05 06

# THIS RECENT GROWTH HAS BEEN SUPPORTED BY A SIGNIFICANT INCREASE IN DEVELOPMENT SPENDING ON ENERGY AND INFRASTRUCTURE BY THE GOVERNMENT



Ksh Millions, Government spending on energy and infrastructure development



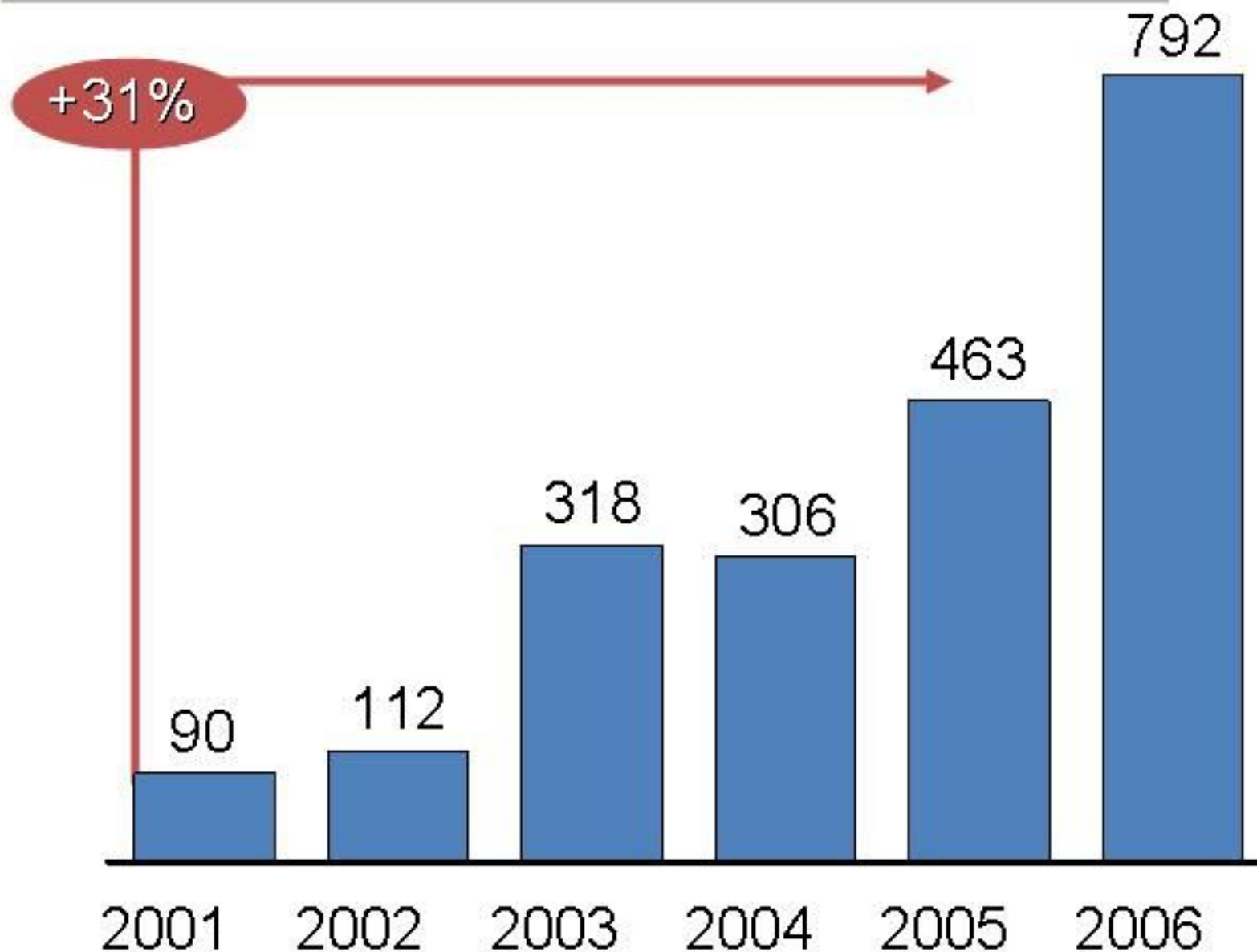
There has been a 120% CAGR increase in energy and infrastructure development spending between 2002 and 2005, nearly 200% 2008

Source: 2006 GoK Statistics

# THE GROWTH HAS BEEN FURTHER FUELLED BY SIGNIFICANT INVESTMENT BY KENYANS THEMSELVES



## NSE Market capitalisation (KSh bn )



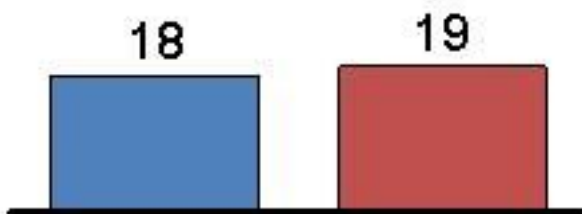
- There is significant appetite and capital available in Kenya
- Successful partnerships with international firms will create value for all parties

Source: Central Bank of Kenya; NSE, Team analysis

# KENYA HAS A WELL-DEVELOPED FINANCIAL SERVICES SECTOR



Number of bank ATMs per million population



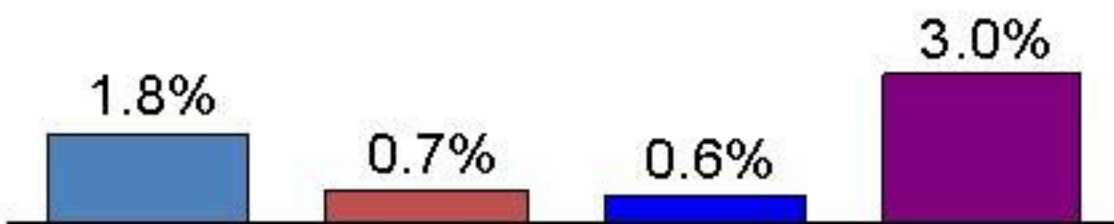
ATM numbers in Kenya have grown by 41% p.a.

Proportion of population with bank account, %



Financial services firms head-quartered in Nairobi are expanding across the region

Insurance penetration\*, 2005



\* P&C premiums/GDP  
 \*\* Based on unbanked households

Source: Association of Kenya Insurers, EIU, Team analysis

# AND THE TELECOMS SECTOR IS ALSO BOOMING



Internet subscribers per 1000 population, 2006



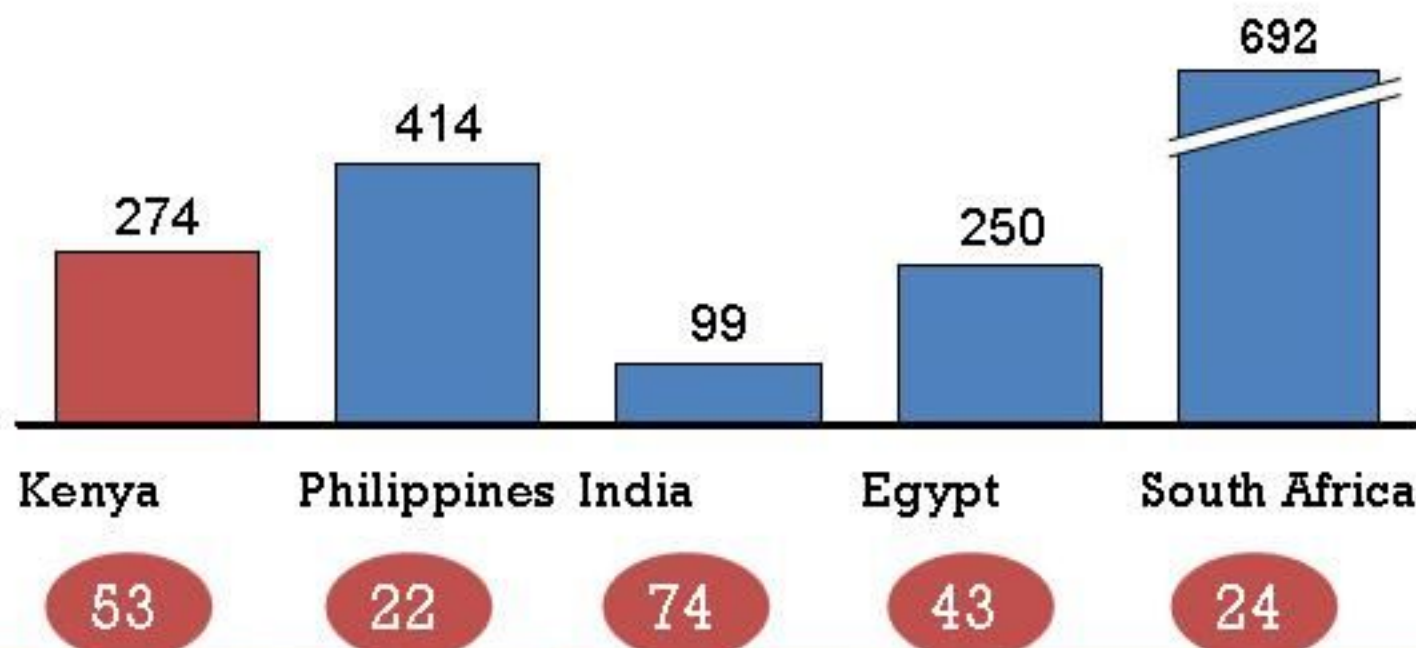
CAGR 2001-06

Kenya is driving innovation



Safaricom launched the world's first mobile phone service that allows money transfers by phone

Mobile phone subscribers per 1000 population, 2006



† 2000-06

Source : Euromonitor, CCK, Team analysis



# ALWAYS A REGIONAL HUB, KENYA IS QUICKLY BECOMING A POLITICAL AND ECONOMIC LEADER



## Political leadership

*"I pay tribute to Kenya for the role the government continues to play in the Sudanese and the Somalia peace process," COMESA Secretary General, Erustus Mwencha 2006*

*"Kenya has played a crucial role in peace building in the troubled regions of the world...over two decades" United Nations and Kenya report 2006*

## Economic leadership



*The ambitions of Kenyan firms is driving expansion beyond their domestic market*



■ ■ ■ AND HAS ATTRACTED A LARGE NUMBER OF MNCs AND NGOs



World headquarters

Major regional offices



UN-HABITAT



UNEP



Microsoft

NOKIA  
Connecting People



Unilever

Sub-Saharan headquarters



unicef 

Google



ERICSSON 



AGA KHAN FOUNDATION  
TRUSTEES KINGDOM



citigroup 

# THIS HAS BEEN DRIVEN BY 4 KEY FACTORS



## Skilled, Affordable, labour



*Kenya has a large pool of skilled labour*

## Social life



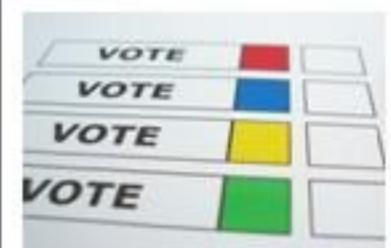
*Nairobi has an exciting social scene, making it an attractive place to live and visit*

## Connectivity



*Kenya is very well connected to key hubs*

## Stable political environment

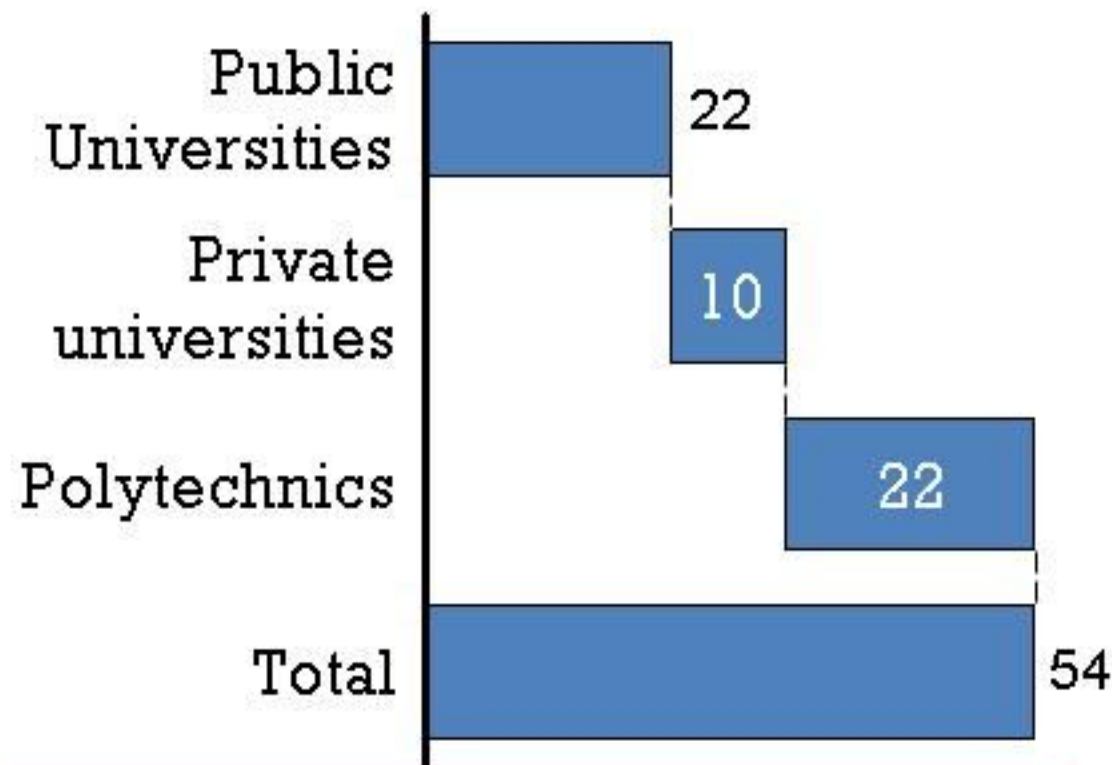


*Kenya has been politically stable since independence in 1963*

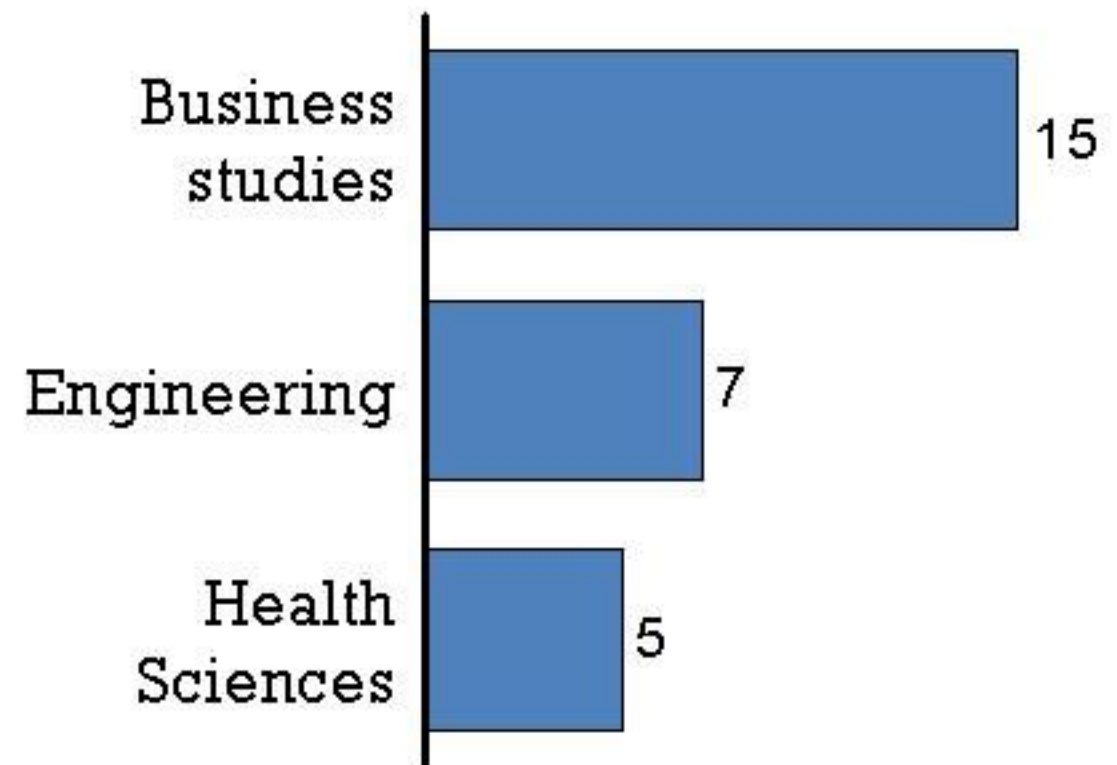
# KENYA HAS A LARGE POOL OF LABOUR WITH GOOD EDUCATION, ENGLISH ACCENT AND TECHNICAL SKILLS



Annual increase in number of English speaking graduates, '000 2006



Annual increase of technical graduates\*, '000 2006



***Kenya is well placed to offer voice services such as customer contact***

\* Polytechnics only

***Kenya is well placed to offer technical, administrative and general back offices services***

Source: Ministry of Education, Team Analysis

# KENYA IS AN ATTRACTIVE PLACE TO LIVE AND VISIT



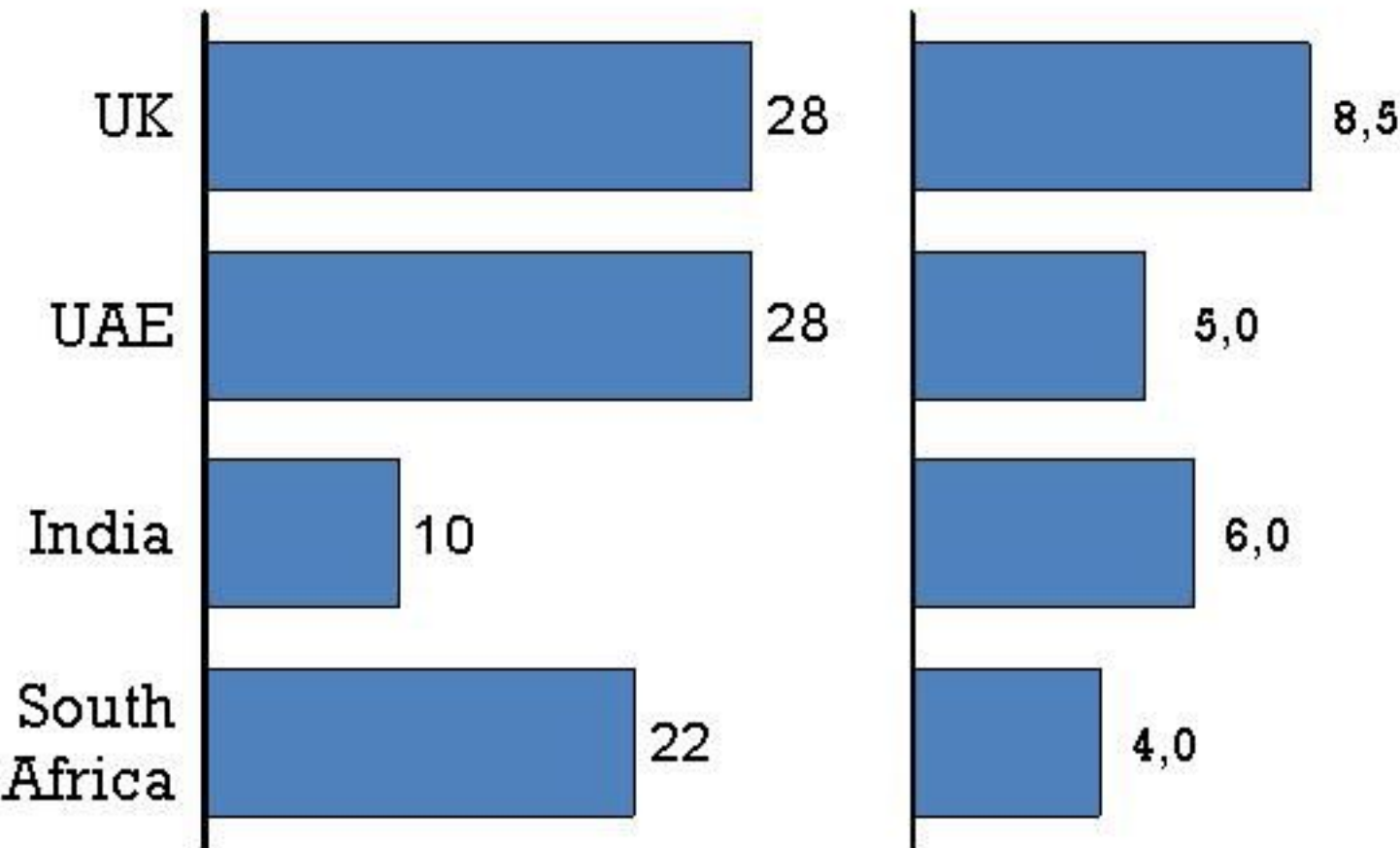
# IN ADDITION, KENYA HAS EXCELLENT CONNECTIONS TO KEY DESTINATIONS



## Flights to selected destinations

Number of direct flights per week

Flight length Hours



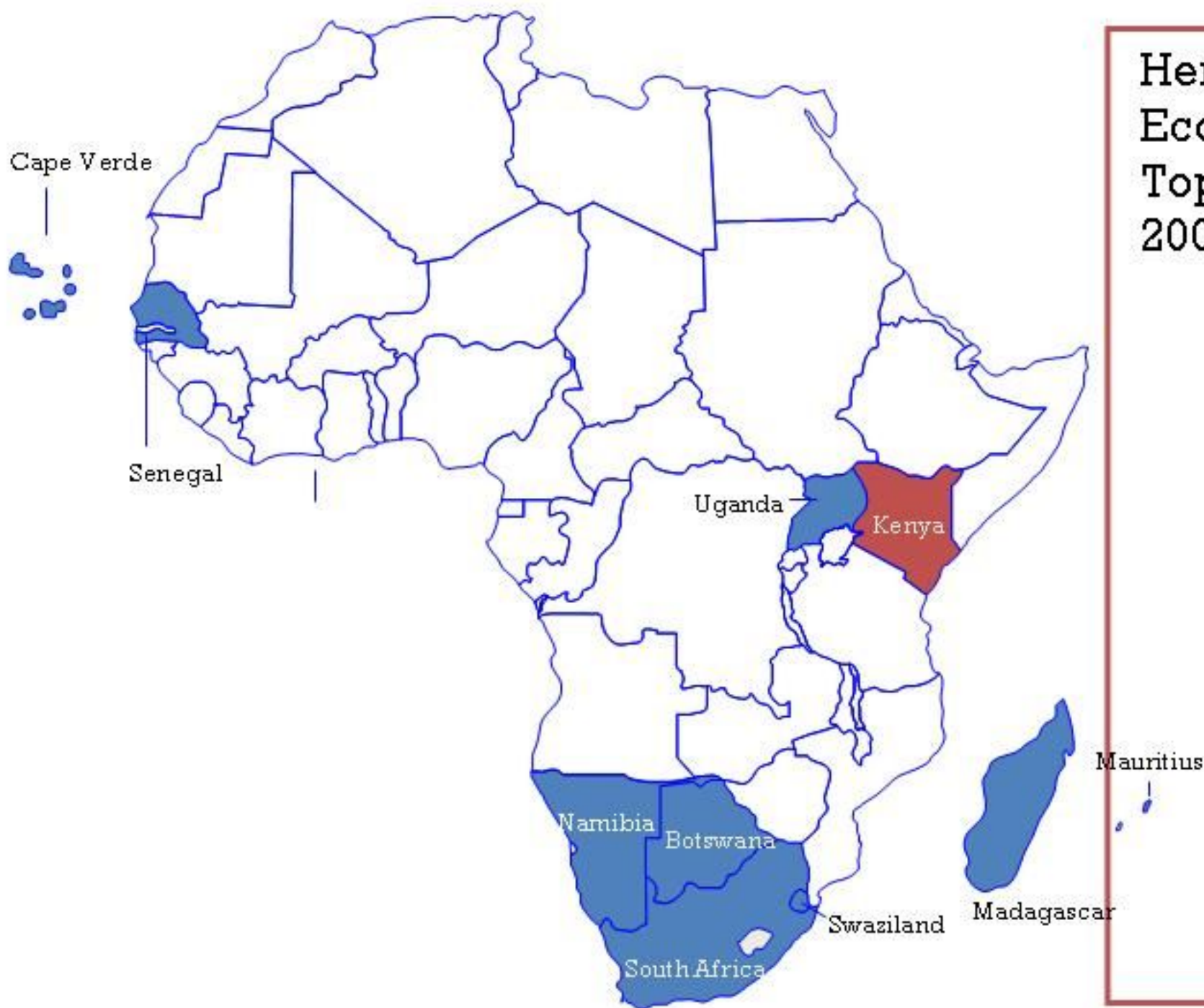
\* Direct flights on 15<sup>th</sup> Oct 2007; Excludes taxes

Source: OAG Database, Expedia

## Airlines serving Nairobi



# KENYA HAS BEEN POLITICALLY STABLE SINCE INDEPENDENCE IS RATED AS ONE OF THE TOP 10 MOST OPEN COUNTRIES IN AFRICA



Heritage international  
Economic Freedom score.  
Top 10, Sub-Saharan Africa,  
2007

Mauritius	69.0
Botswana	68.4
South Africa	64.1
Namibia	63.8
Uganda	63.4
Swaziland	61.6
Madagascar	61.4
<b>Kenya</b>	<b>59.4</b>
Senegal	58.8
Cape Verde	58.4

# KENYA OFFERS A GOOD QUALITY AND AFFORDABLE SOLUTION FOR BUSINESS PROCESS OUTSOURCING AND OFFSHORING (BPO&O)



## 1 A thriving economy

*Kenya has solid economic, social and political foundations which make it attractive to foreign investors*

## 2 A growing BPO industry

*Kenya has seen rapid growth in its BPO&O industry*

## 3 Public sector commitment

*The Kenyan government is committed to expanding BPO&O as key driver for the ongoing success of the economy*

# KENYA ALREADY HAS A WIDE RANGE OF LOCAL AND INTERNATIONAL BPO&O PROVIDERS



Some Examples BPO&O providers

**KenCall**  
OUTSOURCING THE WORLD

**SE** SKYWEB - EVANS  
International BPO Solutions Provider

Back office processing

**P**reciss

**KEN-TECH**  
DATA

The industry has doubled in size in 2 years

Software development

**HomeBoyz**  
Entertainment

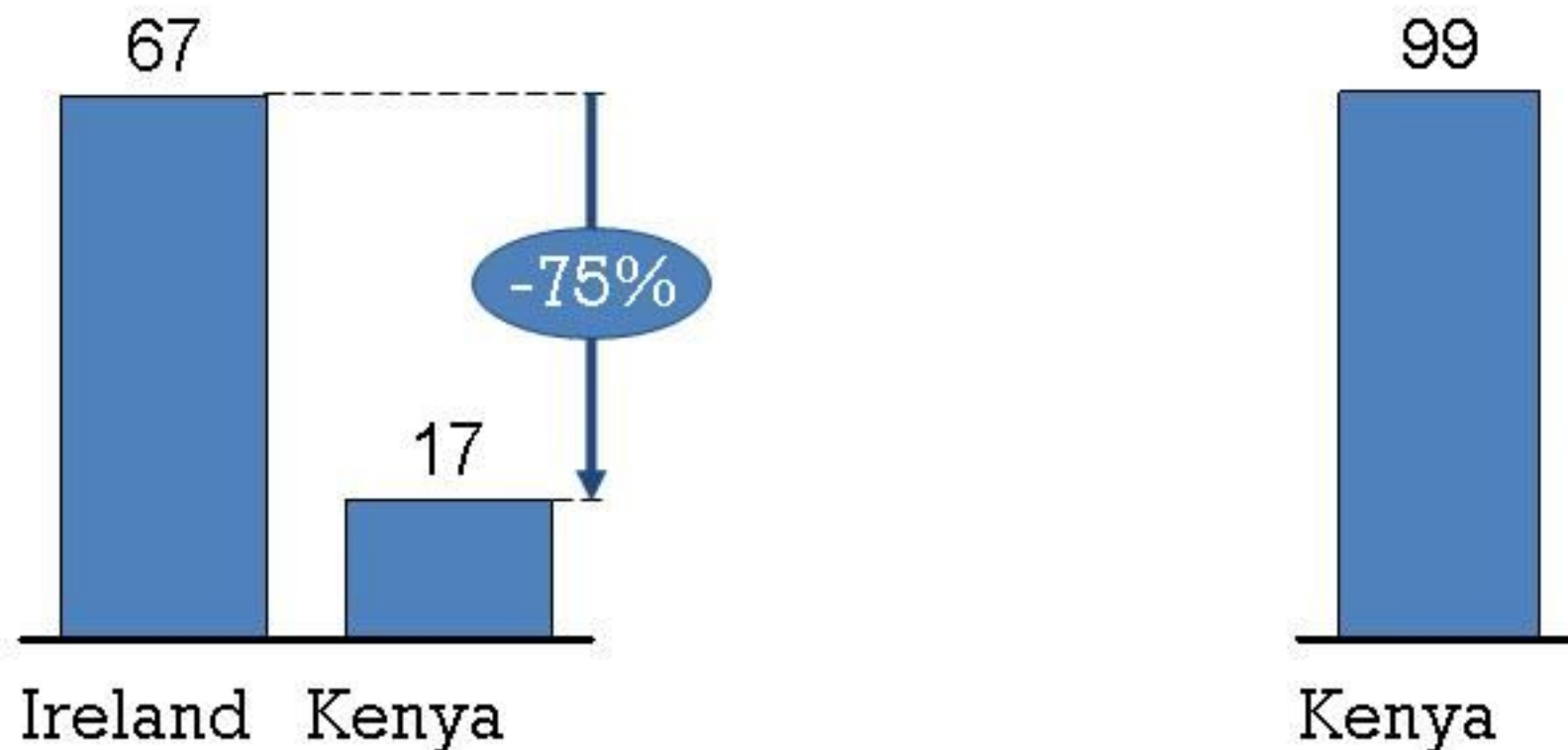
**mICE**  
INTERACTIVE MEDIA LTD

# THIS HAS BEEN DRIVEN BY AFFORDABLE, GOOD QUALITY LABOUR



Savings are up to 75% on near  
shore locations . . .  
Cost per seat, \$000

. . . while the quality is very good  
Transcription accuracy, %



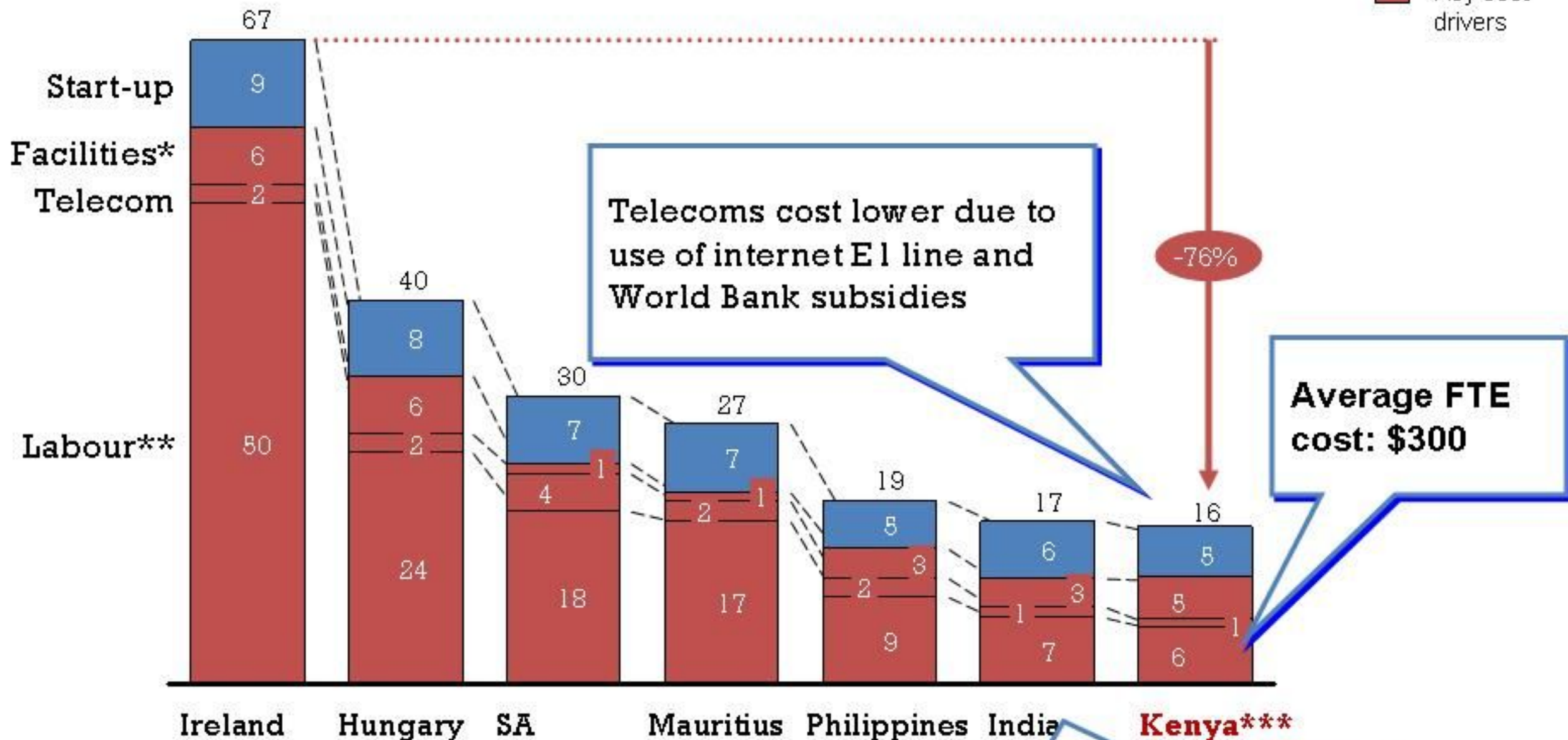
*"We have had a tremendous experience  
in Kenya, and look forward to doing  
business there for years to come", Client  
CEO*

# KENYA OFFERS SAVINGS GREATER THAN 75% ON NEAR SHORE FACILITIES, IN LINE WITH EXISTING OFFSHORING CENTRES



Cost of operating a 1,000-seat BPO centre, \$m

Key cost drivers



\* Including equipment maintenance/upgrades

\*\* Wage and benefits, recruiting costs and support labour cost

\*\*\* Estimates based on interviews

Source: Team analysis

# THIS IS ATTRACTING AN INCREASING NUMBER OF LARGE GLOBAL FIRMS



Potential investors

etisalat 

*Agility*   
*A New Logistics Leader*

  
**TATA**

Potential tenants

Google™



IBM

**Microsoft**™



 *Sun*  
microsystems

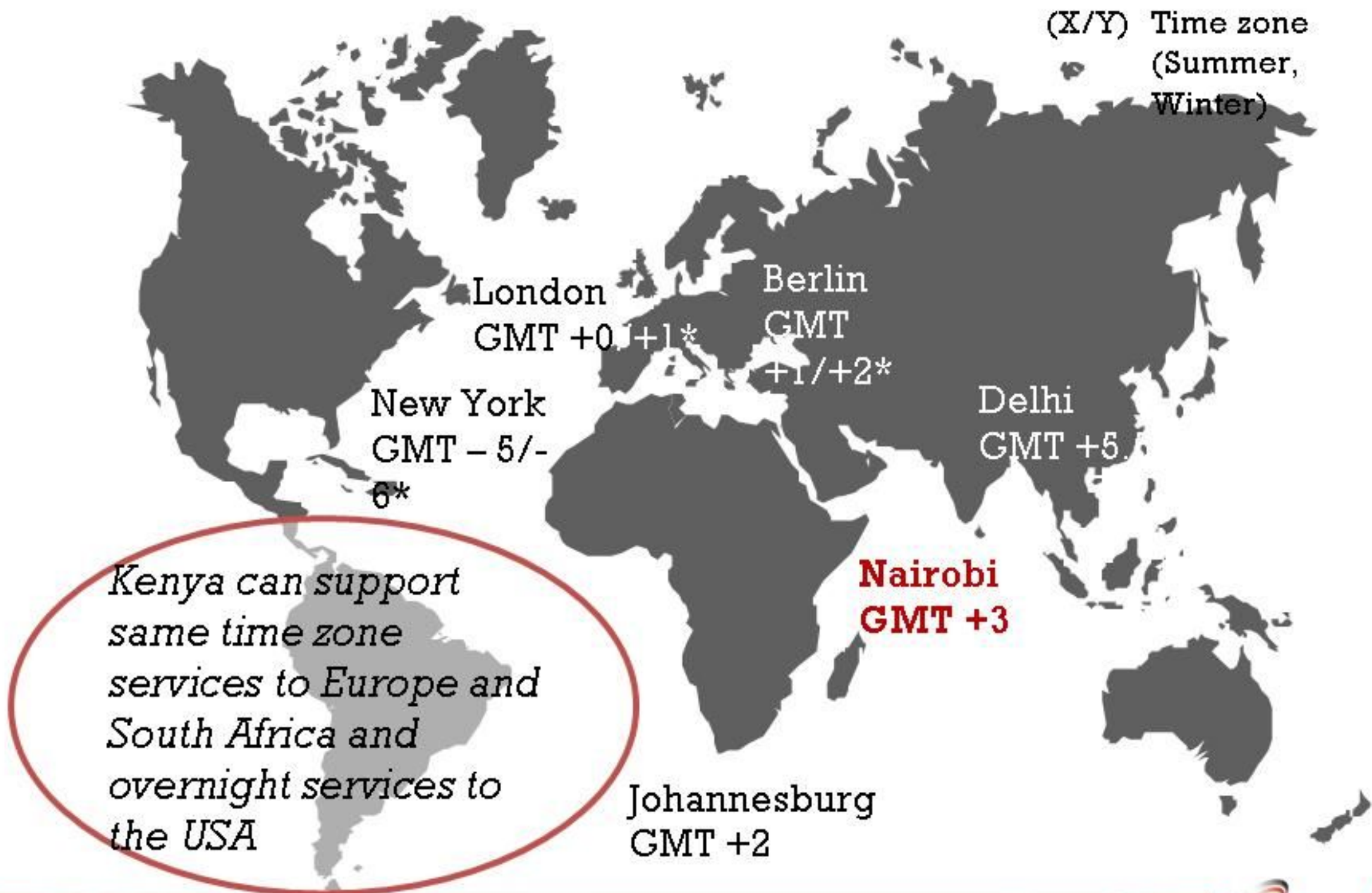
intel™



**SAP**®

Source: Team interview, team analysis

# THIS IS SUPPORTED BY A TIME ZONE WELL SUITED TO WORKING WITH USA AND EUROPE



# KENYA IS WELL SUITED TO PROVIDE CUSTOMER CONTACT AND ADMINISTRATIVE BACK-OFFICE SERVICES



	<b>Activities</b>	<b>Key skills</b>	<b>Enablers</b>
<b>Customer contact</b>	<ul style="list-style-type: none"><li>• Inbound customer services</li><li>• Inbound/Out-bound sales</li><li>• Collections</li><li>• Helpdesk</li><li>• Correspondence</li></ul>	<ul style="list-style-type: none"><li>• Language skills</li><li>• People skills</li><li>• Computer literacy</li></ul>	<ul style="list-style-type: none"><li>• Skilled workforce</li></ul>
<b>Administration/ general back-office</b>	<ul style="list-style-type: none"><li>• Data entry</li><li>• Claims processing</li><li>• Document management</li><li>• Transcription and translation</li></ul>	<ul style="list-style-type: none"><li>• Computer literacy</li><li>• Language skills</li><li>• Business services awareness</li></ul>	<ul style="list-style-type: none"><li>• Skilled workforce</li><li>• Relevant experience</li></ul>

In addition, smaller scale, high-end service outsourcing will continue to grow

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# THE KENYAN GOVERNMENT HAS IDENTIFIED BPO&O AS A KEY DRIVER FOR KENYA'S ECONOMIC GROWTH



***“We are encouraging the growth of ICT and BPO because of its enormous potential to absorb our young people into gainful employment”***







**His Excellency Hon. Mwai Kibaki**

# GROWTH IN THE BPO INDUSTRY HAS BEEN IDENTIFIED AS ONE OF SIX KEY PILLARS OF KENYA'S GROWTH

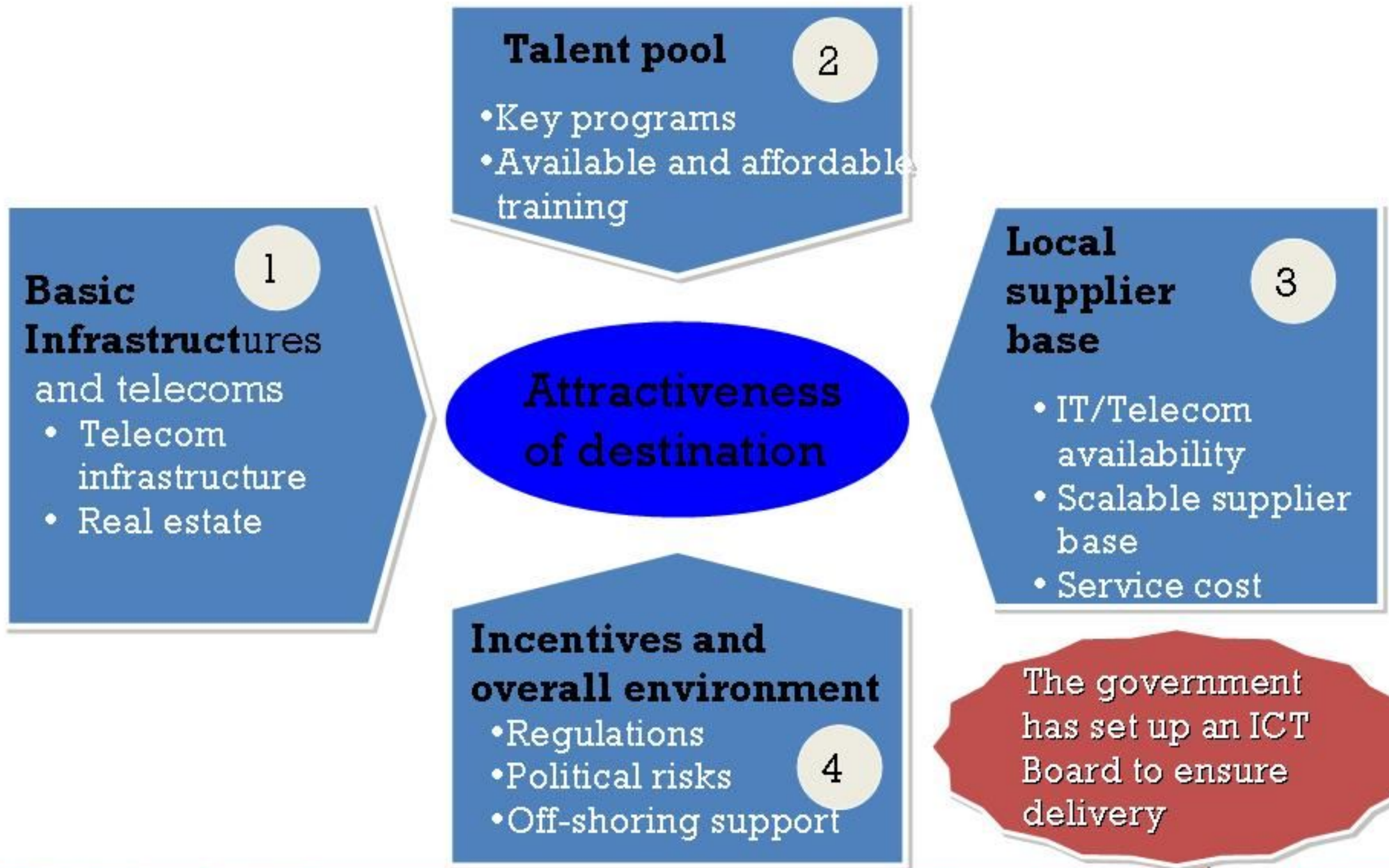


Economic pillar

To maintain a sustained average economic growth rate of 10% per year over the next 25 years

	1. Tourism	2. Agriculture	3. Wholesale & retail	4. Manufacturing	5. Business Process Offshoring	6. Financial services
						
Visions	Be a top 10 long-haul tourist destination	Innovative, commercially oriented and modern	Move towards greater efficiency and at least a 30% formal market share*	Improve competitiveness to revolutionise sector	<b>Quickly become one of the top 3 BPO destinations in Africa</b>	Efficient and globally competitive driving high savings and financing
Goals for 2012	<ul style="list-style-type: none"> <li>Increase beds from ~40,000 to ~65,000</li> <li>Increase visitors from 1.8 M to 3 M</li> </ul>	<ul style="list-style-type: none"> <li>Raise yields of key crops by ~3x</li> <li>Better utilisation of up to 1M ha</li> <li>600K-1M new hectares made arable</li> </ul>	<ul style="list-style-type: none"> <li>Create 10 hubs and 1000-1500 PBGs</li> <li>10 Tier 1 retail markets</li> <li>Add 3 new retailers with national reach</li> </ul>	<ul style="list-style-type: none"> <li>Create at least 2 SECs with at least 10 large international players as well as at least 5 SME parks</li> </ul>	<ul style="list-style-type: none"> <li><b>Create 7,500 direct BPO jobs, 5000 of which are in BPO park</b></li> </ul>	<ul style="list-style-type: none"> <li>Raise savings and investment to ~25-30% of GDP</li> </ul>
Transversal reforms and key enablers	Public sector reform					
	Infrastructure development					
	People development					
	Land reform					

# ... AND THE GOVERNMENT HAS IDENTIFIED FOUR KEY AREAS FOR DEVELOPMENT TO DELIVER THIS



# BASE INFRASTRUCTURE IS IMPROVING RAPIDLY THROUGH A NUMBER OF PUBLIC AND PRIVATE INITIATIVES



## Telecom



Undersea cable  
National fibre backbone  
BPO Park

## Energy



Energy Board

## Transport



Road transport  
Airport expansion

## 2 DEVELOPING THE TALENT POOL



### Public provision



Free primary education

Embracing technology

ICT specific training

Public universities

### Private provision



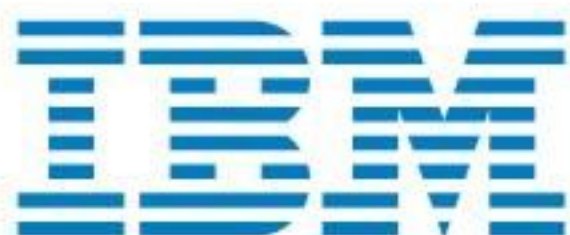
Training colleges

Private universities

3 KENYA ALREADY HAS A STRONG LOCAL SUPPLIER  
BASE



**Microsoft®**



**SIEMENS**

In addition, the rapid growth of open source software has created a large pool of software design expertise in Kenya

## THE GOVERNMENT IS CONSIDERING SUBSTANTIAL INCENTIVES TO ENCOURAGE THE GROWTH OF BPO&O



Proposed to government

### Tax incentives

- Reduced income taxes for both expatriates and key national employees
- Corporate tax holidays for BPO&O firms, with reduced tax after the holiday
- BPO&O firms can obtain EPZ\* status, with a tax holiday followed by reduced tax rates

### Custom duties

- ICT equipment attracts no customs duties
- VAT exemptions for local purchases of key inputs

### Set-up & training subsidies

- Subsidies as specific set-up costs
- Subsidies for relevant training programmes
- Discounts for rents in BPO specific locations

### Reduced regulatory/burden

- Speeding up the process of setting up new BPO providers
- Simplifying hiring and firing processes

\* Export processing zone

Source: Team interviews, Team analysis

# IN ADDITION, THE LOCAL PRIVATE SECTOR HAS SETUP THE BPO ASSOCIATION TO DRIVE GROWTH IN THE INDUSTRY



## Association membership

- Current and prospective BPO providers
- Companies and public organizations providing services to BPO providers including
  - Training
  - Business services
  - Marketing services
- Companies providing equipment to BPO providers
- Government representatives (through ICT Board)

## Association functions

- The association will support the development of the industry and set and monitor standards by
- Marketing the Kenyan BPO industry
  - Setting and monitoring training standards
  - Working with the government to develop the industry
  - Setting and monitoring ethical standards
  - Maintaining a database of industry participants
  - Co-ordinating industry plans and behaviour

The association is modelled on, and works closely with, NASSCOM and other national associations

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# FOR MORE INFORMATION, PLEASE CONTACT



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Cell: +254 734 250085  
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[marketing@ict.go.ke](mailto:marketing@ict.go.ke)  
[eunicekariuki@ict.go.ke](mailto:eunicekariuki@ict.go.ke)  
[www.ict.go.ke](http://www.ict.go.ke)

[www.kenyabposociety.or.ke](http://www.kenyabposociety.or.ke)



***Thank you***

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